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ISAAC BRONSON
AND THE
SEARCH FOR SYSTEM IN AMERICAN CAPITALISM, 1789-1838

by
Grant Morrison

A dissertation submitted to the Graduate
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This manuscript has been read and accepted for the Graduate Faculty in History in satisfaction of the dissertation requirement for the degree of Doctor of Philosophy.

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INTRODUCTION

Much attention has been paid to social and political conservatism in America between the two eras that used to be called the "critical period" of the 1780s and the "age of the common man" of the 1830s. The dramatic changes in that first half-century of the new nation's existence, changes which threatened older institutions and values, evoked a wide variety of efforts to preserve traditional forms of social control and maintain stability. Historians have examined many of these in detail. Little attention, however, has been given to the role of business conservatives in this endeavor. This is at least partly understandable. Entrepreneurial or business histories are, after all, primarily concerned with the business performance of individuals or firms. Since American capitalism has been such a dynamic, transforming phenomenon, greater emphasis has naturally been given to the innovative or exploitative features of enterprise than to those aspects of economic behavior which sought to provide stability and continuity.

Furthermore, when we do think of efforts to impose system and controls, we ordinarily associate these with the

organizational imperative arising from industrialization, and we tend to identify this development with the post-Civil War years. It is true that in the preindustrial period, roughly the years before 1840, most of the population were farmers, and the merchants who represented the most distinctive form of large-scale business activity in that age of commercial capitalism were men who brought highly rational methods to their personal pursuits but had little need for any broad systematization.

Yet in one field in the preindustrial period--banking--the need for improved systematic methods and techniques was increasingly felt. There were good reasons why banking became the most crucial and controversial area in all of American enterprise. Banks were the great corporations of the day, and the corporate form was still new in America. As late as 1830, only two or three textile manufacturing companies--the closest competitor to banks in size--had as much as \$1,000,000 in capital, and most such companies were capitalized at less than \$100,000. Yet the First Bank of the United States (1791-1811) had a capital of \$10,000,000, and the Second Bank (1816-1836) had a capital of \$35,000,000, while in 1830, nearly forty other banks throughout the nation possessed a capital of \$1,000,000 or more. But size was only one aspect of the problem. The unique influence which banks exerted on general economic conditions, in backcountry communities and the great commercial centers alike, caused a deepening concern in all classes of society.

Bankers are conventionally thought of as the "soundest" of businessmen. While this has perhaps generally been the case, it was far less so in the early nineteenth century than at any other time in American history. Many men went into banking in that period with little knowledge of the business but with a belief that it offered quick and easy profits. Their practices diverged more and more from older established rules of banking and caused increasing concern to conservative financiers. The problems as perceived by the conservatives posed a social and economic dilemma. On the one hand, a population with much suspicion about banks was nevertheless demanding more capital and more banks in order to exploit growing opportunities. On the other hand, the conservative bankers, who knew the vital importance of banking to economic growth, watched the increase of banks, and from their viewpoint the decline of banking practices, with the same sort of deep misgivings which they and other conservatives experienced from the radical alterations of political and social institutions. Indeed, they tended to see all of these changes as interrelated.

The whole social setting of enterprise was changing rapidly. When the United States came into existence in the late eighteenth century, capitalist activity was dominated by a northeastern commercial elite. The Hamiltonian economic system that accompanied the new nation was designed primarily in the interests of this group. Banking was conservative

and limited, geared to the needs of merchants. Since banking had evolved out of the mercantile tradition and was directed by, and served, men of common outlooks and pursuits, restraints and controls were largely informal, a product of a consensus among businessmen as to what constituted proper banking. Fifty years later the country had grown prodigiously in area and population, and the dual values of democratic government and democratic enterprise were fixed irrevocably in the public consciousness. The pressure toward an expansion of opportunity had long since broken down the older, traditional network of informal restraints that had been suitable to the earlier and smaller business world.

In the long course of this development, the capitalists most aware of the dimensions of the change were those who had known the older world from personal experience. Their careers like their values had been shaped in the late eighteenth century; their Federalist allegiance was a genuine symbol of world view. Some of these men--joined as years passed by younger men of similar outlook--tried to combat certain aspects of change in the economic sphere, as their counterparts were trying in other areas.

Isaac Bronson, born in 1760, belonged to the young generation of Federalists in the 1780s and 1790s; he died in 1838, in a substantially altered society. He made a fortune early, primarily in finance, and increased it thereafter; at his death he was one of the wealthiest men in New

York City.¹ By temperament and intelligence he was well-suited to probe the effects of the spread of democratic enterprise, and he proved to be one of the most insightful financial thinkers of his time. Fritz Redlich, who discussed Bronson at some length in his history of American banking, described him as possessing "a broad, analytical mind and an ability to think in economic, as opposed to business, terms."² Bronson became one of the most representative figures among a growing number of established capitalists who sought means of reimposing order, as they understood it, over what they believed to be an increasingly unstable economy.

For a while this endeavor was accompanied by political partisanship, especially in the years around the War of 1812. But the most important feature of the endeavor was a steady movement away from an earlier conceptual framework--which was rooted fundamentally in mutual suspicions between men of commerce and men of agriculture--and toward an application of systematic, technical analyses to the social and economic problems engendered by banking. Their objective was to discipline American capitalism--to only the most minimal extent necessary--in order to create an environment of continued but more secure growth. Bronson and the others fell far short of attaining all their objectives. Some of the tendencies of the American economy that most disturbed them were far too irresistible to contain. But they did

advance ideas which came to be embodied in a major reform, New York's Free Banking Act of 1838, and they charted the course which American banking would take a generation later. In this respect they laid a groundwork of theory and practice that proved enduring.

This work is not conceived as a biography but as a study of the capitalist mind in a highly transitional period of American history. In order to place Bronson more clearly in that period, a certain amount of his private business affairs has necessarily been discussed, but no effort has been made to present a full account of the enterprise of a man who lived a long and active life. The same can be said for his personal and family affairs.

There has been a tendency to see "business reform" in American history as coming about from the efforts of mainly non-capitalist groups and individuals: agrarians and their spokesmen, professional people, intellectuals, liberal politicians. The following argument is predicated on the belief that capitalists themselves had much to do with important reforms in early nineteenth century capitalism, and that the most revealing and significant motivations for the reforms arose in a context of values and objectives that had little to do with an attack by the common people on the money power.

NOTES TO INTRODUCTION

1. A recent study, based on research in the manuscript tax rolls of New York City, places Bronson in 1828 in the category of wealth assessed at over \$250,000. In all, only eleven names are included in this category (of whom two, John Jacob Astor and John G. Coster, were assessed at over \$500,000). In a listing for 1845, seven years after Bronson's death, his estate is one of 55 names in the category assessed at \$250,000 or over. See Edward Pessen, "The Wealthiest New Yorkers of the Jacksonian Era: A New List," New-York Historical Society Quarterly, LIV (April 1970), 145-172.

2. Fritz Redlich, The Molding of American Banking: Men and Ideas (2 parts; New York: Johnson Reprint Corporation, 1968), I, 46. This work, originally issued in two separate parts, was first published in 1947 and 1951.

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From the inception to the completion of this study I have been fortunate to receive the guidance of Professor E. James Ferguson, a teacher and a friend. At several stages of the work I benefited greatly from discussions with Professor Harold C. Syrett. Professor Robert A. East offered useful suggestions, and Professor Edward Pessen furnished information on certain points. The staffs of various libraries and archives were very helpful, particularly those of the Library of Congress, the New-York Historical Society, the New York State Library, the Connecticut Historical Society, the Connecticut State Library, Columbia University Library, and the Graduate School Library, City University of New York. Special mention must be made of the Manuscripts and Archives Division of the New York Public Library. Many demands were made on the staff of that division, particularly on Mr. Paul R. Rugen, Keeper of Manuscripts, and Miss Jean R. McNiece, First Assistant, which were invariably met with efficiency and good humor.

My mother's encouragement has always been strong and deeply appreciated. My daughters, Laura and Amy, have provided far more inspiration than they probably realize. Without the help given to me, in so many different ways, by my wife Carol, this work could not have been finished; to her I owe the largest debt of all.

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CHAPTER I

THE FEDERALIST REPUBLIC AND THE NEW ENTERPRISE

Like many men of his generation Isaac Bronson grew up on the farm, served in the Revolutionary War, and achieved success in the city. He came to maturity in an era ripe with opportunities, when the founding of a republic and a new economic order created possibilities for material gain that had never before existed in America.

1.

Bronson descended from a long line of Connecticut Puritan freeholders. His great-great-great grandfather was one of the earliest English settlers of the Massachusetts Bay colony, and a member of Thomas Hooker's congregation in Newton (later Cambridge). When Hooker rejected the authority of the Massachusetts divines, John Bronson joined the migration to the Connecticut Valley frontier in 1635. He was not one of the proprietors of the new town of Hartford, but was listed as a settler who by the "towne's courtesie" had liberty "to fetch wood and keepe swine or coves on the common."¹

By 1641 John Bronson had acquired some property and moved again, becoming one of the original proprietors of the new settlement to the southwest at Farmington.

He spent the rest of his life there, serving as town constable, as an elder of the Congregational church, and for several sessions as a deputy in the lower house of Connecticut's colonial legislature. One of his sons-- the first of five generations to be named Isaac-- left Farmington as a young man and moved to a settlement on the Naugatuck River. In 1674 he was one of the signers of the Articles of Association establishing Mattatuck, which in time became the town of Waterbury.

After three migrations to the frontier within forty years, this branch of the Bronson family remained in the Waterbury area and shared in the growth and modest prosperity of the town during the late seventeenth and eighteenth centuries. Isaac Bronson came from a family which belonged neither to the poorer nor the wealthier ranks of colonial society, but to the "middling" class of farmers who owned enough land to make a reasonable living and usually took an active part in public affairs. His ancestors were frequently sent to the legislature and held local offices, as well as serving as elders of the church. John Bronson left an estate worth £ 312 in 1680; his son left an estate worth £ 386 in 1719.² This represented not large but substantial property. None of Bronson's forebears was rich, but all were among the most prosperous citizens of Waterbury.

His father, also an Isaac, was an enterprising man; he owned a farm at Breakneck (now Middlebury), a short

distance from Waterbury, and also operated a tavern there. In addition he owned one of the first saw mills in the area.³ The elder Bronson was a respected member of the community, serving several terms in the legislature, both before and after independence; he lived to be ninety years old, dying in 1826 when his oldest son was approaching seventy. Although he earned a reasonable livelihood he was not able, or did not choose, to send any of his four sons to college. His political views were consistent with the general tenor of Connecticut society in his lifetime. Years later a relative recalled the elder Bronson's antipathy to Thomas Jefferson's administration: "In politics, he was a warm Federalist. I recollect hearing him say, with hands clenched... 'I solemnly declare I would rather be taxed a yoke of fat oxen every year than see the nation disgraced by this paltry gun-boat system.'"⁴

He married Mary Brockett in 1755, and they had nine children, of whom the first two were girls. When their first son was born on March 10, 1760, they named him Isaac in accordance with the family tradition which had started in the seventeenth century, but which was to end with this Isaac who, though he later had four sons of his own (one dying in infancy), declined for reasons unknown to pass on his name, giving them instead the unbiblical names of Oliver, Arthur, and Frederic.

Very little is known of Isaac Bronson's early years; indeed, only fragmentary evidence exists for his life until

he was past thirty. He grew up on his father's farm at Breakneck with his several brothers and sisters, coming to know well the agrarian life that was then not much changed from the time the first American Bronson secured his initial freehold.

Yet he did not want to follow his father on the farm and in his late teens embarked on a different life. Since he was not able to go to college, he began to study medicine with Dr. Lemuel Hopkins, a Waterbury native ten years his senior who had opened a practice in Litchfield.⁵ Although medicine at the time was not very advanced, and many who called themselves "surgeons" were merely barbers with knives, the profession in general already commanded prestige and comparatively high financial rewards. Recent studies of class and status in the late eighteenth century place physicians solidly in the propertied middle class but below the economic elite, most of whom were merchants.⁶ Bronson's decision to become a doctor suggests not merely ambition for greater ease and position than his destined agricultural career could provide. It also indicates a certain scientific and empirical quality of mind: an impulse toward precision which he needed to believe underlay the randomness of everyday life and which would characterize his later inquiries into the financial problems of the early nineteenth century.

Bronson's journey to Litchfield to study under Hopkins represented a permanent break with the traditional pursuits

of the five generations of his family which had lived in America. In a few years Hopkins moved to Hartford where he became one of Connecticut's most distinguished physicians.⁷ He also became one of the Hartford Wits and a co-author of "The Anarchiad," a poem famous in its time for its satire of conditions under the Articles of Confederation; still later, in 1796, Hopkins penned "The Democratiad" which lampooned Senate Republicans who opposed the Jay Treaty.⁸

Bronson began medical study under Hopkins in the early years of the American Revolution. The teenager could scarcely remember a time free of discord between England and her American colonies: the Stamp Act crisis had occurred when he was five, and a month past his fifteenth birthday war had begun at Lexington and Concord. Bronson's father, forty years old in 1776, was made a Captain of the Waterbury company when the state militia was reorganized by the legislature late that year. At the elder Bronson's tavern, the young General LaFayette and his aides once reportedly lodged. When Bronson senior offered the Frenchman his best chamber and feather bed, LaFayette is said to have declined such niceties, insisting: "Straw for the soldier." The Bronson farm was twice made temporary headquarters for the French army, once in June 1781 as the army passed southward on its way to Virginia for what proved to be the decisive battle of the war, and then following Yorktown as the French headed back to Newport and embarkation.⁹

On November 14, 1779, nineteen-year-old Isaac, qualified by his training under Dr. Hopkins, received a warrant as surgeon's mate, or assistant surgeon, in the Connecticut line of the Continental Army. He entered service in the cavalry on January 1, 1780, assigned to the 2d Regiment of Light Dragoons commanded by Colonel Elisha Sheldon; he served until the end of the war in 1783.¹⁰ Although he abandoned medicine entirely before he was thirty, for the rest of his life Bronson was occasionally addressed as "Doctor," and he did not seem to object to the title.

Bronson as surgeon's mate was part of the headquarters staff of Colonel Sheldon's regimental command. He was the lowest-ranking-- and at \$12 a month the lowest paid-- of all the 23 officers in the regiment.¹¹ The life of a medical officer during the Revolutionary War was only a bit less unpleasant than that of the average soldier. The army frequently suffered from shortages of provisions, including medical supplies. At that time medicine under the best of conditions was in a comparatively primitive state, and the facilities for proper medical attention in wartime were usually very inadequate. Sheldon's regiment of horse spent much of its time in combat areas, and since the senior surgeon was old and infirm, most of the burden of that office fell on his assistant. Bronson experienced the brutal realities of war when hardly more than a boy, while treating, or perhaps more often just trying to comfort, the casualties

of battle and of sicknesses like dysentery, often in the open field or sheltered only by trees. Necessarily mobile but lacking supplies, the regiment frequently did not even have tents or any other shelter than occasional houses and barns. A later account said: "The wounded, as well as the sick, were frequently left under the protection of flags of truce....Mr. Bronson, though a junior surgeon, performed all the medical duties for several campaigns for all the troops attached to Sheldon's command."¹²

Bronson, as a young man of twenty, was present at one of the more dramatic events of the Revolutionary years: the capture, trial, and execution of British major John André, implicated with Benedict Arnold in the plot to surrender West Point. André was captured outside Tarrytown, New York on September 23, 1780, in possession of documents revealing Arnold's treason. Sheldon's regimental headquarters was at that moment located in the vicinity, and André was kept there until, nine days later, he was hanged at Tappan. According to later reports of the episode, it was in Bronson's room at headquarters that André wrote his letter to George Washington revealing his identity as a British officer and not merely a common spy, the letter which Washington's young aide Alexander Hamilton described as "conceived in terms of dignity without insolence, and apology without meanness."¹³ André was technically a spy, but he was also, in the eyes of many American officers, the epitome of the English gentleman, and no object of scorn.

Hamilton especially was deeply moved by André's martial and aristocratic virtues: his dignity, high sense of personal honor, and grace at the hour of death. Hamilton wrote of André's execution that "in the midst of his enemies, he died universally esteemed and universally regretted;" and one of Hamilton's recent biographers asserts that Washington's stern decision that André must die by hanging--the prescribed mode of execution for spies--rather than allowing the condemned man's last request for a firing squad, aroused Hamilton's contempt and was an important cause of the temporary break in personal relations between Washington and his aide early in 1781.¹⁴

Hamilton was not the only one affected by André's behavior or the irony that he would die while Arnold hid in safety behind British lines. The Revolutionary officer Winthrop Sargent, in his later account of the Arnold-André story, said that "Bronson, and the other officers at the post," could not remain unmoved by André's fortitude in his last days. "Many wept openly as he died; among whom it is recorded...was LaFayette....It is very certain," Sargent wrote, "that no little sorrow was felt on the occasion by both friends and foes. Bronson, for instance, whose association with the prisoner continued from his arrest to the gallows-foot, never recurred willingly to the event, nor without hearty regret and emotion." Another account reports that in his later years "Bronson could never bear the slightest allusion to this painful episode of his life."¹⁵

Toward the close of the war, a series of events involving the government, the army, and money, deeply offended Bronson and induced him to address a personal appeal to General George Washington. The origin of these events went back to the beginning of the war. Congress had early been faced with the problem of discontent among the officers, who demanded a pension of half pay for life after the war was over, a provision which was then the practice in European armies. Both Washington and Congress steadily opposed this demand, but by 1780, with the war at its bleakest stage and Washington warning of officer resignations and the spread of sedition, Congress gave in to the demands. In an October resolution, that body promised the officers half pay for life. Nevertheless, neither Congress nor the states liked the measure, and by early 1783, with fighting over and only a peace treaty to be signed to formally end the war, widespread opposition to the pension promise made it clear to even the officers that a revision would be necessary. This came in the form of a "commutation": a resolution of March 22, 1783 which substituted, in lieu of half pay for life, a bonus of five years full pay. Even this was bitterly opposed throughout the country, especially in New England with its strong anti-military tradition.¹⁶

Bronson's particular discontent arose from the fact that regimental surgeon's mates had not been included in

the provisions Congress had made for lifetime half pay. An act of January 1781 dealt with officers in the hospital department--senior surgeons, for instance, were to receive half pay at the rank of captain--but the mates received nothing. It was never made entirely clear whether this omission was intentional or inadvertent. The problem facing the mates was that, having been excluded from those classes of officers eligible for life pensions in the original plan, they obviously did not fall under the provisions of the commutation which changed the plan to one of five years' full pay. This naturally upset the mates, and was especially galling to such a man as Bronson who had done the messy and exhausting work of a senior surgeon at a junior surgeon's wages. But since they were comparatively few in number and held positions of no glamor, the mates' small complaint was lost in what had become a tide of discontent.

The spring of 1783 was a time of increasing tension throughout the military. Boredom and grievances had led to a breakdown of discipline; soldiers were rioting, openly insulting their officers, and demanding their discharges. By the middle of June most of the soldiers and many of the officers simply grew tired of waiting and started for home without any official word of demobilization.¹⁷ It was in this atmosphere that on June 24, Bronson and Nathan Leavenworth, a boyhood friend from Waterbury who had served in the war as a surgeon's mate in the 3d Massachusetts

Regiment, addressed a memorial to the Continental Congress. They sent the memorial to Washington in two copies with a letter to him which stated their reliance on his "disposition to obtain justice for the Army" and asked him to lay the memorial before Congress at such time as he thought fit.¹⁸ Bronson and Leavenworth may have acted on their own, but it is more likely that they had been chosen as the representatives of a group of junior medical officers who believed themselves wronged. In any case, Bronson and Leavenworth referred to themselves as "a Committee from the Regimental Mates of the Army," who were writing "in behalf of themselves and their Constituents."

The memorial, which was in Bronson's handwriting, alluded to Congress' omission of the mates from the general provision. In a reference to what he considered an unfair distinction in status between themselves and the senior surgeons, Bronson stated that the mates had "gone through the usual preparatory studies, and most of them were in the practice of Physick before they entered the Army,--That they had been at the same expence in their education, their sacrifices have been the same, and their past emoluments no more valuable than those of others, for whom a future provision has been made."¹⁹ Although he recognized that the grants of life pensions were prompted by pressures which no longer existed, "the principles of equity" were nonetheless the same with respect to the regimental mates as to all other officers. He requested Congress to revoke "that

line of distinction which has been drawn between their Services and those of the Army at large" and to place the mates on the same footing with other officers.²⁰

It is unlikely that Washington, with complaints from all quarters and the dissolution of the entire army on his mind, devoted much attention to this memorial, although on the back of the copy he retained is a notation that he sent the other copy to the Secretary of War on July 1.²¹ But no action was taken; when Bronson left the army, he went with no claims on the government for any bonus for his services.

As it turned out, many years later he and other surviving old soldiers received a pension of full pay for life in an 1828 act which attempted to settle the matter of pensions to Revolutionary War veterans. By then he was almost seventy years old and one of the wealthiest men in New York, and the pension, \$480 a year, was hardly notable to him. Indeed, its chief effect seems to have been to awaken unpleasant memories. This pension was provided under general legislation covering numerous classes of veterans; it did not assuage the feeling that he and the other mates had been unjustly deprived of the commutation of 1783 which awarded five years' full pay. Toward the end of his life he began a campaign to persuade Congress to include the regimental surgeon's mates under the terms of the old commutation and pay them the long-overdue bonus--a superfluous, purely honorific quest, but one that he

felt was based on absolute principles. Together with a few other surviving regimental mates (all of them doubtless, like him, septuagenarians), he again memorialized Congress, and again, as in 1783, without success. This time however he died before Congress' final disposition of the case.²²

The thought of these ancient veterans bestirring themselves at the memory of events more than half a century old has a droll side, and yet their sense of injustice, still alive after so long a time, suggests how deep their resentment must have been at the close of the war.

The record of Bronson's activities continues to be sketchy after he left the army. He and four other Waterbury men constituted their town's branch of the Order of the Cincinnati, the fraternal association of former Revolutionary officers which in time was to be a stronghold of political conservatism.²³ Bronson doubtless practiced medicine for a time and accumulated some savings. His status-- a veteran officer and a physician, still in his twenties and unmarried-- friendships he had formed during the war with other young men of the Revolution, his own ambition and the opportunities then becoming available, all led him increasingly into business ventures. Before the Revolution practically the only speculative outlet for savings was in trade or land, but during and after the war, the purchase and sale of government securities became an attractive new form of business activity. In the mid-1780s Bronson was already

investing in public securities, mainly in the final settlement certificates issued to the army, which came on the market in 1784 and were the chief concern of speculators in the years thereafter.²⁴

Bronson also made money through trade in those years, probably a considerable amount of money. Besides investing in goods from Europe and Asia he also took passage abroad himself, carrying goods for sale. He was probably also employed as ship's surgeon. The only definite evidence found shows him to have made a voyage to China in 1787-1789, but he may have made others.²⁵ It was fairly common practice at the time for men with medical experience to hire out on merchant vessels, and they often found it much more profitable than practicing medicine at home.²⁶ Trade was growing rapidly, and even a moderate investment in a single venture could reap a handsome profit. One later biographical sketch says that through foreign trade in those years Bronson "amassed wealth."²⁷ That statement is vague; it is doubtful that he acquired real wealth. But clearly, in the middle and late 1780s he accumulated the substantial property that permitted him, during the intense period of speculation in 1789-1792, to make a fortune.

The earliest of Bronson's extant letters after he left the army date from 1787 and were addressed to a young woman he was courting, Anna Olcott of Stratford, Connecticut. They had much in common: their distant ancestors had come

from England to America around the same time and had been in the same congregation that left Massachusetts to settle in Hartford in 1635; afterwards Isaac's ancestors had drifted to Waterbury, Anna's to Stratford.²⁸ The two young people had the same religious and rural New England background. How they first met is not known. Isaac's 1787 letters to Anna, sent from Hartford and Eastchester, describe ardent emotions but give no clue to his business affairs, although it is probable that a "Mr. Flint" mentioned as bearer of one of the letters was the Connecticut speculator Royal Flint who had been connected with Jeremiah Wadsworth's numerous pursuits during the war and by the mid-1780s was associated with William Duer in several ventures.²⁹

After the first few letters a gap of a year occurs in the extant correspondence, and then a letter appears written in April 1788, sent by Bronson from the Portuguese island of Madeira, off the coast of North Africa, where the vessel he had shipped out on headed for Asia had made a stop. Four months had already passed since they sailed; their trip had been delayed in Madeira for some time, and he was impatient with the bad weather, religious holidays, and other inconveniences that had prevented resumption of "this almost endless voyage to China," but now the ship was about to embark, and he still hoped to complete the voyage in eighteen months from the time they had sailed.³⁰ They made it in

seventeen months, for he arrived back in America in May 1789, and immediately plunged into business.

2.

Returning to the United States less than a month after George Washington had taken the inaugural oath, and having acquired an unknown but apparently significant amount of capital, Bronson was in a favorable position to grasp the widening opportunities available through speculation in government securities. He had also established connections with very well-placed men.

On the last day of May Bronson wrote Anna from Boston-- he had gone there without even going first to his home-- lamenting their separation and proclaiming "had I a fortune that placed me independent of wants, I would not be influenced by any pecuniary motives" to sacrifice the tender hours he could spend with her-- "my dear good girl"-- but unfortunately, he would not be returning home quite as soon as she expected him. He had "a copy of some contracts" which Theodosius Fowler and Samuel Pomeroy wanted him "personally to attend to," which would require a trip to New Hampshire.³¹ He had now abandoned medicine; from that time on, he was to be pursuing and enlarging the fortune that would place him and his family "independent of wants." Three months later, on August 30, 1789, he and Anna were

married and settled in Hartford. He was then twenty-nine, she was twenty-four.

The men mentioned in his letter, Fowler and Pomeroy, were two among the many new speculative entrepreneurs whose numbers increased in northern commercial centers after the war. An impressively large percentage of these men became involved, either directly or indirectly, with the multifarious projects of William Duer. Duer for a while was one of the two or three most dynamic enterprisers of the new nation: a former officer in the Revolutionary Army; business associate of most of the influential men of the period; Assistant Secretary of the Treasury in the first year of the new government; projector of huge plans involving millions of dollars; second perhaps only to Robert Morris in his scope of enterprise; a blazing figure who towered above most of his contemporaries and then (like Morris) suddenly crashed to disaster. Fowler and Pomeroy were among Duer's numerous associates.

Theodosius Fowler was a key figure of the period. He began advertising in newspapers around 1787 as a broker in continental and state certificates. His activities, while not on the scale of Duer's, were quite extensive. In December 1789 his friend Pomeroy was sent to the south to purchase some of the South Carolina debt; a few months later Theodosius Fowler & Co. contracted to sell William Duer and Royal Flint \$30,000 in South Carolina certificates. In 1790 Fowler acted as a cover for Duer in securing a contract

from the Treasury Department to supply rations to army posts in the western territory.³² One of Duer's principal agents in this venture was Isaac Bronson's younger brother Laban.³³

Fowler was one of the era's leading security brokers. In one of two extant registers of the securities presented to the Treasury in 1790, Theodosius Fowler & Co., with holdings of \$202,387, was the second highest name on the entire list of 254, surpassed only by John Delafield's \$321,642.³⁴ Fowler was clearly a very useful man to know, and Bronson's greatest stroke of luck at this important time of his life was his association with this individual. In the next three or four years Bronson, dealing through Fowler and others and acting as a broker himself, made a fortune in securities trading. The work involved was almost endless; Bronson's letters to Anna show that in 1789-1792 he was constantly shuttling back and forth on coaches between New York, Hartford, Philadelphia, Baltimore and Boston. Although there is no way to measure such a factor, it seems unquestionable that his friendship with Fowler at that juncture provided the crucial assistance without which all his hard work need not have resulted in success. In any event, Fowler was the central figure at that stage of his career, and Bronson was privy through him to important behind-the-scenes developments. Moreover, credit was more accessible to him through his association with Fowler.

When Bronson settled down with Anna in Hartford in the late summer of 1789 he was Fowler's connection in that region and began speculating jointly with him in the Connecticut debt. Bronson became so friendly with the Connecticut Commissioner of Loans, William Imlay, that when Bronson moved from Hartford to Philadelphia a year and a half later Imlay wrote him to express hopes that "your prospects in Business answer your expectations" and to request Bronson to regularly pick up his salary checks at the Treasury and forward them to Hartford.³⁵

Speculation in wartime certificates had been increasing for several years. As early as 1782 a group of public creditors had petitioned Congress to provide for funding the public debt, and Superintendent of Finance Robert Morris had reported favorably on their memorial, using the occasion to articulate the Nationalists' position on the necessity of federal taxation.³⁶ Speculation rose sharply after the creation of the Constitution of 1787 and the growing likelihood throughout 1788 that it would be ratified with the clear implication that the public debt would be funded. After the new government took office, speculative dealings heightened even more. Between October 1789 and December 1791, federal securities quadrupled in market value.³⁷

Hamilton's financial program, enacted into law in the summer of 1790, greatly assisted this trend by standardizing

securities into three types. Therefore the expressions "six percents," "three percents," and "deferred debt" became not merely new parlance of the time, but the verbal representation of a significant development: the first organized security market in America. Between October 1790 and December 1791 the "six percents" rose 60 percent in market value, the "three percents" rose 85 percent, and the "deferred" rose 120 percent. The rise was not steady; many fluctuations occurred, particularly in the New York market, and numerous losses were suffered; but on the whole, speculators profited handsomely in this period.³⁸

Bronson dealt actively in the new securities. For two years beginning in 1790 he operated under the name "Isaac Bronson & Co.," which represented a loose brokerage partnership with Jonas Addoms, who was located in Philadelphia and whom Bronson had probably met in the army. Bronson in 1790 was still living in Hartford, while Fowler was in New York; the three men kept in regular touch from their respective cities. Bronson however travelled often to Philadelphia in 1790. On one extended visit there he reported to his wife that in the past twelve days he and Addoms had made more than one thousand pounds.³⁹ At last, finding himself spending so much time in Philadelphia apart from Anna and the new third member of the family, his son Oliver, he moved with them to that city in the spring of 1791.

During this period stock speculation in America soared to heights never before imagined. New York and Philadelphia formed the chief nexus of the security market. Although some similarity existed in price trends, New York prices fluctuated more sharply, and consequently Philadelphia speculators did much of their trading there; in times of greatest activity as many as three expresses per day sped between the two cities. In 1791-1792 Bronson transacted a great part of his business through his New York colleague, Theodosius Fowler, dealings which, in the absence of records in Bronson's own papers, Fowler's account book for the period affords some insight into.

Isaac Bronson & Co. was engaged in buying and selling almost every kind of stock available on the market. On March 9, 1791, just before leaving Hartford, Bronson sent Fowler \$11,653 in Connecticut debt certificates and \$15,739 in unfunded stock. On April 29, having then settled with his family in Philadelphia, Bronson bought, through Fowler, \$8,000 in deferred stock from William Duer; on the following day he bought \$12,000 more from Duer. This was during a fall in prices that spring, and the deferred stock was selling much below par; for this stock with a face value of \$20,000, Bronson's payment was \$9,000.⁴⁰ Whether any actual money exchanged hands is problematical, since so much trading was on credit. During the boom periods of 1791 and 1792, time dealings--purchases on three, four, or five

months credit-- were more common than cash transactions.⁴¹

The market was generally lower in the spring of 1791 than it was to be a short time later, and Bronson bought more than he sold. Much of his trading was with leading figures among New York businessmen. On April 29 he bought \$3777 in three percent securities from the young merchant Hezekiah Beers Pierrepont, who was soon to make a fortune in the China trade and was later to be one of the largest landowners in New York. On May 11 Bronson bought \$4105 in deferred stocks from Duer, and \$1210 from William Henderson, the merchant-land speculator from whom Bronson later purchased a tract of land in upstate New York. Bronson's payment for these three purchases of securities, with a face value of \$9,092, was \$3,968.⁴² Prices soon began to climb, and in the summer of 1791 occurred a great expansion of the market, with increasing participation by the general public in the speculative fever, a development which caused Thomas Jefferson to remark to James Monroe in July: "It is impossible to say where the appetite for gambling will stop."⁴³

Bronson became very active in this period, taking advantage of the price rise. Although Fowler's account book does not identify specific securities, it may be assumed that a great percentage of Bronson's sales were of securities for which he had paid lower prices; this seems a fairly safe assumption in light of the fact that his trading in

this period proved so profitable to him. On June 30 he sold \$1217 of the six percents at close to par, having apparently purchased them for about half as much. Many of his entries in Fowler's accounts are for small dealings such as this; many others are for considerably larger amounts. On July 15 he sent Fowler slightly less than \$60,000 of sixes, threes and deferred. We cannot tell how profitable this transaction was to Bronson, but the potential for money-making in the period can be appreciated when we note that if he had purchased these stocks in the depressed market of a few months earlier--a time when he was making many purchases-- he would probably have paid somewhere from \$27,000 to \$30,000 for them. He sold them to Fowler at just under \$45,000.⁴⁴

In the summer of 1791, the creation of the Bank of the United States gave the greatest boost yet to trading. When Bank stock was put on the market on July 4 it was quickly oversubscribed and resulted in what Joseph Stancliffe Davis called "a speculation unprecedented in America, for which only the South Sea Bubble could be quoted as a parallel."⁴⁵ What contemporaries called "the rage for speculation" had never been so pronounced; twenty expresses per week raced between New York and Philadelphia; the term "stock jobber" took on deeper opprobrium, and even so staunch a supporter of the Hamiltonian system as Rufus King noted uneasily that merchants were ignoring their

regular business, while Hamilton himself sent a note of caution to his friend Duer, the man considered most responsible for the state of the market.⁴⁶

Bronson bought heavily in Bank stock. His total purchases as shown in Fowler's accounts, from July 1791 to his last recorded purchase nine months later in April 1792, came to \$135,825, which made him one of the busier dealers on Fowler's books.⁴⁷ This figure represented purchases made by a Philadelphia speculator in the New York market; when or how profitably Bronson disposed of the shares is not reflected in Fowler's records.

Nor is there any evidence to indicate how Bronson fared in the panic that began in March 1792 when William Duer's most ambitious enterprise collapsed. Duer evidently intended to corner at least a part of the securities market and financed his project by borrowing on personal notes from hundreds of people, ranging from the richest merchants down to, it was claimed, "widows, orphans, oystermen, market-women," and presumably anybody else within reach whom Duer or his agents could entice to invest money.⁴⁸ Duer lost everything and went to prison on March 23, 1792; except for one brief respite of freedom, he remained there until his death in 1799. His ruin set off a chain of events which led to the ruin or injury of many other people, rich and poor.

Whether Bronson had invested in Duer's venture is not known, but though it is possible that he suffered somewhat in the general distress, he obviously was not hurt too badly or for long; the panic, which turned out to be short-lived, affected Philadelphia far less severely than New York.

Sometime in 1792 Bronson ended his partnership with Jonas Addoms and also closed his association with Fowler, neither of which he ever resumed. In 1793, fortunately before a terrible yellow fever epidemic hit the city in mid-August, Bronson and his family left Philadelphia. Henceforth the Bronsons divided their time between Greenfield, Connecticut and New York City, buying a country residence in the former place and renting various houses in the latter place until buying a house some years later near the financial district.

3.

Bronson while in his early thirties had entered the exclusive company of the new nation's economic and social elite. Acquaintances with prominent Connecticut men, besides his connection with Fowler, had eased the way. His friendliness with Oliver Wolcott, Jr. of Litchfield dated from the late 1780s; after his marriage in 1789 the Wolcotts and the Bronsons saw each other socially. In 1790 Wolcott succeeded Duer as Hamilton's Assistant Secretary of the Treasury. When Bronson visited Philadelphia on business

in December of that year he was invited to the Wolcotts' home for Christmas dinner. He reported to Anna that they had "an elegant convenient house in a very pleasant part of town," and that Mrs. Wolcott was very pleased with Philadelphia and desired to be remembered to her. An indication of the distance Bronson had come from the farm at Breakneck was the fact that he shared that Christmas meal with four of the giants of Connecticut society and politics: Wolcott, Oliver Ellsworth, Jonathan Trumbull, and Jeremiah Wadsworth.⁴⁹

He was of course a Federalist, and the nature of his interests thrust him into the company of some of the leading figures of government. Duer and Wolcott were the first two Assistant Secretaries of the Treasury; Wolcott succeeded Hamilton at the Treasury and stayed there until 1801. Bronson knew Hamilton as well. One of Bronson's obituaries in 1838, written probably by his old and intimate friend Roger Minott Sherman (nephew of the Revolutionary figure), stated that "Hamilton and other distinguished men connected with the federal government in its early annals, confided in [Bronson's] talents and virtues; and often consulted him, with great deference for his opinions, especially in regard to its financial interests."⁵⁰

The claim is probably excessive. Bronson naturally had a deep interest in developments at the Treasury Department, as did everyone in his position; but whether he was "often

consulted" by leading men in the administration can only be a matter of conjecture. He was a rising financier, steadily broadening his contacts among influential groups of men; he was also a man who, as was proved later, had a probing and complex understanding of financial questions. He may well have occasionally offered his opinions on policy to Duer, or Wolcott, or even Hamilton.

The only evidence of Bronson's contacts with the latter figure, however, is minimal. Hamilton did speak to Bronson about the opposition aroused by the government's financial reforms, in particular by the crucial measure calling for funding of the public debt. Bronson related this many years later to Hamilton's son John who was then seeking evidence to defend his deceased father's name against various accusations. Bronson had been surprised to discover James Madison at the head of the opposition, for, as he later described it, he had regarded Madison as Hamilton's "personal and political friend...and a federalist in principle." Of Hamilton's reaction to Madison's defection, Bronson recalled:

He told me there was no principle involved in the system he had recommended which had not been the subject of the most rigid examination and discussion between himself & Mr. Madison....That there was no part of the plan for funding the debt which had not recd the intire approbation of Mr. Madison, and an assurance that his influence should be exerted in its support.⁵¹

Bronson said Hamilton had attributed Madison's opposition to "a spirit of jealousy & bad feeling," and had implied

that this jealousy arose from Washington's failure to select Madison as Secretary of the Treasury. Hamilton regarded Madison's conduct as "a perfidious desertion of the principles which he was solemnly pledged to defend." Nevertheless, according to Bronson, he spoke of Madison "more in sorrow than in anger." Hamilton had also discussed with Bronson two other Virginia leaders of the opposition, Thomas Jefferson and William B. Giles, but in his report to John Hamilton, Bronson did not bother to go into detail on the Secretary's comments about them, because those comments "savored more of contempt than of either sorrow or anger."⁵²

Hamilton's papers show that Bronson also offered the Secretary some assistance in one of the many verbal duels over the government's program that took place during the increasingly hostile political atmosphere of the 1790s; this one not with an adversary of the stature of Madison or Jefferson, but with one James Blanchard, a former quartermaster and regimental paymaster during the Revolution, whom Bronson happened to know.

Throughout 1791-92 Blanchard had protested the funding system and had supported the proposal--introduced in Congress by Madison during the funding debate, and defeated there--to discriminate in favor of the original holders of government certificates, many of whom were Revolutionary soldiers. A particularly bitter attack on Hamilton, signed by Blanchard,

appeared in the Philadelphia National Gazette in the first week of 1793.⁵³ That Blanchard was not a very renowned opponent did not prevent Hamilton from becoming incensed, and the Secretary prepared a blistering reply, evidently never finished or published, in which he called Blanchard "a man absolutely bankrupt both in fortune and fame," a "Desperado" who pretended to be "the Champion of the injured soldier" but was in reality a man of "tricks & falsehoods."⁵⁴

These charges seem to have been based on evidence Hamilton received after making it known that he would appreciate information damaging to Blanchard. Bronson had been most helpful. Only three days after Blanchard's newspaper article appeared he sent Hamilton a note concerning a conversation he had had with Blanchard that day; the context of the note suggests that Bronson purposely drew information out of Blanchard that might prove useful to Hamilton's counter-attack. Bronson informed Hamilton that he was told Blanchard's

last journey to Virginia was unsuccessful, he not being able to raise money by the sale of Lands as he expected; so as to profit by a List of bounty Lands due to the Virginia Line. Being asked how he obtained the List, he replied that it was "by stealth from the War Office"-- but that the Office was now more careful & that another List could not be obtained. He admitted that he had not personally suffered by the depreciation of Certificates, his own being lately obtained.⁵⁵

This note probably betrays some sensitivity to certain charges which speculators in the public debt might have felt

at that time. But accusations that the country's soldiers had been exploited by capitalists could have had little emotional appeal to a man such as Bronson. A decade earlier he had left the army after serving for more than three years on the line under punishing conditions, and had not even been granted the special compensation promised to most other officers. From his viewpoint, his subsequent success had been attained without asking for special favors. Arguments on behalf of an oppressed soldiery seemed to him merely politically inspired attacks on the Federalist administration. He was clearly on Hamilton's side and remained always his admirer. When the deficient state of Hamilton's property was revealed after his death, Bronson was an early and generous subscriber to a fund for his widow.⁵⁶ Many years later he was still friendly with Hamilton's sons James and John.

While making money had been his most consuming activity thus far, Bronson from the first seems to have thought not only as a practical businessman but along theoretical lines as well. In light of the later nature of his thinking it appears reasonable to assume that in the early years of the Federalist administration, his attention was engaged not merely by the immediate material benefits which the government's program implied for him and his friends, but also by the program's integral, systemic connection with the concept of a healthy state as envisaged by the late eighteenth

century commercial mind.

He had a strong natural aptitude for finance. After his first few years of involvement in foreign trade he seems never again to have engaged in the purchase and sale of goods; instead, the commodity he thereafter traded in was money. Like nearly all men of property in his era he also invested in land but, considering his means, did so to a relatively modest extent. His first breakthrough to wealth came in the period of intense securities trading at the inception of the new republic, and in that period he received his practical education in the major money markets of the country. Dwelling at the center of feverish activity and dealing daily with the principal entrepreneurs of his time, he came to understand the power and the fragility of the mechanism of credit. No doubt at a very early moment he became aware of his special talents in money matters. That a man later renowned for his financial conservatism achieved his first success by speculating in a wildly fluctuating money market is less anomalous than it might seem at first glance. Few people could better appreciate the vulnerability of a financial system--its connection with intangibles like confidence and group psychology--than one who had participated in the boom and bust years of 1789-1792.

In New York during the 1790s he became one of the chief private moneylenders in the business community, a position he held until his death in 1838. From his account books and correspondence it appears that over the course of his life,

there were few important men of affairs in New York--merchants, lawyers, bankers--whom he did not personally know and have at least a few dealings with. He probably met John Jacob Astor, who was just launching his own career, soon after arriving in the city, although the first mention of the German in Bronson's records was in 1800 when he purchased Astor's \$2500 note from another merchant. A little later Bronson paid Astor \$42.89 for a fur blanket.⁵⁷

The names in his account books, recording his loans, purchases, land transactions, and sundry other matters, read like a list of the merchant elite of the 1790s: Nathaniel Prime, John Delafield, Leonard Bleecker, John B. Murray, Henry Rutgers, William Henderson, John Laurence, Nicholas Fish, Robert Troup, and Henry Remsen are only a few of those mentioned. One of Bronson's daughters would later marry John B. Murray's son, and one of his sons would marry Robert Troup's granddaughter.

Until 1799 New York had but two banks, the Bank of New York (whose charter had been drawn up by Hamilton in 1784), and the city's branch of the Bank of the United States (which Hamilton had proposed in 1790). The demand for credit in an expanding commercial community was greater than those banks could supply, particularly in periods of money pressure such as were created by disruptions of trade due to the English-French conflict that began in 1793. Private moneylending did not decline with the establishment

of banks, as has sometimes been supposed; it remained for some men a major investment until well into the nineteenth century.

When Bronson came to New York in the early 1790s with considerable capital, the question for him was how to invest his money most prudently and profitably. Instead of putting it primarily into trade or land, he put the largest proportion of it into money at interest. In this he resembled a few other men like his contemporary and friend Nathaniel Prime, who in the 1790s established what became in a few years the greatest private banking house in the nation. If one possessed an adequate capital and a basic acumen, moneylending could be very profitable.

Primarily, two types of loans were available to private lenders. One could lend at short periods, by discounting promissory notes or business paper such as bills of exchange. Merchandise was often the security for these loans, as when Bronson took forty bales of "nankeens"--a heavy cloth imported from China--as security for a merchant's 90-day note for \$3052.⁵⁸ This kind of credit was the normal business of banks, but with few banks and many prospective borrowers, the private lender had plenty of opportunity to invest his funds this way. There was an increasing market for such loans; notes circulated from hand to hand, as in the above example when Bronson purchased Astor's note from another merchant. One could also lend for long periods, taking for

security a mortgage on real estate. The first type of lending reflected the needs of the newer commercial classes; the second type was the traditional moneylending that had gone on for centuries in agricultural societies. Bronson engaged in both types.

Private moneylending afforded ways of exceeding legal interest rates. Banks were restricted to a maximum of six percent interest in New York and most other states. Private lenders also came under the jurisdiction of usury laws; the highest rate of interest an individual could legally charge for a loan in New York state had been seven percent since 1737 and was to remain so throughout Bronson's lifetime.⁵⁹ It was easier, however, for individuals to exceed the legal limit than it was for banks to do so. This was not especially true of long-term mortgage-secured loans, for these were legal instruments publicly registered and represented transactions which often extended over several years' duration. But in discounting short-term commercial paper--that is, the normal business of banks, but done by private lenders--the "out of doors" rates were determined in the marketplace.

In the frequent periods of money scarcity, men needing cash immediately to pay for a shipment of goods and unable to get a bank discount were willing to pay eight or ten percent or more for the money, when they anticipated, as they so often did, a profit of fifteen percent or more on

the merchandise as soon as they were able to market it. The best study of private discounting deals with a Philadelphia lender of one generation later who regularly got rates of eight, ten, and twelve percent, and often higher.⁶⁰ Astor much later would recall that he once paid $2\frac{1}{2}$ percent a month for money--thirty percent a year-- and profited greatly by the use of it.⁶¹ In 1795 when Oliver Phelps desperately needed money in a hurry, he wrote Bronson: "Should it be wanted, I will pay you any premium you may require," and a few days later repeated his request, saying: "I will pay you any consideration you shall require for your trouble & the usual premium for the use of the money." On the same day Phelps asked a friend to see Bronson immediately about the loan, for the money "must be raised if I give 5 pr Cent pr month."⁶² Bronson's response to this request is not on record, but around that time he was beginning to deal frequently with Phelps, primarily as a lender.

Bronson doubtless made considerable money by taking higher rates of interest than seven percent. Nevertheless, whatever his practices he kept in line with marketplace rates. He never acquired a reputation for being a usurious lender, even when he later expanded his lending to country areas where men were acutely sensitive to the sharp practices of city capitalists. On the contrary, his reputation for probity, established early and maintained to the end of his life, was one of the highest on Wall Street. Long before

he became regarded as a "sagacious thinker" he was known as an honorable man, a reliable and reasonable source of funds--provided, of course, his borrowers had satisfactory security. From the beginning he was primarily interested in safe long-term investments of his capital, and put the majority of his funds into long loans on real estate, at a steady seven percent return. As scores of letters in his papers throughout his lifetime attest, Bronson was no gambler, and it was not easy to get a loan from him. The wealthy upstate New York landowner James Wadsworth, who had borrowed \$6500 from Bronson the year before, told a friend in 1801 that he had tried to get another loan, and had offered Bronson first ten percent, then twelve percent, but had been refused.⁶³

The first extant inventory of Bronson's estate is dated the first day of 1804. He was then forty-three, and the total value of his property was recorded at \$214,001.⁶⁴ Of this amount, \$144,689 represented investments in loans on bonds and on notes. The rest was in land, bank stock, and personal property. He dealt in this period almost exclusively with other men of wealth. The figure of \$144,689 represented only 33 separate transactions, with only 31 individuals, showing that Bronson was not very interested in small loans.

Most of his 31 borrowers were leading figures of contemporary enterprise. The ambitious land speculator Oliver Phelps accounted for over \$20,000. Three other men

especially interested in New York lands--Wadsworth, the just-deceased William Constable, and Thomas Morris (son of the Revolutionary Financier)--accounted for \$18,000. Four men whom the pages of American State Papers show to have been among the leading securities speculators of the 1790s added another \$46,000--Horace and Seth Johnson, William Henderson, and Isaac Clason.⁶⁵ Samuel and William Bard, of the mercantile and landowning family which later founded Bard College, owed over \$5000; John B. Murray owed over \$6000. Other names on the list also reflect either old family money or recent success: Frederick Rhinelanders, Robert Troup, John Roosevelt, John R. Livingston.

This does not mean that his borrowers were always reliable businessmen. Bronson had many dealings, not always happily, with Oliver Phelps, one of those operators on a giant scale--a partner in the famous Phelps-Gorham Purchase involving some 2,600,000 acres--whose activities characterized the wilder aspects of business enterprise in the 1790s. Phelps, a Connecticut native who had moved to the western New York frontier, was intoxicated with the lure of opportunities opening around him and continually plunged into overreaching adventures. He and Bronson were friends, but over the years their relationship became strained. In 1800 Bronson secured a New York Supreme Court judgment against Phelps for \$6700 debt and damages.⁶⁶ That year Bronson replied disgustedly to one of Phelps'

urgent requests: "Your plans are of such a desultory nature, that I ought in order to accommodate you in all your views to be constantly with you, without anything else to attend to, ready to shift and conform to every arrangement which you find it necessary to make or to alter."⁶⁷ Phelps was soon back in his debt. Seldom, however, did Bronson become involved with erratic types like Phelps. He was a close and calculating man who rarely, no doubt, had spent a penny foolishly.

4.

From his mid-thirties on Bronson spent his life in two locations: one metropolitan and commercial, the other rural and pastoral. The first was located in the financial district of New York City, the second on his country estate in Connecticut. He purchased the country home, at Greenfield Hill, from Timothy Dwight in 1796 when Dwight left his quiet parish and moved to New Haven to assume the presidency of Yale College. Two years previous to his departure Dwight published his poem "Greenfield Hill," a long, rambling work celebrating rural virtues and the great promise of America's future and also expressing a feeling of deep local attachment to a place that meant much to him. In his introduction to this poem and in notes at the end, Dwight described, more simply and with more effect than in the poetry, the piece of America where Bronson and his family would come

to feel most at home. "In the parish of Greenfield," Dwight wrote, "in the Town of Fairfield, in Connecticut, there is a pleasant and beautiful eminence, called Greenfield Hill; at the distance of three miles from Long-Island Sound." The people of Greenfield were almost all farmers, Dwight reported, and lacked "any peculiar assistance from commerce, or manufacturing;" yet they possessed both the necessities and the comforts of life. "Such are the effects of an equal division of property, and of the cultivation of lands by the proprietors."⁶⁸

Already by Dwight's day the idealization of rustic virtues was a much overworked exercise among the educated classes of Europe and America, and most upper-class views of the "sturdy yeoman" scarcely comprehended the more complex realities and aspirations of agrarian life.⁶⁹ Still, there was some truth in what Dwight thought he saw. Greenfield did retain, long after Dwight left it, the relative simplicity of the old American village, and became for Isaac Bronson and his family, and his heirs for a long time afterwards, as refreshing a haven as it had been for Dwight.

Beginning in 1796 it was here, in the house and on the grounds where Dwight had prepared his sermons espousing the Congregationalist's conception of piety and the Federalist's conception of order, that the Bronsons took their ease. In Fairfield, the town of which Greenfield was a part, lived the lawyer and later judge, Roger Minott Sherman, who

over Bronson's whole lifetime was probably his closest friend. Other friends, such as the Wolcotts, had homes nearby. Greenfield was a convenient location; New York was only a few hours away by carriage, and Bridgeport, where Bronson a decade later became president of a bank, was but a short drive's distance. During the more than forty years in which he was owner of the estate, Bronson had extensive remodeling done to the large comfortable frame house and took a deep interest in the day-to-day life of the place. It comprised about six acres when he bought it; over the years he added five more acres to the estate proper and over one hundred acres of neighboring land.⁷⁰

As much as half of each year, when possible, was spent at Greenfield Hill. Like many wealthy families the Bronsons left the city in the warm months. Each spring, usually in early May, they made the carriage ride from lower Manhattan to the country, where they generally remained until late October or early November, returning to New York for the winter. In both settings Isaac and Anna lived rather quiet lives, entertaining guests and attending occasional dinner parties, but aloof from the gayer styles of American society. On his estate Bronson employed several house servants and workers on the grounds, and he owned horses and livestock. He planted white dogwood trees along the road which fronted his property. Bronson was not a city sophisticate who merely dabbled in gentleman farming; his own past gave him a sure

knowledge of agricultural conditions, and during his absences from Greenfield he required regular reports from the managers he left in charge. As the owner of Greenfield Hill Bronson was part of the Connecticut gentry. About 1805 the artist John Trumbull--son of Connecticut's Revolutionary Governor, the "Patriot-Painter" who was commissioned by numerous wealthy families of his time--painted Anna and Isaac Bronson.⁷¹

Anna was a slender, attractive dark-haired woman, then about forty, who looks out from her portrait wearing a high lace collar and a slightly bemused glance that suggests comfort and self-assurance. Little of her own life is revealed in the papers that comprise the Bronson family records. Her husband and her children invariably referred to her with respect and affection, yet she remains something of an anonymity. She bore ten children, and lived to be eighty-five. Through her husband she associated with many of the most influential families of her lifetime. But like many American women of that and later eras, her own identity, apart from her family, eludes sharp focus.

Isaac was of medium height and wiry build; his portrait--he was then about forty-five--shows a man of pleasant, regular features, with a somewhat prominent nose and a steady, straightforward awareness in his look. Isaac and Anna Bronson have faces which seem to speak of domestic calm, a patterned existence, and a sense of confidence which holds

no place for confusion about values.

Yet their lives were not without pain. Their first two children died in infancy. The first was a son, Oliver, of whom the parents were very proud. On one of Bronson's extended trips to Philadelphia in late 1790 he wrote Anna: "It is so long since I left home that I shall hardly know my little sonne I suppose; and I am very sure he will not remember me. I dream about the little rogue almost every night. I hope you take good care to keep him warm this very cold weather."⁷²

Shortly afterwards they moved to Philadelphia and the child became sick--the nature of the illness is not clear from the letters--and Anna in the summer of 1791 took him back to her parents' home in Stratford. Bronson, no doubt considering himself just as qualified as any available doctor, sent his wife anxious advice, telling her to ride with Oliver in a carriage several times a day, since only exercise could save him. "For God's sake," he said, "don't spare trouble or expence to give him exercise, the less medicine the better none will do him any good; Bathing his body often in Brandy & applications to his feet of Burdock, will be of service."⁷³

Less than three weeks after writing those words Bronson heard from Anna of their son's death. "It adds to my distress beyond expression," he wrote her, "when you tell me of the tortures the little innocent babe underwent....

I can't write about him--I loved the little child too well." The next day he wrote again, once more dwelling on the infant's experience of pain; the very loss of him was "an almost insupportable affliction, but the Idea of his sufferings is beyond all expression cruelly painful." "I feel," he said, "as tho nothing could ever make me happy again."⁷⁴

Within a few months a girl was born, and they named her Maria. In early 1792 he proudly told a friend: "The Babe grows finely."⁷⁵ Eighteen months later the baby was dead. Bronson told Anna's father that death came "after four weeks of excruciating torture." The infant's fortitude had moved the parents so much that in their grief they felt "our loss can never be replaced." But joy, or at least hope, had been mixed with tragedy, for another daughter was born two days before the older infant's death.⁷⁶ With a kind of touching obstinacy, as if to challenge fate, they named the new baby Maria in honor of her just-departed sister, and when another son was born, they named him Oliver in memory of his dead brother.

Some shadow seemed always to lie in a corner of Bronson's life. He was not a simple man. Despite the imposing rationality of his career and the caution and fastidiousness of his manner, he seems to have lived a turbulent inner life, the roots of which were no doubt fathomless. He was described as "quick and nervous in his movements," with "an appearance of abstraction as though his mind was busy."⁷⁷

As a child he had seen a younger brother die in infancy; an older sister, Eunice, died at twenty and another brother, Laban, died in his thirties; as a medical officer he had witnessed the suffering and death of men in the Revolution and later of his own first two children. Yet this bleak data of mortality was not unusual for the age in which he lived. Something in his own nature seems to have made him acutely aware of the infinite possibilities of disaster. Without venturing into the murky depths of psychohistory an untrained observer might reasonably conclude that some aspects of Bronson's career, in particular his sensitivity to the dangers of economic instability, were probably surface features of a much deeper sense of the frailty of all human life and institutions.

The information his papers afford on his religious feelings is small, but is sufficient to indicate that these feelings were complicated. Although he and his family regularly attended the Congregational churches in Fairfield and in New York and he assisted various churches financially, as was the custom with rich men, he occasionally betrayed, especially later in life, a troubled sense of a lack of genuine belief.⁷⁸ His interests and pursuits were thoroughly secular, and though the Puritan faith by no means rejected worldly concerns, it also demanded, or at least originally had, a deep appreciation of otherworldly concerns. The God of his ancestors sometimes seemed near and ominous.

The waning of vitality, the erosion of substance: these were what he feared, in man-made institutions and in human relationships. During his courtship of Anna in the late 1780s he had an accident, something minor, perhaps a fall from a horse, involving a broken bone or two. He recovered shortly, but while lying in bed, fears of losing his life--or perhaps more accurately, fears of losing her--overtook his imagination. "Your dear friend," he lamented to her, "is scarce able to write to you, the end of his life he fears is not far distant....Your gentle soul has soothed me in many an hour of distress, when I have felt the pangs of loosing you in the arms of a rival.--Your preference for me, in spite of the oppinion of the world, deserves more than I can do for you." With melodramatic solemnity he concluded: "I feel no reluctance at parting with a world that I have found cruel false and deceitful....My hand fails me to write more--I must resign my pen, and with a bleeding heart pronounce these cruel words Dear charming Anna! Farewell forever!" Only eight days later the world seemed more promising, and he wrote her referring to "Some dark & threatening symptoms" which had given him "doubtful apprehensions for a few days," but were now gone, and he expected "a speedy recovery."⁷⁹

A more passionate nature existed beneath his exterior than most of the people who knew him--and to whom he probably seemed always to be either calculating the interest due

him or discussing the proper function of banks--were ever to realize. From Madeira in 1788, on his delay during the voyage to China, he sent Anna a long, romantic, morbid letter in the course of which he described a nightmare that had made a deep impression upon him. His sense of desolation, as well as, perhaps, unwitting sexual allusions, makes the passage indicative of a more intricate range of emotion than he publicly manifested. He wrote:

My head never rests upon its pillow but I think of you. 'Tis but a few nights ago, I awaked in the severest agonies of grief, from dreaming that you had fell from a high precipice that hung impending over the sea, which dash'd your body into a thousand pieces. I fancied I saw the rocks stain'd with your blood, & your Lovely Limbs floating upon the water, and alternately dash'd against the shore by the rebounding waves. I thought I was almost frantic with despair, & quite beyond the possibility of receiving comfort.-- When I awoke my Pillow was wet with tears, & I was almost as fatigued with the agitation of mind as if it had been real.⁸⁰

A vivid sense of the inevitability of death remained with him always. He and Anna had eight more children after the first two who had died young, and all of them lived to be adults; yet their childhood illnesses and accidents bothered him greatly. His own health was not always superlative, and his imagination sometimes made it seem worse. Following his earlier pattern with Anna he once sent a friend, when he was forty-two, an urgent appeal to hurry to him because they had many unsettled business details and "my life has become too uncertain to make it prudent to have our affairs in the state they remain." A few days later

he wrote the friend not to bother, since he was feeling better.⁸¹

But this intensity was only one strain of his personality. Deeper than that was a flinty toughness. He was capable of anger and gloom, but one senses in him at bottom a cool resignation, hopeful but without illusion, and a stubborn will to survive on his terms in a world that he had never imagined was gentle or beneficent. While he spent his life pursuing material gain, he had no ambition for public praise, fame, or office. He was hard-headed and often impatient, but there was no arrogance about him.

He cherished his family. To Anna, according to all the evidence we have, he was always faithful, attentive, and devoted. To his children he was patriarchal and indulgent: there was never a doubt that "Papa" was the ultimate authority, but all the extant letters between him and his children are warm and solicitous. This proves nothing of course; theirs was not an age or a class in which children tended to rebel against their parents' wishes, least of all in written communications. But whatever resentments may have existed were muffled, and Bronson seems never to have been, in either public or private relations, an overbearing man. His family certainly never experienced want--each child received \$10,000 at the age of 25, plus many other "advances" both before and after that age--but on the other hand Bronson's life-style also reflected that he was a Connecticut

Yankee. His own expenses, to judge from his account books, were quite moderate; his manner of dress, it is reported, was dignified and simple. Though he owned fine equipage, he often rode in an unostentatious carriage; around Fairfield he frequently drove a two-seat wagon with a single horse.⁸² His letters to his servants show him to have been firm yet understanding. With the public, especially with persons he considered beneath him socially, he was unassuming and reserved, behaving somewhat in the manner of an eighteenth century American gentleman.

This is exactly what he was, and that fact, which puts him in a category of time and place, helps explain both his success and his world view that fits less easily in a later period. Born in 1760, he appeared at a propitious moment in American history for an individual of his background. Although he possessed talent and ambition he came from a family that, while respectable in a local context, was undistinguished in terms of genuine wealth and influence. His opportunities for great material success would have been considerably more limited had he been born fifty years earlier, or, as recent studies increasingly suggest, fifty years later.⁸³ As it was, he came to maturity during the years when the American Revolution was initiating a process which created unprecedented opportunities as well as, in a sense, a new capitalist class.

Bronson's achievement and the mobility it reflected were signals of the onset of a new age. The movement of young men away from the limited opportunities of the countryside and the older towns, to the greater possibilities of city and frontier, did not appear for the first time in the generation that matured in the late eighteenth century. But that period with its great social change heightened an already present tendency. The Bronson clan of Waterbury, Connecticut, can serve as an example. Isaac was but one of several who left the old community after the war. His three younger brothers followed his departure: Laban became associated with William Duer, Virtue became Oliver Phelps' land agent in western New York, and Ethel became Isaac's own land agent on a tract in northern New York. Isaac's first cousin, Enos Bronson, from a more propertied branch of the family, was educated at Yale, moved to Philadelphia and became one of the leading Federalist newspaper editors of his generation. A more distant Waterbury cousin, Alvin Bronson, moved to Oswego County in upstate New York, became one of the most successful businessmen of his region, and then served several terms in the New York state Senate.

Isaac Bronson was therefore only the most successful of several enterprising kinsmen who flourished in the new atmosphere. He made a fortune before the end of the eighteenth century and then began to concentrate on a careful and profitable management of his money.

It was natural that Bronson's moneylending would lead him into the still very new field of banking. This eventually carried him out of the area of purely private affairs into an area which, as the eighteenth century ended, was becoming the most socially and politically explosive field in all of American enterprise.

NOTES TO CHAPTER I

1. Henry Bronson, The History of Waterbury, Connecticut (Waterbury: Bronson Brothers, 1858), 137-138. This writer was a distant cousin of Isaac Bronson.

2. Ibid., 138, 140-141. See also a 1760 manuscript tax list for the "West Branch" of "the Several parts of the first Society Waterbury" in Connecticut Archives, Ecclesiastical, 1st Series, XII, 9a, Connecticut State Library. This is a list of 21 names including three Isaac Bronsons. One was the father of the subject of this study, who was 24 that year. Another was that Isaac's father, and the third was of another branch of the Bronson family. The young Isaac was assessed at over £41, a middle-range assessment for the 21 names. The other two Isaacs were assessed at £160 and £140, which made them the two highest in assessments on the list of 21 names.

3. Joseph Anderson, The Town and City of Waterbury, Connecticut (3 vols.; New Haven: The Price & Lee Company, 1896), I, 486, 581.

4. Henry Bronson, Waterbury, 450.

5. Financial Register of the United States, II (July 4, 1838), 15.

6. Jackson Turner Main, The Social Structure of Revolutionary America (Princeton: Princeton University Press, 1965), 275-276; Allan Kulikoff, "The Progress of Inequality in Revolutionary Boston", William and Mary Quarterly, XXVIII, 3d Series (July 1971), 385-387.

7. Hopkins is discussed in Gurdon W. Russell, Early Medicine, and Early Medical Men in Connecticut (Hartford: Proceedings of the Connecticut Medical Society, 1892), 85-86.

8. Henry Bronson, Waterbury, 414-416.

9. Ibid., 339-40; 358-359.

10. U.S. Senate, Documents, No. 27, 24 Cong. 2 Sess. (Dec. 26, 1836), 1. See also Louis C. Duncan, Medical Men in the American Revolution, 1775-1783 (Medical Field Service School, Carlisle Barracks, Pa., 1931), 385.

11. Connecticut Archives, Revolutionary War, 1st Series, XXV (Pay Table, Soldiers, 1781-1783), Connecticut State Library. A document dated November, 1781 shows the payroll for that month of Colonel Sheldon's field and staff officers. See also Elizabeth Banks MacRury, More About the Hill: Greenfield Hill (North Haven, Conn.: City Printing Co., 1968), 83.

12. Henry Bronson, Waterbury, 371.

13. Harold C. Syrett and Jacob E. Cooke, ed., The Papers of Alexander Hamilton (New York: Columbia University Press, 1961-), II, 465. Hamilton wrote this in a letter to John Laurens of October 11, 1780. The letter was printed as an appendix to Minutes of a Court of Inquiry, upon the Case of Major John Andre, with Accompanying Documents (Albany: Joel Munsell, 1865). See also William Abbatt, The Crisis of the Revolution: Being the Story of Arnold and Andre (New York: William Abbatt, 1899), 40.

14. John C. Miller, Alexander Hamilton: Portrait in Paradox (New York: Harper & Brothers, 1959), 71. Hamilton's remark is in Syrett and Cooke, ed., Papers of Alexander Hamilton, II, 468.

15. Winthrop Sargent, The Life and Career of Major John Andre, ed. William Abbatt (New York: William Abbatt, 1902), 367, 449; Mrs. John King Van Rensselaer, New Yorkers of the XIX Century (New York: F. Tennyson Neely, 1897), ix.

16. Merrill Jensen, The New Nation (New York: Alfred A. Knopf, 1950), 31-36, 72-73; E. James Ferguson, The Power of the Purse: A History of American Public Finance, 1776-1790 (Chapel Hill: University of North Carolina Press, 1961), 159-160; Jackson Turner Main, The Antifederalists (Chicago: Quadrangle Paperbacks, 1964), 86-92.

17. Jensen, New Nation, 76-77, 80-82.

18. Isaac Bronson (IB hereafter) and N. Leavenworth to George Washington, June 24, 1783, George Washington Papers, Library of Congress.

19. IB and N. Leavenworth, Memorial to His Excellency Elias Boudinot Esqr., President, and the Honble the Congress of the United States of America, June 24, 1783, George Washington Papers, Lib. of Cong.

20. Ibid.

21. Ibid.

22. U.S. Senate, Documents, No. 27, 24 Cong. 2 Sess. (Dec. 26, 1836); U.S. House, Reports, No. 254, 24 Cong. 2 Sess.

(Feb. 22, 1837); U.S. Senate, Documents, No. 159, 27 Cong. 2 Sess. (March 7, 1842).

23. Anderson, Waterbury, I, 482-483; MacRury, More About the Hill, 94.

24. Franklin B. Hough, A History of Jefferson County in the State of New York (Albany: Joel Munsell, 1854), 234.

25. IB to Anna Olcott, April 5, 1788, Murray Papers, New-York Historical Society. Bronson's daughter Maria married the New York merchant James B. Murray, and some of the Bronson family's correspondence is found in this collection. As the Bronson Papers contain a minimum of purely personal correspondence, the Murray Papers are a valuable source for private aspects of Bronson's life.

26. For instance, see Jonas Addoms to Richard Treat, Sept. 24, 1789, Joseph M. Toner Collection, Lib. of Cong.

27. Hough, Jefferson County, 234.

28. Nathaniel Goodwin, The Descendants of Thomas Olcott (Albany: J. Munsell, 1874), xxii, 33-38.

29. Robert A. East, Business Enterprise in the American Revolutionary Era (New York: Columbia University Press, 1938), 80-100.

30. IB to Anna Olcott, April 5, 1788, Murray Papers, NYHS.

31. IB to Anna Olcott, May 31, 1789, Murray Papers, NYHS.

32. American State Papers. Documents, Legislative and Executive, of the Congress of the United States, Walter Lowrie, Matthew St. Clair Clarke, and Walter S. Franklin, ed. (38 vols.; Washington: Gales and Seaton, 1832-1861), Claims, I, 259-262.

33. Laban Bronson to William Duer, Feb. 17, March 17, April 22, April 24, June 27, 1791, William Duer Papers, NYHS.

34. Ferguson, Power of the Purse, 282-283. On Fowler, see also East, Business Enterprise, 273-275.

35. Record Group 217, Miscellaneous Treasury Accounts, 1790-1894, Account No. 1254 (April 3, May 4, 1791), National Archives. This material was made available to me on microfilm in the offices of The Papers of Alexander Hamilton, New York City. I am grateful to Professor Harold C. Syrett for locating the reference to Bronson and allowing me the use of the microfilm.

36. Ferguson, Power of the Purse, 149-151. Also see E. James Ferguson, "The Nationalists of 1781-1783 and the Economic Interpretation of the Constitution," Journal of American History, LVI (September 1969), 247-248.

37. Joseph Stancliffe Davis, Essays in the Earlier History of American Corporations (2 vols.; Cambridge: Harvard University Press, 1917), I, 195.

38. Ibid., 194-196.

39. IB to Anna Bronson, Jan. 1, 1791, Murray Papers, NYHS.

40. Account Book of Theodosius Fowler & Co., 1791-1792, 24-25, NYHS.

41. Davis, American Corporations, I, 197.

42. Fowler Account Book, 25, 30, NYHS.

43. Quoted in Davis, American Corporations, I, 207.

44. Fowler Account Book, 40, 45, NYHS.

45. Davis, American Corporations, I, 202-203.

46. Ibid., 203, 210-211.

47. Fowler Account Book, 46-91 passim., NYHS.

48. See Davis, American Corporations, I, 278-286, for a discussion of this venture.

49. IB to Anna Bronson, Jan. 1, 1791, Murray Papers, NYHS.

50. Financial Register, II, 16.

51. IB to John C. Hamilton, March 2, 1834, Bronson Papers, Box 85, New York Public Library. These papers comprise the main source on which this study is based. The papers consist of two collections donated to NYPL at different times; the first collection is designated by the Library as the Bronson Papers, the second as the Bronson Papers, Martin Collection. The entire collection, which includes the papers of Isaac Bronson and his family from 1793 to 1868, runs to 199 boxes of correspondence and accounts. Hereafter the collection will be cited as BP followed by the appropriate box number.

52. Ibid.

53. [Philadelphia] National Gazette, Jan. 5, 1793.

54. Hamilton's reply to Blanchard containing these charges is in Syrett and Cooke, ed., Papers of Alexander Hamilton, XIII, 521-527. According to the editors, this reply was apparently not published.

55. Ibid., 525n. This unsigned note was dated January 8, 1793. The editors of the Hamilton Papers cite it as being in an unidentified handwriting. The note was read by the author in the Hamilton Papers at the Library of Congress and found to be in Bronson's handwriting.

56. Josephine Mayer and Robert A. East, "The Settlement of Alexander Hamilton's Debts: A Footnote to History," New York History, XVIII (October 1937), 384.

57. Manhattan Company Account, 1800-1807, April 12, 1800, June 13, 1801, BP, Box 10, NYPL.

58. Accounts, 1793-1830, April 19, 1798, BP, Box 7, NYPL.

59. New York Assembly, Report, No. 66 (Feb. 8, 1850), 2-3.

60. Elva Tooker, Nathan Trotter, Philadelphia Merchant, 1787-1853 (Cambridge: Harvard University Press, 1955), 177-196. See the same author's "A Merchant Turns to Money-lending in Philadelphia," Business Historical Society, Bulletin, XX (June 1946), 71-85.

61. Bray Hammond, Banks and Politics in America (Princeton: Princeton University Press, 1957), 540.

62. Oliver Phelps to IB, April 11, 20, 1795; Oliver Phelps to Daniel Penfield, April 20, 1795, Letter Books, 5, Oliver Phelps and Nathaniel Gorham Papers, New York State Library.

63. James Wadsworth to Oliver Phelps, Feb. 10, 14, 1801, Phelps-Gorham Papers, NYSL.

64. "Inventory made January 1, 1804," BP, Box 7, NYPL.

65. American State Papers, Finance, I, 117.

66. Statement dated Nov. 6, 1806, BP, Box 44, NYPL.

67. IB to Phelps, Dec. 20, 1800, Phelps-Gorham Papers, NYSL.

68. Timothy Dwight, Greenfield Hill: A Poem, in Seven Parts (New York: Childs and Swaine, 1794), 5, 169.

69. On the theme of "the agrarian myth and commercial realities," see Richard Hofstadter, The Age of Reform (New York: Vintage Books, 1960), 23-59.

70. "A true just and full Inventory of the estate Real and Personal of Isaac Bronson late of the City of New York deceased on the 1st January 1839," BP, Box 10, NYPL. A statement that the estate was six acres when Dwight lived on it is found in Charles E. Cunningham, Timothy Dwight, 1752-1817 (New York: The Macmillan Company, 1942), 131.

71. The portraits are reproduced in Theodore Sizer with the assistance of Caroline Robbins, The Works of Colonel John Trumbull, Artist of the American Revolution (New Haven: Yale University Press, 1967), 21-22. The originals are in the possession of Bronson W. Griscom of Phillips, Maine.

72. IB to Anna Bronson, Jan. 1, 1791, Murray Papers, NYHS.

73. IB to Anna Bronson, Aug. 19, 1791, Murray Papers, NYHS.

74. IB to Anna Bronson, Sept. 7, 8, 1791, Murray Papers, NYHS.

75. IB to Nehemiah Gorham, Feb. 16, 1792, Bronson Papers, Griscom Collection, Box 200. This segment of the Bronson family's papers, comprising 14 boxes, was once on loan to the New York Public Library, where it was catalogued and boxed. It is now back in the possession of its owner, Bronson W. Griscom. Mr. Griscom kindly made available to me the box of his collection which contains Isaac Bronson's correspondence. Hereafter, citations from these papers will be given as BPGC, Box 200.

76. IB and Anna Bronson to Thomas Olcott, Aug. 19, 1793, Murray Papers, NYHS.

77. Rowland B. Lacey, A Brief History of the Bridgeport Bank, with Personal Sketches of the First President, and Some of the Early Directors (Fairfield, Conn.: Fairfield County Historical Society, 1884), 10.

78. See especially H.D. Sedgwick to IB, Jan. 2, 1824, BP, Box 78, NYPL, for a revealing discussion of Bronson's religious anxieties.

79. IB to Anna Olcott, April 4, 12, [1787-7], Murray Papers, NYHS.

80. IB to Anna Olcott, April 5, 1788, Murray Papers, NYHS.

81. IB to Oliver Phelps, Jan. 18, 24, 1803, Phelps-Gorham Papers, NYSL.

82. Lacey, Brief History of Bridgeport Bank, 10.

83. For example, see Edward Pessen, "The Egalitarian Myth and the American Social Reality: Wealth, Mobility, and Equality in the 'Era of the Common Man,'" American Historical Review, 76 (October 1971), 989-1034.

CHAPTER II

POLITICS: BANKING AND THE BUSINESS ELITE

When Bronson entered the field of banking in 1803, business enterprise like all other areas of society was being affected by the ascendance of Republicanism. The hitherto cohesive commercial class was splintering politically. This rift was created by genuine differences of opinion, by the entrance into commerce of men who were formerly landowners, and by shifts to the new party because of immediate advantages to be gained. Bronson remained a Federalist, but he accepted the realities of the new situation and predicated his actions accordingly. His first venture into banking, however, taught him painfully that the changes underway were harsher than he had suspected.

1.

In the final years of the eighteenth century the recently created Federalist hegemony began to break down. Paralleling assaults on the party's political positions were attacks on the framework of northeastern mercantile enterprise dominated by tight-knit circles of new and old

family wealth. Along with religious dissent and land hunger, demands for greater opportunity by ambitious commercial men contributed to the growing Republican movement which finally cracked Federalist power.¹

No other business field was so heavily infused with politics as banking. One reason for this was that banking seemed such an increasingly good investment that it attracted growing numbers of men with capital, and competition made the field more susceptible to political influence. If the term "big business" has any relevance at all to the first four or five decades of the American republic, banking is the field to which it most nearly applies.² Many people invested in banks less for the anticipated dividends than for access to a source of loans which such an investment gave them. For a while yet longer unincorporated, or private, banks could discount and issue notes the same as could incorporated banks, but it was safer and more advantageous to secure a charter of incorporation. Such charters could only be obtained from state legislatures, and so, promoters of banks were necessarily forced to deal with politicians, seeking their support.

But aside from the fact that banks were naturally increasing in a society short of capital, and that the more expansive enterprises of a capitalist society at any given time are almost invariably caught in the political orbit, there was another reason why banks and politics were so

deeply entwined, and this reason was peculiar to the banking function itself. Everyone recognized, even if they did not always understand why, that banks were somehow different from all other enterprises. In a special way, the operations of banks directly affected the activities of other businesses, and the welfare of whole communities. The oldest commercial bank in the country was less than two decades old at the end of the eighteenth century; the fact that a bank could put into circulation a paper currency several times the amount of gold and silver it held in its vault was a still new and perplexing phenomenon to most people in a predominantly agricultural society. It also seemed dishonest to many of them, including intelligent men, not all of whom were southern agrarians. John Adams, for example, never ceased to believe that banks were fraudulent and deeply injurious to the morality and prosperity of the nation.³

Self-reinforcing political and economic dangers seemed inherent in banks, especially after the rise of an organized opposition party in the late 1790s. Bank directors could, and often did, discriminate politically in their loans, and this could threaten the vital interests of men with whose opinions they disagreed, in ways that other enterprises-- say, a grocery, a nail factory, a turnpike company-- could scarcely do. Banks therefore came to be decried as uniquely alarming "political engines," a phrase often heard at the time. Furthermore, and apart from the question of party

affiliation, bank directors and stockholders themselves looked unfavorably on the establishment of competitor banks in their cities. For all of these reasons, petitions to legislatures for new bank charters aroused more public suspicion and political maneuvering than did petitions for any other type of corporation.

No state witnessed fiercer battles over banks than did New York in the early years of the nineteenth century, one reason for this being that probably no state had more bitterly factionalized politics. In the late 1790s, four groups competed for power in New York City and in the state. One was the Federalist party. The other three groups comprised the state's splintered Republican party: the Clintonians--gathered about the powerful Clinton family which had been the strongest single antifederalist force in New York since the Revolution; the Livingstonians--supporters of the old landowning Livingston family of colonial prominence; and the Burrites--followers not of a great family but of a single individual, the enigmatic Aaron Burr.

In 1799 New York City still had only two banks, both controlled by Federalists: the Bank of New York, and the local branch of the Bank of the United States. In March of that year Burr received a legislative charter for his inspired project, the Manhattan Company, the famous scheme by which Burr under the innocuous cover of providing the city a fresh water supply secured a charter in which the

word bank never appeared, for a company which immediately began operating as a bank, and which still exists today under its original charter, though its name is now the Chase Manhattan Bank.⁴

Burr had many enemies but few people denied his political skills. Even Hamilton, though he afterwards, a bit too late, labelled the Manhattan Company a "perfect monster," supported Burr's project in 1799 because he, like nearly every other Federalist, had been genuinely persuaded that it was a nonpartisan public welfare measure.⁵

Burr also demonstrated his talents when he divided the bank's twelve-member board of directors between the city's four contending groups. The three largest stockholders of the Manhattan Company represented the Republican factions: Burr's lieutenant, John Swartwout, took 2,000 shares; Chancellor Robert R. Livingston also had 2,000; and DeWitt Clinton bought 1,000.⁶ Soon the Federalist press was excoriating the Manhattan Company, while the Bank of New York refused at first to accept its notes. But shrewd men of both parties recognized the value of the new stock and bought it as soon as the stock, after the above private distribution, went on public sale on April 22. That very day Isaac Bronson subscribed to thirty shares, and later increased his holdings to one hundred shares.⁷ While official Federalist rhetoric continued to deplore the new institution, party stalwarts such as Stephen Van Rensselaer, Robert Troup,

Richard Varick, John and Philip Hone, and several others, bought Manhattan Company stock. In 1802 the very paragon of old-school Federalism, John Jay, purchased some shares, and even Hamilton and Gouverneur Morris obtained loans from the bank.⁸

Burr once again displayed his political acumen when he brought the warring Republican factions into a coalition in 1800 and--with the Manhattan Company using all its resources and proving that Federalists were correct to call it a political bank--insured the Republican victory which elevated Thomas Jefferson to the Presidency and himself to the Vice-Presidency. From then on, beginning with the electoral college deadlock that made him suspect in his party, Burr's fortunes slid downhill.

His decline was linked to Clintonian and Livingstonian ambitions, as those groups now united forces against him and reduced the factional struggle for a while to two groups, the Burrrites against the new coalition. The Clinton and Livingston interests liked each other no better than they liked the Burrrites, as they subsequently proved. But the Burr faction was vulnerable because of its leader's damaged standing due to events during the election deadlock which seemed to give credence to the rising murmurs of perfidy. An intensive journalistic assault on the Vice-President began in early 1802, carried out principally by Clinton's friend James Cheetham, editor of the New York American Citizen.

Simultaneously with this public attack appeared maneuvers against Burr among the board of directors of the new Manhattan Company. The Clinton family lacked neither power nor ambition; the old Revolutionary Governor George Clinton was now back in the state house, and his nephew DeWitt Clinton was a United States Senator. The family's Republicanism had not precluded a growing interest in the promising field of banking, and they worked to consolidate their position at the Manhattan Company by purchasing more stock and increasing their group's representation on the board of directors. Already in 1801 the annual election of directors had produced a vigorous contest with four different slates put up by groups of stockholders, Burr being the main target. Burr had managed to keep his seat at that time, a position he much needed due to his deepening financial difficulties. During 1802 he borrowed heavily from the bank, a fact which did not help him with the stockholders.⁹ In that year, he and his friend John Swartwout were ousted from the board of directors.

The struggle began to veer toward violence. Burr in Washington maintained his usual public silence, but after a few exchanges of opinion Swartwout and DeWitt Clinton met in a duel in July 1802. In an unusual encounter, five shots were exchanged, Clinton never being touched, Swartwout grimly refusing after each volley to concede that honor was satisfied and evidently determined to continue until one or the

other man perished until finally, with wounds in both legs, Swartwout was forced to withdraw. As Clinton watched his opponent being carried off the field--fortunately for Swartwout his wounds were not very serious--he was heard to mutter that he wished "the principal," meaning Burr, had been facing him instead.¹⁰

This was the ugly mood in the city when a series of events began to unfold that resulted in the creation of the Merchants' Bank, and precipitated the fiercest intra-bank struggle New York City ever witnessed; a struggle that has never been examined in depth.¹¹ The prior conflict over the Manhattan Company was mild by comparison, for that bank had already secured its charter before its enemies realized what had happened, and so their attacks had been loud but ineffectual. But the conflict within New York banking had become not merely a fight between old Federalists and new Republicans, but the focal point of the whole statewide power struggle between the Republican factions, while at the same time the Federalists, though waning in strength more rapidly than they realized, were still considered a viable force. No new bank would be able to slip through the legislative process unchallenged as had Burr's scheme; any new bank project was certain to draw fire from one or more, and probably all, of the three existing banks. The origins of the Merchants' Bank, as well as the battle that followed the bank's establishment, reveal the complex changes taking place in the northern capitalist order.

Isaac Bronson was the promoter who began to organize the movement for a fourth bank in New York, the movement which, after a false start, led to the appearance of the Merchants' Bank and its subsequent fight for survival. His first, abortive idea was for an institution to be called the American Exchange Company, which reflected a plan he had had since at least 1795, for a well-capitalized company with an agent stationed in London. Besides entailing a commercial bank, Bronson's initial scheme apparently envisaged dealings in the domestic and foreign exchange markets, his notion being that purchases of bills of exchange in the country's lowest markets and sales in the highest would tend to make the exchange rates of the various seaports more uniform and, besides being a profitable business, would greatly help and appeal to merchants all along the seaboard.¹²

When Bronson began this effort to establish a fourth bank in the city he was forty-two years old and a wealthy man, but though he had owned stock in banks, he had never been involved in their management. In his approach to a new institution, political considerations were prominent, but they were not of the sort that aimed at specific party or factional advantage. Bronson was a partisan Federalist who had little affection for the political philosophy of Jefferson and Madison and seems to have had personal contempt for DeWitt Clinton. But to any man experienced in the affairs of the city's business community, a changed state was

apparent by the beginning of the nineteenth century. The opposition party had not merely farmers and mechanics in its ranks, but men of wealth like the Clintons, Livingstons, and many ordinary but prospering merchants besides. Burr's success with the Manhattan Company was an indication of the change. Bronson from the outset intended his project to cross party lines and to appeal to men more concerned with loans and dividends than with ideological disputes. Any other approach could scarcely have attracted the type of men whom the project ultimately did attract and, in its subsequent incarnation as the Merchants' Bank, give it the strength to withstand early assault and endure in the city for over a century, until ironically merging in 1920 with its most bitter first rival, the Manhattan Company.¹³

In late 1802 Bronson believed that the moment was propitious for the exchange bank project he had long contemplated. John Swartwout had just sold his large interest in the Manhattan Company and nursed deep grievances against DeWitt Clinton. Bronson went to Swartwout with an outline for a plan which centered on the Cayuga Bridge, a wooden structure spanning narrow Lake Cayuga in upstate western New York. Swartwout had promoted the bridge a few years earlier and had apparently lost money on it, since Bronson had bought shares in the enterprise earlier in 1802 at a lower price than Swartwout wanted to sell.¹⁴ Bronson's plan was to trade the toll bridge to the state at cost, for a

charter for the American Exchange Company. The transaction would include guarantees that the bridge be made toll-free and that Bronson and Swartwout would have stock in the new company to equal the difference between the cost of the bridge, which Swartwout claimed was \$35,000, and a fair assessment of the bridge's current market value.¹⁵ Bronson's notion was that this toll-free offer would make legislators from western New York, whose constituents used the bridge, more amenable than they could normally be expected to be toward a new bank in the metropolis. The plan thus came down to an offer to exchange with the state some stock which Bronson and Swartwout evidently wanted to part with anyway for new stock which they believed would be much more valuable. This sort of bold proposition was not unusual for promoters in the period.

Swartwout liked the idea and besides, one appeal to him, as Bronson knew, lay in the fact that any new bank would compete with the Clinton-dominated Manhattan Company. Both men knew the Clintons and Livingstons would oppose any new institution, but such a plan could succeed if it won the support of any considerable number of that large group of Republican merchants who were uninvolved in, and largely uninterested in, the endless maneuvers of the various factions. Bronson insisted throughout that "an attempt should be made to unite all the republican interest so far as was practicable in the measure."¹⁶ Bronson himself was a well-known

Federalist, but Swartwout was a Republican with numerous connections in the party.

Yet the city was more easily manageable than the western frontier of the state, where the Clintons had strength. For that area, private pressure on the western members of the legislature would be necessary, and Bronson and Swartwout, who were city capitalists, had no influence on such men. Bronson had anticipated this. His good acquaintance, Oliver Phelps, lived in the town of Canandaigua, and though Phelps' business affairs were erratic he was probably at that moment the best-known citizen of western New York. Phelps had become a Republican--he was an intimate of Jefferson's Postmaster-General, Gideon Granger--and had recently gone into politics with his election as Congressman from Ontario County. Bronson had helped him substantially in the past and now wanted a favor in return: Phelps was to go to Albany for the convening of the legislature in January and swing the western Republicans behind the Bronson-Swartwout bank project. Bronson wrote Phelps on the first day of 1803 that "The principle gentlemen of both the republican parties are in it, & I have been requested to press on you the necessity of your attendance." Swartwout appealed to Phelps also: " Mr Bronson myself and others have aranged [sic] a plan for erecting a new Bank here in this City," and needed Phelps' assistance.¹⁷

Bronson and Swartwout probably exaggerated, for Phelps' benefit, the amount of Republican support they had gathered, but they were not fabricating such support. The papers of the highly respected Republican merchant Isaac Hicks show that he backed the new bank plan, intending in February to invest "a few thousand dolls." if a charter was obtained. Hicks also made the significant observation that Manhattan Company stock had fallen ten to fifteen percent since the movement for a new bank had begun.¹⁸

By March the new project had the support of many of the major merchants in the city, of both parties, and certainly some of these were behind it in its earliest days of January and February, when Bronson and Swartwout were initiating the plan. James Cheetham, Clinton's editor, later complained that some of the supporters of the bank had originally been cool to it.¹⁹ Their hesitance probably stemmed from the rather uncommon nature of the original exchange company plan, which made the chances of getting a charter seem even slimmer than usual, and was no doubt also based on a cautious decision to see how events unfolded in Albany before coming out in support of a competitor of the existing banks.

In February, Bronson and Swartwout prepared to go to Albany with their petition bearing signatures from the city's business community calling for a new bank. Then Bronson suddenly became ill and in bedridden frustration had to

watch Swartwout leave without him. His frustration grew as he was reduced to writing letters of appeal to various people while the whole project went to pieces. The end came on February 25, when the Assembly committee to whom the proposal had been referred voted it down, 17-9.²⁰

Several reasons account for the failure. Bronson and Swartwout had not organized sufficient strength; pressed for time and wanting to get a charter during the present session, they had moved too rapidly. However, the plan for an American Exchange Company never really had a chance in the legislature anyway; the Clintons commanded too many votes. This was demonstrated the following year when the Merchants' Bank, with much better organized support, was also vetoed by the legislature. Furthermore, other political influences had also been in operation.

A separate petition for a bank in Albany was presented to the legislature at the same time by a group of enterprisers headed by Bronson's acquaintance Elkanah Watson, later famous as a promoter of canals and agricultural improvements. This project, openly Republican and based upstate, posed no threat to the Clintons' Manhattan Company and had Clintonian support, including even that of the old antibank, antifederalist George Clinton himself. And the Albany group did get their bank that session. When Governor George Clinton wrote his nephew DeWitt in the middle of February, he unwittingly revealed the growing political nature of the whole

banking question. Without seemingly intending any ironic effect, Clinton said that he supported Watson's bank since the present Federalist bank in Albany was "a powerful Engine in the Hands of an overbearing party," and then blandly went on to say that when Swartwout had personally called on him seeking support for the New York City bank, Clinton had "reminded him of my uniform opposition to Banks as great Evils in a Republic."²¹

Swartwout, who in Bronson's absence handled the Albany lobbying alone, managed the assignment unskillfully. He and Bronson realized quickly that the Watson group posed a formidable challenge, and so they decided to offer to merge the two banks into one application. Watson rejected the offer, and Swartwout quarreled with him. (Watson, who had been Bronson's debtor and partner in various land speculations since the 1790s, wrote the financier about this, and Bronson felt obliged to try to justify Swartwout's reaction while soothing Watson.)²² Then Swartwout offered to pay the state \$50,000 for the charter privilege. Obviously he and Bronson had agreed upon this stratagem in advance, and as everyone knew it was common practice in most states. But Swartwout's rash manner of proposing it enabled the Clintonian press to charge bribery.²³

Furthermore, Oliver Phelps proved to be of no help. Bronson addressed him increasingly anxious letters, requesting his presence in Albany. Phelps tarried in Canandaigua for

some time and finally arrived in Albany a bit too late. When pressed for an explanation of his delay by Bronson, Phelps replied innocently that business had detained him, and besides he had not realized that Bronson considered it so important a matter.²⁴ What Bronson did not know was that Phelps had his own reasons for avoiding the issue. Postmaster-General Granger in Washington had heard about the new bank project and had written Phelps: "For Gods sake do not engage. I am mistaken If you can find it profitable and it has a Thousand bearings by which you may be injured."²⁵ Phelps had so far kept aloof from the factional clash among Republicans in the state, and he wished to continue to do so, for he had political ambitions, as New Yorkers learned the next year.

Finally, the Clintonians charged--and pointed to Burr's friend Swartwout as proof--that Burr was the mastermind of the project, claiming it was an attempt to rescue the Vice-President's sagging personal and political fortunes. Cheetham in the American Citizen lashed out at Swartwout and at Bronson, "a famous speculator in this city," detailing for the public the Cayuga Bridge proposition and casting the two men effectively in the role of adventurers who compounded their sins by endeavoring through this scheme to advance Aaron Burr's insatiable ambitions.²⁶

Swartwout may have informed Burr privately of the details of the exchange bank project, but if he did, Bronson either

did not know it or told an outright lie, for Bronson wrote Watson, about Burr: "I give you my honor he knows no more of it than a Lamp post."²⁷ Burr actually had nothing to do with the plan, nor indeed could he have been of any assistance to Bronson and Swartwout. His personal finances were then in a serious state, and as for political influence, Burr was by that time more of a liability than an asset.²⁸ Bronson wrote Watson in regard to the Burr rumor that it would make as much sense to ascribe the bank project to Jefferson, Napoleon, or the Dey of Algiers.²⁹ But a "Burr plot" was a good political ploy that probably influenced some state legislators.

Nevertheless, though the American Exchange Company plan failed, it served a purpose. The volatile condition of New York banking was exposed, and businessmen throughout the city took notice. James Cheetham's editorials denouncing the plan sounded too shrill, especially since his loyalty to Clinton was well known. Cheetham paid lip-service to Republican ideology by protesting that banks were "evils," but some were "necessary evils;" the Manhattan Company had been needed to counteract Federalist financial tyranny. A fourth bank in the city was, however, wholly unnecessary and dangerous.³⁰ This argument was unconvincing to merchants who knew of the heavy Clinton investment in the Manhattan Company. In the weeks before the legislature killed Bronson's project, anyone watching the market discovered that a

fourth bank might well be a good investment and that Manhattan Company stock was not altogether secure. Toward the end of January, before the new project was introduced in Albany, Manhattan stock was selling at around 45 percent above its par value. In the first week of February it plummeted to 33 percent above par, and some sales were made at 30.³¹ It appeared that financial anxiety, not Republican hostility to the evils of banking, informed Cheetham's articles. It also seemed clear why the Clintons exerted such influence against the new bank's petition in Albany. Other reactions betrayed both the Manhattan Company's alarm and its political influence. The landed Livingston family had twice earlier, in the days before aligning with the Clintons, failed in efforts to establish banks in the city. The Livingston family's first foothold in major corporate enterprise was at the Manhattan Company, where the Chancellor was a major stockholder and his cousin Brockholst Livingston was a director.³² Brockholst in February hurriedly circulated a petition against the Bronson plan, most of the signatures coming from his bank's own stockholders, and he assured businessmen that the Exchange Company, just as Cheetham said, was nothing but a Burr scheme. Bronson was not alone in concluding that throwing up a Burr smokescreen was much easier for the Livingstons and Clintons than "coming out frankly and telling the world that they own from 500 to 2000 shares apiece in the Manhattan company."³³

Consequently the American Exchange Company was a valuable prelude to the establishment of the Merchants' Bank. The quick fall of Manhattan Company stock, the interest in a fourth bank shown by businessmen (for the more banks the more credit), and the panicked reaction of the Clintons and Livingstons all disclosed an unexpected Manhattan Company fragility. Bronson and Swartwout, inadvertently and merely by seeking to exploit a new field through the possible advantage of their bridge stock, had opened the eyes of many men to the likelihood that a fourth bank could with proper backing compete seriously in New York. The job of Bronson and Swartwout was now made easier. In the following weeks support for a new bank came from men of such wealth and social standing that Bronson and Swartwout no longer had special distinction as promoters of the project, and became merely two among the dozen or so capitalists who established the Merchants' Bank.

The exchange idea was dropped; the new institution would be simply a commercial bank of discount and deposit. Since at that time it was still possible for unincorporated banks to carry out the note-issue function usually associated with chartered institutions, the founders of the new bank decided to push ahead immediately, go into business without incorporation, and then apply for a charter when the legislature convened the following winter. Bronson evidently advocated this stratagem; at least he was busy seeking expert legal

opinion on the subject. His account books show that during March he paid out of his own pocket a fee of \$50 to Alexander Hamilton "for his advice in regd. to a Private B.," and four days later paid the same amount for advice on the same subject to the prominent Federalist lawyer Richard Harrison.³⁴

Moving swiftly, the New Yorkers agreed on a bank capitalized at \$1,250,000, shares selling at \$50 each. Hamilton was engaged to draw up a legal instrument. Within six weeks of the date that the Bronson-Swartwout plan died in the legislature, the stock of the new bank had been largely distributed. On April 7 sixteen men who had been selected as directors, apparently in a vote of only the earliest and largest stockholders, met at the house of Bronson's Federalist friend, William Henderson, at 25 Wall Street. That evening they signed the articles of association which Hamilton had prepared. (Hamilton himself did not purchase stock.) This meeting established the Merchants' Bank as an unincorporated bank but one which, as if it were a corporation, provided for limited liability of its stockholders.³⁵

When the names of the directors were made public, the directors of the three existing banks could not have been happy; to judge from Cheetham's reaction, the Clintonians were both outraged and fearful. For the board of directors of the Merchants' Bank was a microcosm of the city's elite: wealth, family, and influence were combined to demonstrate to the older banks how serious the competition had become.

The board of directors of the new Merchants' Bank included, besides Bronson and Swartwout, the following: Oliver Wolcott, former Secretary of the Treasury, Bronson's old Connecticut friend who had recently moved to New York and whom the directors chose as president of the new bank; Henry Coster, who with his brother John owned one of the most profitable merchant fleets in the city; Peter Jay Munro, wealthy young nephew of John Jay; Richard Varick, former Revolutionary officer and ex-mayor of the city; John Hone, who with his brother Philip ran one of the city's leading auction houses; Isaac Hicks, perhaps a gentle Quaker but a rich, shrewd merchant; Robert Gilchrist, who like Bronson had made a fortune in securities trading in the 1790s; William Woolsey, a businessman, assemblyman, and occasional writer for the Federalist Evening Post; James Roosevelt, of the old Dutch merchant family; Joshua Sands, who had made a fortune in trade and securities and owned what some called the finest residence in Brooklyn; and the respected merchants John Kane, Thomas Storm, Joshua Jones, and Henry Wyckoff. Appointed to the important post of cashier was the gifted young Lynde Catlin, who later would rise to the presidency of the institution.

While most of these men were Federalists, at least four were known Republicans: Swartwout, Hicks, Gilchrist, and Storm. More interesting, as an indication of the city's business life, and the fact that a relatively small circle

of men still provided the principal investment funds for new enterprises, at least eight of the sixteen directors are known to have purchased stock in the Manhattan Company between 1799 and 1802: Bronson, Swartwout, Coster, Munro, Varick, Hone, Woolsey, and Roosevelt.³⁶ Swartwout had sold his, and conceivably part of the Manhattan Company's anger against the Merchants' Bank was due to some of the others having also parted with much or all of their Manhattan stock in favor of the new bank's shares. Bronson's last entry in his accounts of a dividend on his shares of Manhattan stock was in March 1803.³⁷

These men had committed themselves heavily to the new institution. Before its opening in June, \$1,246,250 of the total capital of \$1,250,000 had already been subscribed. This represented 386 different subscriptions, a sign of popularity which must have given the other banks pause and which reflected more than anything the deeply-felt need for more credit. Most of the city's businessmen purchased from 25 to 50 shares (\$1250 to \$2500), though a few bought only 10 shares, and two subscriptions were for only five shares. Overall, there was a heavy concentration in a few hands. More than one-third of the stock (\$328,750) was purchased by the sixteen directors. Henry Coster led the list at 500 shares for \$25,000, Varick purchased 475 for \$23,750, and the fourteen others including Bronson each invested \$20,000 in 400 shares.³⁸

The Merchants' Bank opened its doors for business on June 1 and proved immediately popular. Its stock in one week rose 18 percent above par.³⁹ With the first news of its establishment in April, even before it actually began operations, the three existing banks curtailed their discounts. This angered businessmen, and businessmen, not the general public, were almost solely the customers of banks at that time. Cheetham tried to defend "the prudent conduct of the other banks" by blaming the money pressure on the "mad scheme" of the Merchants' Bank.⁴⁰

This first, temporary curtailment was meant as a warning, sent from the established institutions to the business community, of the trouble which the new bank could bring in its wake. Such a technique was common among competing banks in that period. In order to drive rivals out of business banks sometimes attempted to curtail their loans, and thus their paper in circulation, below the amount of their competitors' paper. In that way a bank would receive in the course of business more of its rival's notes than the rival was receiving of its notes, and thereby could become the competitor's creditor to such an extent that a presentation of the notes for redemption in specie could drastically hurt, even break, the other bank. Naturally, the usual response to this maneuver was for the other bank to simultaneously reduce its own discounts. In this crude style of competition practiced by early American

banks, the principal victims were not the banks themselves but bank customers, businessmen who found it increasingly difficult to get discounts.

The Merchants' Bank was engaged in such financial skirmishes on and off in the first couple of years of its existence. Several months after it went into business, Bronson reported that in the past few days the other banks in the city had sharply reduced their discounts, "which compells us to adopt the same course in our defence." If continued for another two weeks, he predicted, the contraction of credit would bankrupt countless mercantile firms in the city. The money shortage was so serious, Bronson said, no doubt with considerable exaggeration, that "with all the credit I have I do not believe I could borrow money at 4 per Cent a month."⁴¹

Cheetham in the American Citizen and in pamphlets launched a furious attack on the new bank. Burr as its mastermind receded; now the focus of Cheetham's invective was on the utter uselessness of a fourth bank and the danger to banking stability of allowing unchartered banks to be created "at the pleasure of unprincipled or necessitous men."⁴² In the early weeks his barrage centered on Bronson and Swartwout, the originators of the earlier project, and on Richard Varick, who for some reason Cheetham especially disliked, perhaps because the coldly aristocratic Varick in his recent tenure as mayor had not concealed his

distaste for Republicanism. Sarcastically labelling Varick as "an amiable, good hearted creature!", Swartwout as "Col. Burr's pupil," and Bronson as "An old TORY; now a good federalist," Cheetham expressed shock at the arrogance of the new bank's largest stockholders in electing themselves to the board of directors. "Would the stockholders at large have chosen Richard Varick? Would any one of them have voted for Isaac Bronson?"⁴³ Political designs were part of the whole scheme, said Cheetham: it was a Federalist attempt to weaken the Republicans. The fact that four Republicans sat on the board of directors gave Cheetham some trouble. Rather limply he conceded that "men of exalted worth and integrity" had supported both the earlier bank project and this one, because of the "prospect it held out of pecuniary advantage." Of course the desire to hurt "the republican cause" was not shared "by Messrs. Storm and Hicks, whom we deem incapable of doing aught to impair it." But "some men" were astonished that such fine gentlemen "should associate in this way with Mr. Bronson!!!"⁴⁴

Political sniping of this sort was commonplace. Of greater concern to the directors of the Merchants' Bank was the uncertainty as to whether the institution could obtain a charter of incorporation. Cheetham, a known spokesman for DeWitt Clinton, declared that nothing less than the legal destruction of the new bank was in contemplation. The Merchants' Bank, Cheetham said, lacked the support to

get a charter in Albany. Swartwout, two months ago, "could not obtain a single republican vote in favour of his Exchange Bank....If he, and Bronson, and Varick, go to Albany next winter, it is not probable they will obtain a single vote in favour of the Merchants' Bank. Nor will he and Bronson and Varick be able to prevent a law being passed to restrain the future operations of this company, if they are not before that time compelled to stop payment."⁴⁵

This was not an empty threat, and the men of the Merchants' Bank knew it. Without a charter the institution was vulnerable. In that period, as we have said, the operations of unincorporated, or private, banks were still largely indistinguishable from chartered banks; that is, they issued notes--the act which in America was considered synonymous with banking itself--and they discounted. But this practice was beginning to arouse much complaint. Suspicion of all banks was widespread, and the unique financial power which the institutions possessed was seen as especially dangerous if any individual, partnership, or association could simply go into business (as the Merchants' Bank had just done) without legislative sanction, and begin issuing paper money. In 1799 Massachusetts had shown this fear by passing the first of the country's "restraining laws," forbidding unincorporated associations to issue notes. In time, the nation's private bankers, even when not forced to do so by law, would begin to leave discount and note-issue to

chartered banks and to concentrate in other areas such as investment banking and the foreign exchange markets.⁴⁶

The example of Massachusetts' 1799 restraining law loomed threateningly before the Merchants' Bank. Cheetham specifically cited that law when demanding that, in order to protect the public and the existing banks, the legislature must "pass an act restraining the future operations of the Merchants' Bank and prohibiting similar institutions."⁴⁷

In one sense, restraining laws did reflect a genuine social concern: they were efforts to control corporate privilege in the public interest. But as Jabez Hammond pointed out a generation later, the prohibition which such acts laid down served, not always incidentally, to protect a monopoly of existing banks. And the restraining laws tended, in the states which passed them, to enlarge corruption in the struggles to get the now indispensable corporate charters.⁴⁸

The Merchants' Bank was forced to view the Manhattan Company as its mortal enemy; if a restraining law were passed and the Merchants' Bank proved unable to secure a charter (both of which possibilities were likely because of Clinton strength in the legislature), the new bank was finished. The Clintonians, on the other hand, saw in the Merchants' Bank a direct political and economic threat and tried to reinforce the two other city banks' hostility to the new institution. Throughout 1803, as Cheetham continued excoriating the Merchants' Bank in editorials, the

Clintonians completed the consolidation of their control at the Manhattan Company. By the end of the year DeWitt Clinton himself was elected to the board of directors to take the place of a Federalist who was dropped; only two Federalists then remained on the board and they were soon voted off as the Manhattan Company became, for the next few years, wholly a Clintonian political force.⁴⁹

With the convening of the legislature in 1804, each side perceived itself to be in a life and death struggle; it is no surprise that crude tactics were employed. The Merchants' Bank's uncertain future caused its stock to fall back down to practically par by the beginning of the year.⁵⁰ The bank faced heavy odds, for the legislature was filled with loyal Clinton men. Great city merchants such as Henry Rutgers and John Broome worked with powerful upstate Clintonians like Ambrose Spencer and John Tayler--stockholders of Elkanah Watson's new Albany bank--to join the influence of the Albany bank and the Manhattan Company in a drive to secure the restraining act. Rutgers as chairman of the Assembly's banking committee had chief legislative responsibility for outlawing the rival bank.

The directors of the Merchants' Bank, who did not lack influence of their own, began a fight for survival. The bank prepared a memorial for the legislature and circulated it throughout the city's business community; it combined legalistic defense with economic threat.

While it spoke touchingly of the property of "infant children" invested in the institution which would be jeopardized by a suppression of the bank, the memorial also coolly warned that if forced to close down and therefore call in all the debts due it, "the most disastrous results," including "very extensive bankruptcies," could be expected among businessmen.⁵¹

Within days Cheetham rushed out a pamphlet denouncing the "spirit of daring defiance and excessive speculation" which characterized the Merchants' Bank and its recent memorial.⁵² Reportedly, over 800 merchants signed the Merchants' Bank's memorial, while a counter-petition circulated by the Manhattan Company obtained only 147 signatures. William Coleman, editor of the Federalist Evening Post, claimed that the Manhattan Company had procured from Albany a copy of the Merchants' Bank's memorial, had methodically arranged the signers in alphabetical order, and was systematically rejecting notes offered for discount by every merchant who had signed.⁵³ But the battle was not to be decided by petitions to the legislature.

John Hone, Peter Jay Munro, and Thomas Storn from the Merchants' Bank's board were dispatched to Albany where, joined by William Woolsey, another director, they pursued various stratagems familiar to students of the post-Civil War business era: the douceur, the merger offer, the secret influence. They privately proposed an outright gift to the

state of \$100,000, in either cash or bank stock, in exchange for a charter. At the same time they held conversations with stockholders of Elkanah Watson's Albany bank, in hopes that that Republican institution would reconsider its rejection of the earlier Bronson-Swartwout offer to merge its capital with that of the city bank and end hostilities between the two institutions through a brotherly combination.⁵⁴

These efforts were countered by the Manhattan Company, which had close ties to the Albany bank. In DeWitt Clinton's papers is a copy of a petition which his bank sent to Albany in March and which he seems to have personally prepared; it requested the legislature to allow the kind of merger between the Manhattan Company and the Albany bank which the Merchants' Bank was privately seeking. This was defended as desirable due to the "friendly correspondence" and "reciprocal accommodations" prevailing between the Albany bank and the Manhattan Company.⁵⁵ Information emerged that at the same time, Maturin Livingston in Albany was protecting his family's interest in the Manhattan Company by making a more explicit proposition to a legislative committee, which went far beyond the Merchants' Bank's \$100,000 enticement. The Manhattan Company was prepared to offer the state \$500,000 of its stock at par (so went the rumor, perhaps inflated or biased) for stock then selling at around 30 percent above par if the legislature would suppress the

Merchants' Bank, which Livingston called, presumably with a straight face, "a political institution."⁵⁶

Bronson meanwhile sought once more to enlist the aid of Oliver Phelps. Despite the latter's failure to help Bronson the year before, the Merchants' Bank's directors knew his potential value in soliciting support from frontier Republican legislators. They assumed that, since Phelps had purchased some stock in the Merchants' Bank once it was successfully established--Bronson advancing him the money--he must have some interest in its survival. Go to Albany, Bronson urged Phelps, for "the Clintonians dare not push it, if you give them clearly to understand that you shall consider it as a signal for war!"⁵⁷ Bronson's appeal was framed in terms of Phelps' self-interest. Should the Merchants' Bank be destroyed, hundreds of businessmen would be ruined and Bronson's own finances so seriously affected that, unfortunately, he would have to "enforce the payment of all the money due to me." He did not consider it necessary to point out that Phelps currently owed him \$5000.⁵⁸ But he hinted that if the Merchants' Bank prevailed, the perennially harried entrepreneur could expect a different result. "Your exertions in our favor would not be forgotten, & you best know how far the Bank would have it in their power to oblige you in turn."⁵⁹ But Phelps once again failed to help the new bank, and soon everyone realized why.

The bank struggle could not escape becoming entangled in the state's gubernatorial election, which would be held on April 25. The Federalist party was not able to find a suitable candidate, Rufus King having rejected the pleas of Hamilton and others to run, and so the party began its fatal practice of looking to the rival groups' candidates and throwing support to whichever seemed the lesser of the evils. Two Republicans were running for governor. One was Aaron Burr, now almost a man without a party, spending his last year as Vice-President with Jefferson's disdain for him known to all, attempting a comeback surrounded by loyal followers whom Cheetham scathingly referred to as the "little band," but a man whose ability to command votes throughout the state was an unknown factor, a consideration which greatly worried his enemies who feared he might be stronger than they publicly claimed that he was. Opposing Burr was the nominee of the Clinton-Livingston interest: Morgan Lewis, Chief Justice of the state Supreme Court, a brother-in-law of Chancellor Livingston, and a man widely regarded as a mediocrity.⁶⁰

To the men of the Merchants' Bank, Lewis was a key figure for reasons other than his gubernatorial nomination. As the state's Chief Justice he sat on the Council of Revision, and in that period in New York the Council, rather than the governor, had the executive authority of confirming or vetoing legislative acts. The Council was expected to

be evenly divided on the Merchants' Bank question and it was believed by the bank's directors that Lewis, though a Livingstonian, would side with them, and cast the vote which would overrule a restraining act. The reason they believed this was that Lewis, though in early 1803 following his faction's line and protesting the bank, had since then quietly applied to the bank for loans and had received them. He had then publicly become the bank's friend and as late as January 1804, according to a report, had declared that a suppression of the bank would be illegal. But by March Lewis, now a gubernatorial nominee, appeared in some of his statements to have switched sides once again and become the bank's opponent, and this disturbed the bank's directors, who relied on his vote in the Council.⁶¹

To a great many Federalists, Burr seemed the better of the two candidates. This was not because they respected him, but because they believed he could win and that their own interests would be better served by a Burr than by a Clintonian victory. There is some evidence that Burr, in the same tantalizing and elusive manner that he showed toward Federalists during the 1800 presidential election deadlock, encouraged this belief. Hamilton, in the effort which cost him his life, strongly opposed this Federalist drift, and told friends throughout the state that no honorable man could support Aaron Burr, that it was far better to vote for even a second-rate figure like Lewis.⁶²

The Merchants' Bank was by this time deeply mired in the political contest. The process then underway--the loss of Federalist political power paralleling a breakdown in Federalist commercial domination--affected most seriously those men identified with old Federalist views and associations. Unless they were then shifting stance, these men were bound to become vulnerable if they were involved in an enterprise, like banking, which was so sensitive to political nuances. On the board of directors of the Merchants' Bank, the men most vulnerable in this respect were Oliver Wolcott and Isaac Bronson. Wolcott, as president of the new institution, was the most exposed of all; he had by far the greatest national prominence of any man on the board, which was why the directors had elected him president. He came from a famous Connecticut family, he had served in all three of the Federalist administrations and had been Secretary of the Treasury for six years; he was totally identified with the Federalist cause although, since 1801, he had been out of public life. Bronson, less notably, shared these defects. He was probably Wolcott's closest friend on the board, his career was indelibly stamped with Federalist commercial-political interests, and he had not switched parties, as had the equally famous speculator of the 1790s who sat on the board, Robert Gilchrist. Neither did Bronson have any basis of political strength like the Federalist ex-mayor on the board, Richard Varick. Now in

the early months of 1804, both Wolcott and Bronson began to be affected by a series of events over which they had no control. Wolcott, as president of the bank, was especially buffeted by the deepening conflict, and his papers are a revealing source of information on the internal processes of the organization during a time of stress.

In February Wolcott wrote a long letter to Hamilton, marked "Private," expressing the tension the directors were under. The petition calling for suppression of the Merchants' Bank had just circulated among businessmen, and though it received far less signatures than the petition supporting the bank, it was the quality of the signers and not their number that hurt Wolcott. No surprise was occasioned by the fact that signers were found from the ranks of the Manhattan Company board and some timorous merchants. But that highly respectable men, who sat on the boards of the Bank of New York and the branch of the National Bank, had also put their names on such a document, caused Wolcott to take it as a personal affront. He expressed to Hamilton his shock that

men of such standing in society as Mr. Ray, Mr. LeRoy, Mr. Lenox, Mr. Buchanan &c &c have placed their names on a paper representing an association of which I happen to be a conspicuous member as dangerous to the Community and a violation of the rights of Property.--A few years since I should not have been easily persuaded that such an imputation upon my conduct, would ever have recd. the sanction of such character.⁶³

In the following weeks the situation became worse, for Wolcott and the Merchants' Bank were touched by whispered rumors of grave charges, concerning a plot against the Union. Such a plot truly existed, although little importance is attached to it today. Two of the leading present-day historians of Federalism refer to it respectively as a short-lived conspiracy of "a motley crew of Federalist Congressman," and as "a secret and misguided effort...restricted to a small circle of ineffective and marginal political figures."⁶⁴ The leader was Timothy Pickering, the old-school Federalist from Massachusetts who had served, or misserved, John Adams as Secretary of State. In late 1803 Pickering and a few others hatched a design which they began circulating among northern Federalists; it called for a secession by New England and New York from the jacobinical national government and the formation of a "Northern Confederacy," hopefully to be backed by English power.

This absurd scheme received no support from leading men, even from those whose values were most antithetical to Republicanism. The toweringly elitist "Nestor of the federal cause," George Cabot of Massachusetts, tactfully but firmly dissociated himself from Pickering's project; Hamilton and Rufus King made clear their disapproval.⁶⁵ After April the whole affair dissolved. But in the weeks before the April 25 New York gubernatorial election, Burr's campaign and the Pickering plot became vaguely associated, not in public

discussion, for the affair was not known to the public until many years later, but in whispers and in the confidential communications of the fairly extensive number of men who either knew about it first-hand or had heard about it.

Pickering had revealed the Northern Confederacy design to Burr but the latter had characteristically refused to commit himself one way or another. But Pickering definitely endorsed Burr in the election, writing in March to Theodore Lyman, one of the few supporters of the secession plan: "Mr. Burr's administration will be more liberal than that of the Clintonian or of the general government."⁶⁶

Oliver Wolcott unquestionably knew about the plot. In March Wolcott received a letter from Connecticut Congressman Roger Griswold, who was involved in the adventure; Griswold argued the necessity of a separation of the northern states from the Union. Griswold also inquired about "the views of Colonel Burr in relation to the general government," and wondered if Burr's election would help or hurt the Northern Confederacy cause. A little later, in response to Hamilton's urging Federalists to support Lewis, Griswold published a pamphlet accusing Hamilton of "personal resentment toward Burr."⁶⁷

Griswold's letter to Wolcott, like Pickering's letters to Cabot and others, reveals that the conspiracy was known to various prominent Federalists in the spring of 1804, but the letters written by conspirators obviously did not

signify the complicity of the recipients. Wolcott was no more inclined to jeopardize himself by involvement in such a project than were other men like Hamilton and Cabot, even though they all despised Republicanism and may have rejected Pickering's scheme more for its futility than for principled opposition to the idea of secession. No mention of the Northern Confederacy is to be found in Bronson's papers, though clearly he must have known of it. There is no doubt that Bronson's inherent caution would have rendered Pickering's scheme utter folly in his view.

Rumors about the Merchants' Bank's leadership began to circulate; these touched Wolcott, and maybe Bronson too. They emanated from Morgan Lewis' camp. It was charged that Wolcott, like numerous old Federalists, supported Burr and was using the Merchants' Bank against Lewis. John Hone, a Merchants' Bank director, hurried back to New York from Albany, where he had held some delicate conversations with Clinton men. Wolcott learned that in addition to the political and financial motives of the bank's enemies, "others will be contented with nothing less, than the depression of certain persons, whom they hate, among whom I know myself to be included."⁶⁸ From the subsequent course of events it is clear that Bronson too was marked out for Clinton-Lewis hostility.

Wolcott offered to resign from the board if it would help the bank, but "I would in no event pledge myself to observe any particular course of political conduct." A

resignation at that moment was unappealing to the directors, but Hone, with the bank facing possible extinction, was ready to make what Wolcott, in an irritated letter to one of the other directors, called "a compromise with the ruling party." Finally Wolcott, though expressing private reservations, assented to what seems to have been a tacit agreement by the board of directors to observe strict public neutrality in the election and support neither Lewis nor Burr. They hoped that in return a restraining law would not pass or, if it did, that Lewis would come through with the needed vote in Council saving the bank.⁶⁹

But Lewis was under great pressure from the highest circles of the Clintonian faction to take a public stand against the Merchants' Bank. Within a couple of weeks of the bank's neutrality agreement he began to express disapproval of the new institution, repudiating public declarations of support which he had given in the period after receiving its loans and before becoming a nominee. When asked about this in private, it was reported, Lewis replied that his friends, in particular DeWitt Clinton, strongly urged suppression of the bank, and he did not want to oppose their wishes. Lewis' more explosive explanation for his switch, when questioned further, was different. He injected the Pickering conspiracy into the election campaign, telling a few friends--and the news, though not reaching the press, spread swiftly--that certain persons were "desirous of dissolving the Union"

and that "influential Directors of the Merchants' Bank" had been "let into their views." Wolcott's name was explicitly mentioned.⁷⁰

The directors of the Merchants' Bank were furious. Wolcott and Lewis had an exchange of four icy letters that contained remarks veering toward a challenge to a duel, though nothing came of it.⁷¹ As a matter of fact Wolcott did prefer a Burr victory, though he did not say so publicly. He gave his reasons candidly in a letter to his old friend James McHenry of Maryland, who as Secretary of War had served with Wolcott on Washington's and Adams' Cabinets: "This State is agitated to its center, with intrigues and schemes....Colo Burr is from situation and necessity the Enemy of the Enemies of good Men." Wolcott also told McHenry: "The Merchants Bank, really was not a political association:--being opposed however by a number of wealthy men (chiefly Federalists), the Clintonians hoped by crushing the Bank to divide the Federal Party."⁷²

Probably Bronson felt much the same way about both Burr and the opposition to the bank; his only comment on the election to be found came early in the race when he speculated, inaccurately, that Burr would probably win.⁷³ Since he did not elaborate on his remark and since he disliked DeWitt Clinton, the inference is that of the two contestants for the governorship, Bronson like many Federalists preferred Burr. Perhaps the best expression of the

mixture of expediency and futility to which Federalist politics were being reduced was a comment the old Federalist Cabot made to Rufus King: "I should rejoice to see Burr win the race in your State; but I cannot approve of aid being given him by any of the leading Federalists."⁷⁴

A new element was suddenly thrust into the gubernatorial campaign in early April, scarcely three weeks before the election, when Oliver Phelps became Burr's running mate as Lieutenant Governor, representing what Burr forces hoped was an appeal to western New York voters. Phelps, showing a political judgment as deficient as many of his business decisions, finally cast his lot with Burr publicly after having vigorously denied rumors to that effect for two months.

The Clintonians' fury was boundless, since Phelps' previous assurances had led them to believe Burr would have no strong support in the western part of the state. In February Gideon Granger from Washington had written DeWitt Clinton personally that Phelps "requested me to inform you that he never has said he would vote for A.B. vice p---t or Governor--he never has said so." Bronson had been given no hint of Phelps' intentions, and now he understood why Phelps had been so reluctant to get involved in the bank conflict. The hot-headed Albany politician John Tayler exploded to Clinton: "Oliver Phelps contemptible prevaricating Oliver Phelps, was nominated here perhaps when disavowing it to

you." It was not accidental that Phelps' reputation for deviousness was almost as great as Burr's. Cheetham instantly ripped into Phelps in the American Citizen, labelling him a "hypocrite" and a "double-dealer."⁷⁵

The Clintonians now reinforced their efforts toward the faction's two chief goals of spring 1804: the defeat of the Merchants' Bank and the defeat of Burr. They achieved the first when on April 11, guided by Tayler, Rutgers, and John Broome (who was Morgan Lewis' running-mate as nominee for Lieutenant Governor), a restraining act was hammered through the legislature; the vote was 51-44 in the Assembly, 15-13 in the Senate.⁷⁶ Since the Council of Revision deadlocked at 3-3 (Lewis voting to uphold the restraining act), the bill became law. A subsequent act gave the Merchants' Bank one year, until May 1, 1805, to wind up its affairs, it being feared that to require a quicker termination might produce a financial panic.

Two weeks later, Lewis defeated Burr in a landslide to become New York's next Governor, despite widespread and well-known support of Burr by the Federalists. Burr, Phelps, and the Federalists were all left looking somewhat pathetic. The Merchants' Bank had failed: it had been outlawed by the legislature and Lewis had won smashingly. A pamphlet by William Woolsey under the signature "Spectator," issued the day before the election and recounting Lewis' loans from the bank and his vacillations, had appeared too late to be of help.⁷⁷

The Merchants' Bank now faced a situation in which so much time, money, and effort seemingly had gone for nothing. Without a charter, the bank would have to close its doors by May 1, 1805. The directors were determined to prevail, by any means necessary. Not long after the legislative setback some of the bank's larger stockholders and a few directors--Hone and Munro, who had led the fight in Albany, were probably key figures--held private meetings at which it was concluded that certain decisive steps must be taken. These included the sacrifice of individuals to the long-term interests of the institution. The Clintonians must be mollified, especially Morgan Lewis who would be very important in the future since he would still be sitting on the Council of Revision. The question of "party" was irrelevant to the directors in any substantive sense, but as a cosmetic issue it was significant. It was assumed (correctly) that Lewis could be bought, and feelers were thrown out to his agents. But more than financial arrangements were involved. An understanding was reached between a few of the directors and the Lewis camp that touched upon the problem of the Merchants' Bank's leadership having too deep a Federalist tone.

Thus the directors determined to improve the bank's image. Already in late May Cheetham, watching every step the Merchants' Bank took, picked up rumors that the bank intended soon to make itself look more republican.⁷⁸

Wolcott was the biggest liability to the bank, for a number of reasons that had become clear during the election campaign; Bronson too was a liability, and he had been made more expendable by his friendliness with Phelps, who was now held in open contempt by Republicans throughout the state. Swartwout, for some reason, was not considered inconvenient enough to remove. The bank's annual election of directors was scheduled for June 5; agreement was secretly reached to replace Wolcott and Bronson with fresh faces and to elevate the Brooklyn merchant and current board member Joshua Sands to the presidency in Wolcott's place.

Yet a purge of this sort was a delicate matter, since it involved two men of wealth and standing. The directors were at a loss as to how to carry it out gracefully, and they ended up by trying to act as if nothing unusual were happening. Bronson and Wolcott were told nothing about the prior arrangements, and at the election meeting on June 5 the directors made every effort to conceal the fact that the results had been planned. The two men were not re-elected to the board.

Bronson and Wolcott were not deceived, but they were hurt. Bronson returned to Greenfield as he did every year at the end of spring, while Wolcott remained in New York. An exchange of letters between them, written a few days after the June 5 meeting, revealed in both men a strong feeling of having been manipulated for political purposes.

Wolcott took it as a public humiliation, and Bronson tried to analyze the motivations of the directors. Wolcott wrote first, with deep bitterness:

I know not upon what principles or calculation, a change has been made, which would not equally require, that a number of other persons should be included in the prescription.--As the affair stands, it must appear strange to my numerous acquaintances in different parts of the Country....In respect to yourself they ought also to have recollected, that with a less degree of enterprize skill and activity than you exerted, the association would never have been formed. I shall make no public complaints but bear this disappointment as I have borne others;--and continue to hope, that the offense of having laboured many years in the public service, will at some period be forgiven.⁷⁹

Bronson replied that from the "shyness" of several of the directors toward him, he had concluded "that there had been some cabaling in regard to the election which they were not disposed to inform me of." He continued:

But I could not have believed that any gentlemen of that Board would, even to save the institution, have assented to an arrangement, which in the mode of conducting the business, was calculated to injure your interests, your feelings, and particularly to gratify political enemies. I think I can see in this measure, Clinton & Lewis, as the secret prompters; who have in some way not to be traced, encouraged an expectation that this sacrifice is to save the institution....That other federalists who have been particularly obnoxious are excepted I am not surprised at....I shall feel no obligation to take any further trouble about it, and can only regret it, if I have been in any way instrumental in promoting a thing that is to end in loss and disappointment to my friends.⁸⁰

Bronson obviously could not forget the incident, but he continued to deal with the Merchants' Bank. In time he sold his \$20,000 of stock, but he maintained a deposit account. Nor did he allow his personal feelings toward the

directors as a group to affect his business relations with them as individuals. His accounts show dealings with Coster and with Gilchrist not long after the incident; two decades later he was still lending money to Peter Jay Munro.⁸¹

Wolcott took his defeat hard, and when the board a week after his removal passed a perfunctory resolution of thanks for his service as president, he took the occasion to reply with a rambling eight page letter, asking the directors to reflect on the injustice done to him.⁸²

So ended the first phase of the Merchants' Bank struggle. The following spring the bank achieved a swift and lasting victory. Despite continued Clintonian opposition, a bill to charter the bank passed both the legislature and the Council of Revision, with Morgan Lewis in the Council voting, this time, in favor of the bank amid charges that he did not go unrewarded for his effort. In fact, the evidence of large-scale bribery of legislators by the Merchants' Bank--through sales of bank stock at low prices and repurchases of the stock at very profitable premiums--seems to have been almost incontrovertible. Cheetham exploded with Clintonian fury in long, detailed accounts of corruption. Passions grew so intense in Albany between Clintonian John Tayler and Judge Ebenezer Purdy (accused on impressive evidence of having bribed several lawmakers) that, according to Jabez Hammond's grave account, "the former committed a personal assault upon the latter, by knocking him down as he was passing from the senate chamber."⁸³

Numerous men besides Purdy felt the effects of the political-financial struggles of 1803-1805. Burr duelled with Hamilton over remarks the latter alledgedly made during the gubernatorial campaign and after that was beyond the pale of American public life. Phelps, ruined in politics, withdrew to Canandaigua where he ceaselessly brooded over his declining business affairs until he died in 1809. Morgan Lewis was anathematized by the Clintonians for his support of the Merchants' bank, and the Clinton-Livingston coalition snapped apart, never to be rejoined. In a few years the complexities of New York politics carried DeWitt Clinton into an alliance with surviving portions of the Federalist party, and the Clintonians withdrew from the Manhattan Company, that bank being thereafter identified with Tammany Hall.⁸⁴ Clinton's loyal supporter, James Cheetham, made so many enemies in those years with his violent attacks that he too became a liability, and in time Clinton dropped him. While the editor's bombardments had once stung Bronson--in 1804 Bronson referred indignantly to one piece as "a tissue of lies, worthy only of its author Cheetham!"--no comment is on record by the financier when Cheetham, ostracized by all parties, died suddenly in 1810 at the age of 38.⁸⁵

Bronson wasted no time in looking back at the painful events of 1803-1804, but moved on with his enterprises. During 1804-1806 he was much involved with his newly

acquired lands in northern New York, to which his brother Ethel was dispatched as agent to handle the large numbers of settlers moving in from depleted and overpopulated New England lands.⁸⁶

But he was also more than ever interested in banking, and he had learned a great deal in the Merchants' Bank episode. Business and politics now moved with increasing rapidity and flux, and security was less and less easy to achieve. Like Burr who had initiated the Manhattan Company in 1799 and had been removed from its board in 1802, Bronson had begun the movement that resulted in the Merchants' Bank in 1803, and had lost his seat the following year. He was determined that the next time he involved himself with a bank he would be in control, immune to the vagaries of other men's policies and politics.

NOTES TO CHAPTER II

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3. Bray Hammond, Banks and Politics, 36.

4. An excellent account of the establishment and early history of this bank is Beatrice G. Reubens, "Burr, Hamilton, and the Manhattan Company," Political Science Quarterly, part I, 72 (December 1957), 578-607, and part II, 73 (March 1958), 100-125.

5. Ibid., 587.

6. Ibid., 596.

7. BUS (N.Y. Branch) Account, 1798-1806, April 22, June 14, 1799; Manhattan Company Account, 1800-1807, March 3, 1803, BP, Box 10, NYPL.

8. Reubens, "Manhattan Company," 105-108, 118.

9. Ibid., 119.

10. Dorothe Bobbe', DeWitt Clinton (New York: Minton, Balch & Co., 1933), 88-91.

11. The only work in which the struggle was covered in any detail, relying primarily on quotes from the rival factions' newspapers, was a commissioned and privately printed history of the bank in 1903. Philip G. Hubert, The Merchants National Bank of the City of New York (New York: Printed for the Bank, 1903), 52-74.

12. IB to Oliver Phelps, Dec. 13, 1795, Phelps-Gorham Papers, NYSL.

13. Hammond, Banks and Politics, 160.

14. IB to Oliver Phelps, Jan. 28, Feb. 15, March 10, 1802, Phelps-Gorham Papers, NYSL.

15. [New York] American Citizen, Feb. 11, 1803. See also IB to Oliver Phelps, Feb. 22, 1803, Phelps-Gorham Papers, NYSL.

16. IB to Elkanah Watson, Feb. 26, 1803, Elkanah Watson Papers, NYSL.

17. IB to Phelps, Jan. 1, 1803; John Swartwout to Phelps, Jan. 24, 1803, Phelps-Gorham Papers, NYSL.

18. Isaac Hicks to Judah Paddock, Feb. 8, 24, 1803, Isaac Hicks Papers, NYHS.

19. American Citizen, April 8, 1803.

20. Ibid., March 2, 1803.

21. George Clinton to DeWitt Clinton, Feb. 16, 1803, DeWitt Clinton Papers, Columbia Univ.

22. IB to Elkanah Watson, March 2 postscript to Feb. 26, 1803, Watson Papers, NYSL.

23. American Citizen, March 2, 1803.

24. Phelps to IB, Feb. 27, 1803, Letter Books, 21, Phelps-Gorham Papers, NYSL.

25. Gideon Granger to Phelps, Feb. 11, 1803, Phelps-Gorham Papers, NYSL.

26. American Citizen, Feb. 11, 1803.

27. IB to Watson, Feb. 7, 1803, Watson Papers, NYSL.

28. Reubens, "Manhattan Company," 119.

29. IB to Watson, March 2 postscript to Feb. 26, 1803, Watson Papers, NYSL.

30. American Citizen, Feb. 11, 1803.

31. The fall of Manhattan Company stock created quite a stir in the city; see IB to Elkanah Watson, Feb. 7, 1803, Watson Papers, NYSL; Isaac Hicks to Judah Paddock, Feb. 8, 1803, Hicks Papers, NYHS; Amasa Jackson to Oliver Phelps, Feb. 13, 1803, Phelps-Gorham Papers, NYSL.

32. Reubens, "Manhattan Company," 595.

33. IB to Elkanah Watson, Feb. 26, 1803, Watson Papers, NYSL.

34. BUS (N.Y. Branch) Account, 1798-1806, March 21, 25, 1803, BP, Box 10, NYPL.

35. The complete articles of association on which the bank was established are printed in Hubert, Merchants National Bank, 2-8.

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37. Manhattan Company Account, 1798-1806, March 3, 1803, BP, Box 10, NYPL.

38. Hubert, Merchants National Bank, 202-206.

39. IB to Oliver Phelps, June 6, 1803, Phelps-Gorham Papers, NYSL.

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42. James Cheetham, Remarks on the "Merchants' Bank" (New York: Southwick & Hardcastle, 1804), 34.

43. American Citizen, April 19, 1803.

44. Ibid., April 8, 16, 1803.

45. Ibid., April 19, 1803.

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51. James Cheetham, Reply to the Memorial of Thomas Storm, John Hone, and Peter Jay Munro, the Committee of the Merchants' Bank (New York: Southwick & Hardcastle, 1804), 12-14.

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53. New-York Evening Post, March 17, 1804: Spectator /-William W. Woolsey/, A Concise View of the Late Proceed-

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55. Memorial to the Honorable the Legislature of the State of New York, from the president and directors of the Manhattan Company March 1804, Letter Books, XVI, DeWitt Clinton Papers, Columbia Univ.

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58. A few days later, however, he did, and forcefully. IB to Oliver Phelps, Feb. 3, 1804, Phelps-Gorham Papers, NYSL.

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64. David H. Fischer, "The Myth of the Essex Junto," William and Mary Quarterly, 3d Series XXI (April 1964), 229; James M. Banner, Jr., To the Hartford Convention (New York: Alfred A. Knopf, 1970), 116.

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66. Adams, New England Federalism, 358.

67. Ibid., 354-358; Miller, Alexander Hamilton, 568.

68. Oliver Wolcott to William Woolsey, March 21, 1804, Wolcott Papers, Conn. Hist. Soc.

69. Ibid.

70. Oliver Wolcott to Morgan Lewis, April 17, 1804, Wolcott Papers, Conn. Hist. Soc.

71. See Wolcott to Lewis, April 17; Lewis to Wolcott, April 18; Wolcott to Lewis, April 23; Lewis to Wolcott, April 24, 1804, Wolcott Papers, Conn. Hist. Soc.

72. Oliver Wolcott to James McHenry, April 9, 1804, Wolcott Papers, Conn. Hist. Soc.

73. IB to Oliver Phelps, Feb. 18, 1804, Phelps-Gorham Papers, NYSL.

74. Adams, New England Federalism, 364.

75. Gideon Granger to DeWitt Clinton, Feb. 1, 1804; John Tayler to DeWitt Clinton, April 8, 1804, Clinton Papers, Columbia Univ.; American Citizen, April 13, 1804.

76. Jabez Hammond, Political Parties in New York, I, 331.

77. American Citizen, May 19, 1804.

78. Ibid., May 22, 1804.

79. Wolcott to IB, June 8, 1804, Wolcott Papers, Conn. Hist. Soc.

80. IB to Wolcott, June 14, 1804, Wolcott Papers, Conn. Hist. Soc.

81. Merchants' Bank Account, 1803-1824, Feb. 1, April 23, 1805; Jan. 24, April 26, 1824, BP, Box 10, NYPL.

82. Lynde Catlin and Joshua Sands to Oliver Wolcott, June 12, 1804; Oliver Wolcott to the President and Directors of the Merchants' Bank, June 14, 1804, Wolcott Papers, Conn. Hist. Soc.

83. Jabez Hammond, Political Parties in New York, I, 335.

84. Reubens, "Manhattan Company," 120.

85. IB to Oliver Phelps, Feb. 10, 1804, Phelps-Gorham Papers, NYSL; American Citizen, Sept. 20, 1810.

86. Ethel Bronson arrived in Jefferson County on May 1, 1804, and held the agency thereafter until his death in 1825. In the Bronson papers is extensive correspondence and several detailed volumes of land accounts for this enterprise.

CHAPTER III

THEORY: THE PROBLEM OF GROWTH AND STABILITY

Experienced financiers like Bronson were the first to realize that along with political conflicts which disrupted the operations of banks, other elements worked to undermine banking stability. These latter did not arise from mere differences of party or faction, but were inherent in the social change that was beginning to transform the nation. The impact of change on the new field of banking was as yet only partially understood by some people, by most people not at all.

1.

Banking in America, in the modern sense of the word, began in the 1780s. It originated in commerce and was the creation of men of the urban mercantile class. The first bankers appeared long before the first banks: these were merchants who loaned to other merchants. The nature of trade--a continuous movement of goods--required that the credit which merchants sought from and extended to each other be for short periods, instead of the loans of long

duration which were traditional among farmers. The first banks recognized the needs of the merchants rather than those of farmers.

The men who created American banking in the 1780s--men such as Robert Morris, Alexander Hamilton, and Thomas Willing--had a limited body of theory and practice to guide them. The Bank of England was the greatest financial institution of the era, and these men were familiar with its practice of granting only short-term credit, except for its loans to government. As for theory, Fritz Redlich has shown how eighteenth century mercantilist writers recognized two kinds of banks: the "land" bank whose notes were based on fixed real estate, and the "money" bank whose notes were based on commercial obligations.¹ The former kind of bank had existed in colonial America in the form of government loan offices which loaned bills of credit on the security of mortgages on real property; agrarians preferred this arrangement. But the latter kind was the prototype of modern commercial banking and was the model for America's first real bank, the Bank of North America which was chartered by Congress in 1781.

That institution followed a strictly commercial practice: it did not make long-term loans on mortgages, but discounted business paper which represented actual commercial transactions; the discounts were limited to forty-five days and were not renewable. Farmers were hostile to

this bank, arguing that "Our laws and habits countenance long credit and afford slow methods of recovering debts." Merchants countered the agrarians' arguments by defending the bank's practice of providing only short-term credit to facilitate the exchange of goods, rather than granting long-term loans. Such credit was indispensable if trade was to thrive, they declared; in the days before the bank, the merchants had been forced to be their own bankers.²

The next banks to be established in America, in New York and Massachusetts in 1784, enforced the same policies. Thus, the earliest banks were simply organized monetary exchanges, the institutionalization of a form of credit transaction which merchants had long been carrying on among themselves. They were created in the service of, and candidly defended by, commercial interests.

The theoretical basis for the late eighteenth century's banking ideas was presented most lucidly by Adam Smith in his Wealth of Nations, published in 1776. Besides justifying a bank's incurrence of obligations of up to four or five times its specie reserves, Smith argued that bank loans should be short-term and self-liquidating.³ Smith had the Bank of England and earlier English banking literature and practice as guides. In this conception of banking, credit was extended to facilitate an actual, previously-begun commercial transaction, in a process whereby the same transaction that occasioned a loan provided, in its completion,

the funds needed to repay the loan. Hamilton had read Smith and borrowed heavily from him in the 1790 Report on a National Bank.⁴

This theoretical argument, which provided the basic model and still remains the classic explanation of commercial banking practice, is called by twentieth-century historians the "real-bills doctrine" of credit, or the "commercial-loan theory." Both terms will be used interchangeably throughout this study. This theory or doctrine forms the core of the venerable "sound money" school of American banking thought, or what will be referred to in this work as the soundness tradition.⁵ Soundness was believed obtainable when a loan was based on "real" business paper that represented a "real" transaction, one already in progress, instead of a loan taken to "speculate" with--when, as Adam Smith phrased it, "a bank discounts a real bill of exchange drawn by a real creditor upon a real debtor, and which, as soon as it becomes due, is really paid by that debtor."⁶

Historians of banking today, especially representatives of the "new economic history," are more concerned, as one of them put it, with "developmental and growth problems" than with the emphasis on soundness which characterized the writings of historians like Redlich and Bray Hammond (to say nothing of doctrinaire late nineteenth century writers like William Graham Sumner).⁷ Consequently the real-bills doctrine has come under heavy attack. What is regarded as its

excessive conservatism is believed by some writers to have done much to restrain economic growth in the nineteenth century. Modern students of financial theory have conclusively demonstrated how the commercial-loan principle contained numerous fallacious assumptions about the "self-regulating" nature of such banking in response to the so-called "needs of trade."⁸

Nevertheless, the commercial-loan theory is still employed as a point of reference. It influenced the creators of the Federal Reserve Board in 1913, and as late as 1945 a widely-read theoretical study was written with the avowed purpose of refuting the principles of the real-bills doctrine, whose continued acceptance in financial circles the author considered a "scandal."⁹ In 1972 an economic historian published a persuasive article criticizing the doctrine and its persistence in the modern world, noting that a recent edition of the Wall Street Journal "contains a letter to the editor from a Professor of Finance at a leading university calling for a return to the real bills principle in order to stop current inflation in the United States."¹⁰

However, the point relevant to the present study is that this principle did not dominate banking in unbroken continuity from the time of Adam Smith to the twentieth century. The soundness orthodoxy criticized by modern economic historians dates not from the late eighteenth, but

from the middle and later nineteenth century. The principles of the real-bills doctrine were, it is true, tacitly accepted by America's first merchant bankers in the late eighteenth century. They gained wide acceptance in the decade or two preceding the Civil War and triumphed as the reigning orthodoxy in the post-War age. But between these two eras, there was a period in which the principles, while never universally ignored, were to a large degree eclipsed. And that period--the first four decades of the nineteenth century--was precisely the time of Isaac Bronson's banking career.

Bronson was a conservative eastern financier who never wavered in his certainty that the real-bills doctrine was absolutely correct. (Although that term was an invention of much later writers; Bronson's and succeeding generations referred to their concepts more simply as "proper banking principles" or in similar terms.) It seemed obvious to Bronson and others of his viewpoint that short-term credit facilitated the major requirement of good banking, which was "convertibility"--the capacity to convert, on demand, the bank's liabilities into real money, i.e. specie. Thus short-term loans, regularly returning in repayment every sixty or ninety days, would usually assure that a bank's specie reserves were adequate to meet any sudden demand.

As banks grew in number and the older, "sound" practices appeared to conservatives to be increasingly the exception rather than the rule, men like Bronson more and more encour-

tered problems that transcended questions of financial theory and involved basic social issues. The embroilment of banks in the political process increased rather than diminished with time. While the school of soundness had many members, Bronson came to be one of its foremost advocates. Redlich, who like Hammond respected Bronson's views, asserted that "The most influential American representative of the real-bill theory in the early nineteenth century was Isaac Bronson."¹¹

Although this study will not be concerned with the broader question of the effect which the soundness tradition in banking had on American economic growth and development, that question should be briefly noted. Two opposing viewpoints were recently advanced in respect to the famous Louisiana Bank Act of 1842. That act, four years after Bronson's death, was perhaps at least partly influenced by his ideas, which by then were fairly widely known among bankers. In any case, the Louisiana act was a conservative piece of legislation which attempted, successfully, to extend control over what its framers considered a dangerously unrestrained banking system in their state.¹² The newer, growth-oriented judgment of such constraint was expressed recently by George Green when he wrote that "the Act of 1842 has...been highly praised by historians Sumner, Redlich, and Hammond for its strict adherence to short-term commercial loans. Modern banking theory would recognize this praise, however, as an

expression of the discredited 'commercial loan' or 'real bills' doctrine of 'sound' banking....After the strongly expansionary banking of the 1830's, the next fifteen years witnessed a decline and virtual stagnation of bank credit."¹³ To which Redlich replied: "No doubt, inflationary banking is a boon to economic development, and I myself have stated so....But America had to pay a very high price for inflationary banking and for a very fast economic development, and under the given circumstances it appears healthy to me... that the brakes were put on at least in one, and a relatively advanced, state."¹⁴

We are here not concerned with this theoretical discussion, but with the interaction over several decades between a man who was convinced of the principles of sound banking and the society he lived in, whose social and economic tendencies ran counter to such principles. In time, Bronson and others would reformulate the old soundness doctrine, adjusting it to a new society with new conditions. But at the beginning of his career as a banker Bronson merely accepted as self-evident the efficacy of merchant banking as he saw it operate in the years when he came to maturity.

The reasons for the movement away from strict adherence to that earlier banking were grounded in the social conditions of America. The number of banks grew slowly at first; 1781 saw the earliest bank established, and a decade later there were but six, including the Bank of the United States;

in 1800 there were still only 29 banks in the whole country.¹⁵ But the growth of banking accelerated in the early years of the nineteenth century.

The United States was a new nation with a scarcity of capital, situated on a vast undeveloped continent and inhabited by a profit-oriented population which was being increasingly freed from social and political restraints on economic behavior. Credit was indispensable if dreams of wealth were to be fulfilled. But there were different kinds of credit. Short-term, non-renewable discounts might satisfy the requirements of trade. But the merchants of the seaboard centers, for whom the first banks were created, increasingly had other interests for which they desired longer loans. And farmers had little use at all for short-term credit. They needed long-term funds to repair or restore equipment, or to buy more land.¹⁶ Agrarian hostility to banking is an old theme of both American history and historiography. But the distinction to be noted is that this hostility was directed against commercial banking. The need for "banks" was vigorously expressed by farmers, by which they meant banks that would make long-term loans on mortgages. In several cases, most notably the real-estate or property banks of the south, their demands were met. Even in the north, for a while in the early years of the nineteenth century, the agrarian-merchant conflict was revealed in states like Massachusetts where nearly every new bank chartered was required to make certain

portions of its loans to farmers on a long-term, mortgage-secured basis.¹⁷

Moreover, another class of potential borrowers of long-term loans was growing steadily. In the early nineteenth century, before railroads or large-scale industrialization, a pressing need for longer credit was felt by large and small enterprisers everywhere. These were usually men whose available funds were insufficient to their ambitions. They wanted to build iron foundries, gristmills, and tanning factories, or buy land or taverns, or engage in some other of the countless ventures which seemed to be rapidly multiplying opportunities. These people needed fixed investment capital to develop resources, and could scarcely be satisfied by sixty-day discounts.

Therefore, from all areas of the young and expanding economy arose an urgent demand which the first financial institutions had not been designed to supply. Few of the older banks could thoroughly withstand the pressure; many new ones never intended to. Although the banks of the eastern commercial centers managed, in general, to stay more in line with commercial-loan practice than banks elsewhere, all regions saw a mixture of long, medium, and short-term credit in banking. The chief distinction was that in the eastern centers a large part of the banks' business continued to be short-term credit, while in the west and south, and in country banks everywhere, long-term loans on real estate made up the bulk of the business.¹⁸

Even bankers who believed this trend to be in violation of good banking practice were often unable to resist it. Bankers were businessmen too, and as enterprise grew it became more and more difficult to refuse the requests for easy credit from one's most attractive customers, since new competitor banks were appearing regularly. Besides, bankers found themselves with capital on hand which they could not afford to leave idle. Such investments as federal, state, and municipal government stocks were one outlet for the capital, but the bankers much more often invested in long loans to applicants closer at hand and more vocal; that is, to individuals, especially to the banks' own stockholders and most respected customers. These longer loans to individuals came to be known as "accommodation" loans, and usually real estate was taken as security. Bronson deplored accommodation loans from the beginning of his banking career; he saw them as loans that encouraged speculative ventures, instead of being loans arising, as in the classic model, out of legitimate, pre-existing "needs of trade."

In the early nineteenth century there was growing uncertainty about just precisely what constituted proper banking. Bronson had probably already read Adam Smith when he became a banker, but Smith's discussion was not entirely applicable to American conditions. Besides, even Bronson, who was far more interested in theory than the average banker, relied principally on his business instincts and the merchant

banking tradition to guide him, not on literary discussions. In fact, the whole course of his banking experience can be seen as a gradual refinement of tradition by rationalized technique. When he came to banking in the first decade of the century, intelligent exegeses of the subject by American writers were few. Harry Miller and Lloyd Mints, two of the leading historians of American banking theory, located little of genuine significance in banking literature, after Hamilton, until the decade of the 1820s.¹⁹

The first American bankers did not operate as they did because of what Adam Smith, or anybody else, had written, but because they were following mercantile practices which antedated both Adam Smith and organized banking itself. A man such as Hamilton, who had read and pondered theory, was rare in his time. Most of the other leading men probably knew, at least secondhand, what Smith and perhaps a few other English writers had said, but it was not books that guided their actions. As Bray Hammond said in an article written many years ago, the earliest banking policies in America were not founded on "abstract banking principle" or "rational differentiation of credit," but on mercantile self-interest and on personal experiences which had aroused a suspicion of mortgage-secured loans.²⁰

The great merchant Thomas Willing wrote of himself and the other founders of the Bank of North America in 1781 that they were without experience, knowledge, or literature of

banking, but acted on the basis of their personal experiences in business. Half a century later it could still be admitted by the directors of the Bank of Indiana that none of them "had made banking a study or had any practical knowledge of the business."²¹ In that less specialized age, a great many men simply went ahead and created banks with no very clear idea of what they were doing, but with a firm conviction that banking was a profitable enterprise.

2.

In 1806, Bronson for the first and only time in his life became the principal stockholder of a bank. In October of that year a charter was granted by the Connecticut legislature to the first bank in the town of Bridgeport, which was a few miles from Bronson's Greenfield Hill estate. Whereas in New York City Bronson was only one rich man among many, in rural southern Connecticut he was a prominent figure.

When in December the subscription books of the \$200,000 Bridgeport Bank were opened, Bronson became the largest stockholder by subscribing to \$68,000 worth of shares.²² Bronson's friend Nathaniel Prime, and Prime's clerk and soon-to-be partner Samuel Ward, of New York City's leading private bank, purchased between them a little less than \$5,000 of the stock. Except for one other small purchase by a New York resident, the rest of the stock was taken by local Connecticut people, mainly merchants of Bridgeport

and nearby towns like Fairfield, Stratford, Farmington, and New Haven. It was widely distributed; of the 68 subscribers, 52 purchased \$1,000 or less. No other subscriber was remotely close to Bronson in the amount of his investment.²³

Bronson retained an interest in the Bridgeport Bank for a quarter of a century, until 1832. For fourteen years of that time he served as president and during the whole period was on the board of directors. There was never a question from the first day on but that his would be the dominant voice in the institution. In February 1807 a meeting of stockholders selected nine directors, of whom Bronson was one, and a subsequent meeting of the directors elected him as the institution's first president. The bank opened its doors for business on May 21, 1807.²⁴ No specific set of by-laws was drawn up. Instead, one rule was established which expressed Bronson's adherence to the commercial-loan principle. The rule announced: "No paper offered at this bank for discount will be accepted, having more than sixty days to run to maturity. Every note or bill discounted must be paid at maturity. No renewal or new discount will be made in substitution for, or in aid of the payment of an existing indebtedness."²⁵

This was explicit. The bank would make only short-term, non-renewable loans. Bronson's son Arthur, in his later sketch of the Bridgeport Bank's history, wrote of the institution's early days: "In the outset, some of its

debtors, regarding 'a bank' rather in the light of a benevolent, than of a money making institution...denounced the rule as most arbitrary and 'unaccommodating,' and, in a few cases, a resort to legal proceedings was found necessary to secure its observance. The rule however was enforced, and its requirements obeyed."²⁶

Bronson ran the bank strictly on his principles. Once in a while he deviated from them; there was probably not a banker in all of America who could have inflexibly withstood the daily pressures from friends and casual acquaintances for accommodations. In Bronson's papers is an example of a lapse from his rule. A New York Congressman named Samuel Sherwood, who was probably useful to the banker, several times got extensions for a friend of his on fairly substantial loans. But Bronson made clear his dislike of the arrangement and repeatedly dunned Sherwood about his friend's repayment.²⁷ At last Bronson wrote the Congressman a curt note: "Other gentlemen of the Directors have personal friends as well as myself. What must be the condition of the funds of the Bank were all to claim for their friends the indulgence which has been extended to mine? These considerations added to sense of duty compel me to transfer the responsibility of any farther delay from myself to the indulgence of an attorney."²⁸

Such departures from his rule were rare, and Bronson would in time become well known for the conservatism of

both his principles and his practices as a banker. It must be admitted that his particular situation afforded him a better opportunity to practice purely commercial banking than did the situation of a great many other bankers in his period. Bridgeport was a small commercial town in an agricultural district, and Bronson's was the only bank in Bridgeport for nearly all of his tenure there. The bank itself was a tightly-run organization, much smaller with its \$200,000 capitalization than the Merchants' Bank at \$1,250,000. In fact it was decided after a decade that Bridgeport's commercial needs did not require even that large a bank and the capital was halved in 1816 to \$100,000. Throughout Bronson's association with it, the bank was a medium-sized and more easily administered institution.

The town lay within the commercial nexus of New York City. Bridgeport merchants did the major share of their business with the metropolis, and Bronson saw the institution more as an extension of the New York market than as a "country" bank.²⁹ He was clearly not the typical country banker. Country bankers were usually rural or frontier entrepreneurs much in need of capital who, together with acquaintances who shared that need, created a bank to satisfy it. Bronson, instead, was a wealthy capitalist with large experience in the nation's money markets and close ties to other metropolitan capitalists.

Bronson's friend Roger Minott Sherman was accurate in saying later that at the Bridgeport Bank, Bronson "made a sort of laboratory, for illustrating his favourite system of banking."³⁰ Bronson's experience and contacts and the market his bank serviced were components of a profitable enterprise, while his geographical separation from the city, his overriding personal status in Bridgeport, and the lack of any competition for a quarter of a century permitted him to pursue unchallenged his personal conception of proper banking.

The bank did a good business, sober and unspectacular. Through the years its annual dividends to its stockholders ranged chiefly between three and ten percent, most often around six percent.³¹ Bronson received no pay for his position as president, nor, after the bank was running smoothly, did he have much to do with its day to day operations. This was normal in that period, when banks were presided over by men who, like Bronson, were not professional bankers and had numerous other enterprises outside the banks. The position of cashier had already acquired the managerial role which it was to play thereafter; cashiers became the first genuine "professionals" of the banking business.³² The Bridgeport Bank was fortunate in hiring George Hayt as cashier in 1807. Hayt, a Bridgeport native and former seaman, supervised the daily functions of the institution for eighteen years; much of the bank's success was attributable to his competence in overseeing routine business.³³

Once the bank was settled--its principles fixed in practice and the element of "public confidence," so crucial to soundness thinkers, definitely established--Bronson spent little time at the bank. He left most daily decisions to the cashier and the other directors, although in times of crisis, whether or not he was currently occupying the president's chair, he resumed firm personal hold of the operations. Partly this detachment from the bank was due to his personal schedule; for six months of each year he was not even in the Bridgeport vicinity, spending November to May in New York. And when he was at Greenfield during the other six months his attention was occupied by numerous other business concerns, such as his moneylending in which he always had a great deal more money invested than in the bank.

The directors ordinarily came to the bank only once a week; for the rest of the time, except for emergencies, George Hayt superintended affairs. Thursday was the day when applicants for loans had to present their notes, signed by "at least one good endorser."³⁴ On the following day the directors met at the bank and reviewed the applications, deciding upon the value of the commercial paper offered for discount and the reliability of the prospective borrowers.³⁵ The approved loans were discounted in advance with a maturity date of sixty days, were issued in the form of Bridgeport Bank notes and, in line with the bank's policy, were not renewable. In decisions with respect to applications for

loans, Bronson's fellow directors probably had more weight than he because they were better informed about the general status of local citizens. Actually, once Bronson had guided the bank into business, and except for times when important policy decisions were under discussion, he seems to have been somewhat bored with the bank's regular operations. Between his six months' absences from the area and his absences from weekly meetings when he was in the area, the directors found him so often missing that the office of president pro temp was created; through the years two other directors, John Cannon and Salmon Hubbell, presided over more meetings than did Bronson.³⁶

Nevertheless, the other directors remained subordinate to Bronson, not only, one suspects, because of his major financial investment, but also because his wide range of connections provided an access to funds that none of the others possessed and gave the bank an additional security they fully understood. The other directors were conscientious men, though it is doubtful that they had many enlarged theoretical opinions about banking, while the chief stockholder was a man of firm views.

The bank's earliest board of directors was composed mainly of Bridgeport merchants. John Cannon and Lambert Lockwood owned a dry goods and grocery store on Water Street and carried on trade with New York by packet boat. Salmon

Hubbell owned a dry goods store farther down Water Street, and Isaac Hinman owned one on State Street. David Minot engaged in the coastal trade with Boston. William Peet managed a tanning and currying business. Ezra Gregory was proprietor of Bridgeport's largest inn.³⁷

These men were solid representatives of the country merchant class: industrious, successful within the limits of their enterprise, and highly respected locally. But by any social measurement they paled when put beside the men whom Bronson had briefly sat with on the board of directors of the Merchants' Bank. These latter men--Wolcott, Munro, Varick, Hone, Coster, Roosevelt, and the others--occupied the highest positions of wealth and family influence in the new republic. Having just been bruised in his experiences on these higher levels, Bronson now enjoyed more prosaic surroundings where he dominated the decision-making of a handful of country tradesmen. In Bridgeport he was able not only to establish what he considered good banking, but to develop his ideas in innovative ways.

An example of one innovation illustrates the response of a conservative banker to social changes during a period when swift expansion was beginning to alter the comparatively small-scale, elite-managed financial system that had thus far existed. The rapid growth in the number of country banks--most of them small, many of them remote--was creating problems for city banks. Every bank's object was to keep

its notes in circulation for as long as possible without having to redeem them in specie. Banks accepted other banks' notes, and regularly, usually once a week, returned them to the issuing institutions for redemption. Gradually in those years, banks in the larger cities were beginning to develop a policy among themselves that expedited this function, by simply exchanging each other's notes, on a daily or weekly basis, and then settling whatever balance remained against a bank after the exchange.³⁸ This was possible in a city where all the banks' notes circulated at par value. However, it was not a feasible policy for the city banks to implement with respect to most country banks. The latter institutions, whose reputations were declining as their numbers grew, were often in distant, even barely accessible regions where, though their paper travelled in large amounts to the cities, they were fairly safe from the city banks' demands for redemption in specie. (The pejorative "wildcat" bank originated as a description of banks that had to be searched for in the woods, where wildcats roamed.)³⁹ For this reason country banknotes often were accepted only at a discount by city banks, and sometimes not accepted at all.

The centerpiece of Bronson's conception of banking was public confidence, which was created by being so reliable--by making redemption in specie a certitude, whenever it was demanded--that redemption was not usually demanded,

and the bank's paper therefore circulated widely because the public believed in it. Such confidence was created quickly in the Bridgeport vicinity, but the bank in its first years evidently suffered somewhat in New York City from the stigma attached to all new rural banks. This was a problem, since Bridgeport businessmen did the major volume of their business with New York and the bulk of the bank's notes went to that city.

Around 1810 Bronson conceived an arrangement by which to build city confidence in his bank and enhance circulation of Bridgeport paper there. It could hardly have been coincidental that Bronson came to this arrangement just when confidence in banking had been jolted, due to the very first bank failure in United States history. This failure, in spring 1809, occurred at a country bank in Rhode Island headed by Andrew Dexter, Jr., a man who seemed to confirm the worst fears, from different perspectives, of both conservative bankers and antibank people. Dexter and his fellow directors merely used the bank to issue long-term "loans" to themselves; a year before it failed the bank had \$22,514 circulating in banknotes, and had \$380.50 in specie.⁴⁰

Bronson entered into a contract with the Mechanics' Bank of New York, according to which his bank would keep a special, non-interest-bearing deposit with the latter. This deposit seems throughout the years it was maintained

to have been consistently around \$8,000.⁴¹ By the terms of the contract the Mechanics' Bank redeemed all the Bridgeport Bank's notes whenever presented, and all the money which the Mechanics' Bank advanced was reimbursed weekly by the Bridgeport Bank.⁴² The latter bank's deposit was the former bank's security. By this arrangement, Bronson established in New York a certainty in the reliability of his bank's notes and avoided many of the city bank-country bank difficulties which were becoming prevalent.

The famous "Suffolk Bank System" of New England, which went into effect in 1818, was precisely this type of arrangement, made between the Suffolk Bank of Boston and the New England country banks, the latter of which had to maintain a \$5,000 deposit with the former. The Suffolk system is regarded by all banking historians as a major example of the early efforts to stabilize American banking. Bronson on a smaller scale anticipated this development by almost a decade. Little precedent existed for him; he seems simply to have hit upon such a scheme during his continuous ruminations on the operations of banking. Redlich is probably correct when he surmises that Bronson's arrangement with the Mechanics' Bank "was perhaps the very first contract of the type which the Suffolk Bank used later."⁴³ It cannot however be proven that the directors of the Suffolk Bank had any knowledge of the Bridgeport Bank-Mechanics' Bank contract; it is quite possible merely that, facing the same kind of problem, they arrived at the same kind of solution.

In these years, then, Bronson's major effort was directed toward enhancing the reputation and thus the business of his bank, especially in regard to its integral connection with the New York City banks. We have no record of his opinion when the Bank of the United States was allowed to expire in 1811, after being not very ably defended or supported in public, even by the business interests who a few years later would strongly advocate a new BUS.⁴⁴

3.

The Bridgeport Bank's early years coincided with a period of growing discord in American life. Later in the same year of 1807 that the bank opened for business, Jefferson's embargo passed Congress, and the nation for several years thereafter was embroiled in domestic and foreign conflict. The first fifteen years of the nineteenth century was a painful time in many ways for men whose status and values were inseparably linked to the Federalist origins of the republic. Bronson became more and more partisan.

Meanwhile, his private life within his family went on in the rhythm established in the 1790s, alternating between the complementary environments of commercial Manhattan and rural Greenfield Hill. After the losses of their first two infants, Anna bore Isaac six children in ten years: Maria (1793), Harriet (1796), Caroline (1798), Oliver (1799), Arthur (1801), and Frederic (1802). After a breathing spell, Anna then produced Mary (1806) and Ann (1810).

For most of their schooling the children were sent away from home to private boarding schools. One of these for the girls was Miss Lucy Bull's school in Middletown, and the boys were all together at one period in Litchfield, studying with a Mr. Backus.⁴⁵ Maria for a while was sent to Philadelphia, where she stayed with Enos Bronson and his wife; Enos, Isaac's Waterbury cousin, had become a famous newspaper editor of the United States Gazette and a strong champion of the Federalist cause, although that cause was by then, 1810-1811, almost moribund. While Maria was in Philadelphia her mother, who at age 45 had just borne her tenth child in the past twenty years, wrote her daughter wistfully: "Mary and the babe are all the children I have left at home....The babe is a fine child. I think you will love her very much."⁴⁶

The children grew up with other members of New York's wealthy families. Nathaniel Prime's daughter Cornelia and Oliver Wolcott's daughter Eliza attended Miss Bull's school at the same time Harriet was there. Nathaniel Prime according to one contemporary's recollections owned the finest home in the city in that period, a house whose "marble mantels were imported from Europe."⁴⁷ In 1811 a premature war rumor reached Miss Bull's school and Harriet reported excitedly: "Cornelia Prime was talking about New Yorks' being burnt down--she said I should hate to have our house burnt down after all the trouble we had to fix it up last winter."⁴⁸

The children were not brought up to admire Jeffersonianism. In 1811 Harriet amusedly told Maria of a Fourth of July oration in Bridgeport which had just been relayed to her. The speaker's "comparisons were said to be very ludicrous, and the general effect of his harangue, was, that he kept the whole house in continual laugh.--He likened President Madison to a baked-apple; and said that Jefferson, when in office, was surrounded by bumble bees."⁴⁹

But politics received little attention in the children's letters, while social affairs took up much space. By now the old Congregational abhorrence of the stage, at least among the urban upper classes, appears to have disappeared. At fourteen or fifteen the Bronson girls were regularly allowed to join theatre parties composed of young Mr. and Miss Aspinwalls, Wards, Sands, and others, though there is usually a mention of one or two seniors accompanying the group. "Tonight we are going to the theatre again," Harriet wrote at age fifteen. "It is the last night of Cooke's performance....They say if he is not intoxicated he will be a wonder."⁵⁰

The Bronson children accepted their status naturally, without either haughtiness or guilt. Nathaniel Prime's young partner Samuel Ward may have been one of the rising figures of Wall Street, destined soon to be one of the richest men in the city and an important financier that many men cultivated, but to Harriet he was just another member of the

young set, and when, for a while, he seems to have grown very fond of Maria, Harriet teased her sister, saying "you should be baptized Flirty-Hard-to-please, for I never saw any one of the 'Lords of the Creation' that pleased you exactly, not even the unexceptionable Sam Ward, who is the most harmless, good for nothing individual of the Species, not having a single blemish except that immeasurable, unconscionable large nose of his, which, the other night, at the Public, unfortunately turning pretty abruptly around, hit a young lady and would inevitably have knocked her down, had it not been for a gentleman who...was at hand."⁵¹

The United States may have been far less of a deferential society by the War of 1812 than it had been a decade or two earlier, but even the young members of the elite still thought, unselfconsciously and almost automatically, in terms of rank. Describing a boardinghouse, Maria said in passing to her mother: "The attention paid us is very good for once ringing brings a servant instantly to your hand."⁵² After Maria's marriage to the wealthy young merchant James B. Murray, she wrote her husband while he was away that she had overheard two of the servants discussing how depressed Mrs. Murray was in her husband's absence. "I laughed heartily as you may imagine at this piteous dialogue--for I can assure you my spirits are very good. This class of people have no idea of the feelings attendant upon conjugal attachment."⁵³

Toward his own servants at Greenfield Hill Bronson was paternalistic: both firm and indulgent. John Harrington, who handled various chores around the estate, was apparently a good worker for Bronson employed him for two decades. But Harrington sometimes caused his employer chagrin, as when he began living with a Fairfield woman named Gerusha Middlebrooks and, after fathering two children by her out of wedlock, disappeared. The woman had to go on public welfare, and the Fairfield selectmen inquired of Bronson in 1814 about the expenses incurred by the town in her support. Bronson tried to represent his employee in the best possible light to the town fathers, gave them some money, and chalked it up to Harrington's bill when the latter returned.⁵⁴ After his return, however, Harrington promptly married another woman and vanished again for several months, only to come back again, alone, and beg Bronson's assistance in extricating him from his present entanglement. He received Bronson's help, but then began seeing Gerusha Middlebrooks again. Bronson was furious and like a reprimanding father sent his employee a letter minutely detailing the amount of money in wages Harrington had lost due to his various absences, plus the amount Bronson had expended on him which Harrington now owed the financier. Bronson sternly lectured Harrington that

by Marrying against my advice you left your place & Nine months wages since, expended 50 Dolls. I gave you in money & 83 more to get rid of your wife, and 200 more to pay for that foolish connexion with that Middlebrooks woman, which you would renew against my advice & contrary to your own promise, after I had once got you clear of her.⁵⁵

Perhaps Harrington eventually settled down; eleven years later, in 1825, Bronson's statement of wages noted that Harrington had a wife living with him.⁵⁶

Such private matters were among the easiest problems that a man in Bronson's position now faced. More difficult were public issues. Bronson had long since accepted, as a businessman, the fact that the Republican victory of 1800 signalled important changes. Pragmatically, in 1803-1804, he had worked to assure that the new Merchants' Bank had bipartisan support, though partisan politics in the end had hurt him in that venture. Major enterprises could no longer be monopolized by men of shared background and common politics. Enlightened self-interest required that Bronson accept the new realities and maintain a public aloofness from political controversy, even though he could say privately to a Republican acquaintance in 1804 that he did not believe, "as you do, that the Sovereign people are always wise, and that what they do is right. I sometimes expect them to act D----d foolishly if not wickedly."⁵⁷

But convenient pragmatism became less and less easy to display. From the embargo through the War of 1812, the Republican Party, led by men Bronson acidly called "the Southern gentry," appeared to him and many other northeastern Federalists to be not merely the opportunistic political opposition they had always considered it, but more and more a truly dangerous force that seemed bent on reducing the

Federalist commercial class to political and economic impotence. Those were the most partisan years in Bronson's life, nor did he ever entirely lose the bitterness they aroused. Years later he could become angry at references to Federalist perfidy during the war. In terms of political identification, he always remained closer to the memory of the Federalists than to any of the later parties that appeared. As late as 1830 a sneer at the Hartford Convention on the floor of the Senate prompted Bronson to detail for an acquaintance the "acts of folly, fraud and hypocrisy which have rested on my memory, and which characterized the Administrations of Jefferson and Madison." He could still sympathize with "the humbuged and abused people of New England" whom those two administrations, he believed, had calculatedly assaulted.⁵⁸

To Bronson the War of 1812, even more than the embargo which preceded it, was an unnecessary, politically-motivated affair. The financial stratagems used during the war seemed to him a disaster. When the war began Bronson was fifty-two. His estrangement from the course of national events was integrally connected to his identification with a specific social and economic group which encompassed the enterprises and the psychological and emotional commitments of his whole adult life. That group, the northeastern commercial class, held its considerable fortunes primarily in the fields of trade and banking. Bronson was bound to these

fields in every significant sense: as a financier of merchants through his private moneylending and his commercial banking; by his roots and continued ties in Connecticut; through his intimate connections with the New York business community.

Commercial concerns and the creditor outlook--a preoccupation with favorable trade and a stable currency--informed all his attitudes. Self-interest was tightly merged with group interest. During the years 1812-1815 he was deeply attentive to the effects of the war on those persons he referred to as "men of capital" and "respectable merchants," and whom he described collectively as "the Merchantile interest." His social and economic bias was bound to political and regional partisanship. He supported the Federalist party--with all that name implied, socially and culturally as well as economically, by 1812-1815. Geographically, the region of paramount importance to him was "the eastern states," by which he meant, exclusively, New York and New England. Toward Philadelphia he felt a sense of commercial rivalry; as for the west, he scarcely took notice of it; and the south was the birthplace of agrarian Republicanism.

If at one time, not many years previous, the values he held had been promoted and defended by men who occupied the highest positions in government, by the War of 1812 those values, to Bronson as to many other supporters of a dying Federalism, seemed to be under an almost systematic siege.

Consequently as the threat appeared to grow more serious, his responses became more intense, emerging from a deep grounding in an ideological triad of class, region, and party.

One of Bronson's closest friends in those years was David Daggett, a New Haven lawyer who was United States Senator from Connecticut from 1813 to 1816. Only a few years earlier the two men had conversed on lighter subjects, as when Bronson devoted an entire letter to advice on gardening--"The bunches of Syringas, and Carolina Alsprice (or as it is called by some the sweet scented Shrub) should be separated and planted out singly"--but now times had changed.⁵⁹ Daggett was a fierce opponent of Republicanism. He went on to a distinguished career that included twenty-two years as Kent Professor of Law at Yale and eight years on the Connecticut Supreme Court, where his quintessential conservatism remained intact.⁶⁰ During the War of 1812, Daggett was a sympathetic sounding-board for Bronson's anxieties and, moreover, being in the Senate, could send his friend regular reports on the Republican administration's plans, especially those involving finance.

Bronson indulged in his share of criticism of the war and sneered at some of the military embarrassments. Years later he would still depict the British invasion of Washington as "a Capitol in flames, and a fugitive cabinet fleeing without money enough to pay their toll over the Potomac

bridge."⁶¹ But he did not wish to see America humbled. His region's vocal opposition to the war and the unlucky timing of Hartford with Ghent and New Orleans left an air of "treason" hanging over New England for years afterwards, which Bronson bitterly resented. His letters to Daggett clearly showed a distaste for the whole enterprise of 1812 and an abhorrence of its economic effects, but England was always "the enemy." Indeed, while Bronson had little praise for the land campaigns, he was appreciative of the naval victories and very concerned about improving the navy's strength.

A recent student of the Federalists notes how that party, despite its dislike of the war, was almost xenophobic in its celebration of naval victories; Boston Federalists lined the streets cheering Commodore Oliver Hazard Perry on his visit to that city after his 1813 Lake Erie victory.⁶² New England's maritime interests made the region very sensitive to sea power, and Federalists had consistently opposed Republican efforts to reduce the navy in the years after 1800. Thus American sea victories in the war were interpreted by the Federalists as a vindication of their naval policy.

Bronson was extremely interested in naval strength. He had become friendly with Robert Fulton. In 1813 the English inventor, two years before his death, had developed his last great project: a steam-propelled war vessel armed

with submarine guns, to be employed as a coastal defense ship. Bronson considered Fulton a "benefactor of mankind."⁶³ Early in 1814 he confessed to Daggett that he had originally been wrong about Fulton's remarkable contribution: "I am, not less than you, a tardy believer in Projects; But a Steam Boat 5 years ago was a Project, & as I thought a wild one, after the expenditure in Europe of millions in fruitless attempts."⁶⁴ Now Bronson was working with Fulton to advance his proposal for the armed coastal vessel.

Bronson and other members of a Coast and Harbor Defense Association in New York City--formed due to fears of a British invasion--met with Fulton and studied a model and cost estimate of his proposed ship.⁶⁵ The New Yorkers concluded that it was feasible and desirable. Bronson then travelled with Fulton to the navy base at New London, Connecticut, in January of 1814. There the two men consulted with Secretary of the Navy William Jones and the nation's two greatest naval heroes, Commodores Perry and Stephen Decatur. The officers, Bronson reported to Daggett, "express the confident & decided opinion, that the projected Battery, will be more than a match" for British ships. It would, Bronson felt, "introduce into the hystory of maritime war a new Epoch, & render the anchorage of foreign ships in our ports & Harbours very insecure." He warned the Senator: "We shall all be down upon you presently for money, back'd by all the naval officers, to set the work agoing....Fulton is the only man who

can so compose the Machinery, & dispose its power, as to insure its success."⁶⁶

A few days later Bronson wrote Daggett of Fulton's project: "To shew you what the Naval officers think of it, I enclose you the copy of a paper signed by several of them whose opinion is intitled to respect. A Letter to the Secretary of the Navy, & a Memorial to Congress on the subject will be forwarded tomorrow."⁶⁷ Bronson asked for Daggett's assistance in Congress, and specifically asked him to show the paper to Senators Rufus King of New York and Christopher Gore of Massachusetts. Bronson and the other New Yorkers in the Coast and Harbor Defense Association were now sure, after getting the officers' opinion, that Fulton's idea was brilliant. They memorialized Congress with an offer to build the vessel at New York's expense, provided the national government assured reimbursement if it proved successful.⁶⁸ Their lobbying and the intrinsic value of Fulton's project paid off. In March 1814 Congress authorized construction of one of the floating batteries.

The vessel was built in a shipyard on the East River, and though the work went rapidly, the war was over and Fulton dead by the time the Demologos had its successful trial run on June 1, 1815. Without practical usefulness, the ship sat in the Brooklyn Navy Yard until an accidental explosion in 1829 destroyed it. A student of Fulton's inventions said the ship "laid the foundation of the American Steam Navy, but was

not followed by other vessels till after the lapse of many years."⁶⁹

So Bronson worked to improve New York's defenses against enemy attack; he hated the war, but he had nothing to gain and everything to lose from a national humiliation. What seemed more and more apparent to him as the war went on was that the greatest devastation to the country was being done not by the British but by James Madison's administration.

NOTES TO CHAPTER III

1. Redlich, Molding, I, 5-7.
2. Ibid., 9; Hammond, Banks and Politics, 54-62.
3. Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations (New York: The Modern Library, 1937). Smith's main discussion of money and banking is on pp. 270-313.
4. For an excellent discussion of the influences on Hamilton's financial thought, see the "Introductory Note" to the Report on a National Bank in Syrett and Cooke, ed., Papers of Alexander Hamilton, VII, 236-256.
5. This term was used, and perhaps coined, by an economic historian who recently published a critical analysis of that tradition. See Richard Sylla, "American Banking and Growth in the Nineteenth Century: A Partial View of the Terrain," Explorations in Economic History, 9 (Winter 1971-72), 197-227.
6. Smith, Wealth of Nations, 288.
7. Sylla, "American Banking and Growth," 199. See also George D. Green, "The Louisiana Bank Act of 1842: Policy Making During Financial Crisis," Explorations in Economic History, 7 (Summer 1970), 399-412, and George D. Green, Finance and Economic Development in the Old South: Louisiana Banking, 1804-1861 (Stanford: Stanford University Press, 1972); pp. 118-127 of this book repeat the material in Green's above-cited article.
8. The most extended theoretical critique of the real-bills doctrine is found in Lloyd W. Mints, A History of Banking Theory in Great Britain and the United States (Chicago: University of Chicago Press, 1945).
9. Ibid., 10.
10. Sylla, "American Banking and Growth," 226-227.
11. This statement appeared in a review by Redlich--not altogether favorable, as one might expect--of Mints' book which attacked the real-bills doctrine. For this review,

see Journal of Economic History, VII (May 1947), 90-92. Redlich wrote: "Two men who in my opinion were among the most important American banking theorists of the first half of the nineteenth century are not discussed [in Mints' book]. One is Nicholas Biddle....The other man to be slighted is Isaac Bronson."

12. Redlich, Molding, II, 32-40, discusses this act and thinks that the man most responsible for it, Edmond J. Forstall, may have been acquainted with Bronson's ideas. However, the most recent publication on Forstall and the Louisiana bank act has no mention of Bronson. See Irene D. Neu, "Edmond Jean Forstall and Louisiana Banking," Explorations in Economic History, 7 (Summer 1970), 383-398.

13. George D. Green, "Banking and Finance in Antebellum Louisiana: Their Influence on the Course of Economic Development," Journal of Economic History, XXVI (December 1966), 580-581.

14. This reply to Green appeared in the new introduction which Redlich wrote to the 1968 reprint of his book. Redlich, Molding, xiv (a).

15. Hammond, Banks and Politics, 144-145.

16. Paul W. Gates, The Farmer's Age (New York: Harper Torchbooks, 1968), 405.

17. Hammond, Banks and Politics, 187-188.

18. David R. Dewey, State Banking Before the Civil War (Washington: Government Printing Office, 1910), 159-160.

19. Mints, History of Banking Theory, 9, 63; Harry E. Miller, Banking Theories in the United States Before 1860 (Cambridge: Harvard University Press, 1927), 3-4.

20. Bray Hammond, "Long and Short Term Credit in Early American Banking," Quarterly Journal of Economics, XLIX (November 1934), 81, 85.

21. Hammond, Banks and Politics, 676-677.

22. Bridgeport Bank Account, 1807-1824, Jan. 15, 1809, BP, Box 10, NYPL. Lacey, Brief History of Bridgeport Bank, 3, gives Bronson's original purchase as 656 shares, which at the established price of \$200 per share would have meant an investment of \$131,200. Bronson's account books and inventories show 340 shares, for an investment of \$68,000, until 1816 when all stockholder's investments were cut in half by the reduction of the bank's capital.

23. Lacey, Brief History of Bridgeport Bank, 3.
24. Ibid., 4.
25. Arthur Bronson, "History of the Bank of _____", The Journal of Banking, I (January 5, 1842), 209-211, and I (January 19, 1842), 225-226. These two articles were unsigned, but the writer was Bronson's second son Arthur, as his friends knew. See Roger Minott Sherman to Arthur Bronson, Feb. 2, 1842, BP, Box 108, NYPL.
26. Ibid., 209.
27. Samuel Sherwood to IB, April 5, 23, 1815; IB to Samuel Sherwood, Jan. 26, May 26, 1816, BP, Box 2, NYPL.
28. IB to Samuel Sherwood, Jan. 2, 1817, BP, Box 2, NYPL.
29. Bronson described the bank as "situated in the centre of a populous district connected wholly with the New-York market." A Citizen [Isaac Bronson], An Appeal to the Public on the Conduct of the Banks of New-York (New York: Office of the New-York Courier, 1815), 18.
30. Financial Register, II, 15.
31. Bronson's son Arthur, and friend Roger Minott Sherman, both claimed that the bank's dividends averaged ten percent during Bronson's association with it. A survey of dividend statements in Bronson's own records suggests that this figure is too high. See Bridgeport Bank Account, 1807-1824, passim., BP, Box 10, NYPL.
32. Redlich, Molding, I, 19.
33. Lacey, Brief History of Bridgeport Bank, 4.
34. Ibid., 5.
35. Arthur Bronson, "History of the Bank of _____", 225.
36. Lacey, Brief History of Bridgeport Bank, 5.
37. Ibid., 11-13.
38. Redlich, Molding, II, 45-46.
39. Hammond, Banks and Politics, 601.
40. Ibid., 172-176.
41. See "miscellaneous records" folders in BP, Box 11 (Bridgeport Bank Papers), NYPL.

42. Bronson, Appeal to the Public, 17.
43. Redlich, Molding, I, 70.
44. Hammond, Banks and Politics, 222-226.
45. Harriet Bronson to Maria Bronson, Aug. 2, 1809, Murray Papers, NYHS.
46. Anna Bronson to Maria Bronson, typescript, July 15, 1810, Murray Papers, NYHS.
47. N.T. Hubbard, Autobiography (New York: John F. Trow & Son, 1875), 208.
48. Harriet Bronson to Maria Bronson, Aug. 29, 1811, Murray Papers, NYHS.
49. Harriet Bronson to Maria Bronson, July 5, 1811, Murray Papers, NYHS.
50. Harriet Bronson to Maria Bronson, Nov. 2, 4, 1811, Murray Papers, NYHS.
51. Harriet Bronson to Maria Bronson, n.d., Murray Papers, NYHS.
52. Maria Bronson to Anna Bronson, Oct. 15, 1811, Murray Papers, NYHS.
53. Maria Murray to James B. Murray, March 3, 1817, Murray Papers, NYHS.
54. See folder, Selectmen of the Town of Fairfield, Conn. v. John Harrington, 1814, BP, Box 13, NYPL.
55. IB to John Harrington, Dec. 9, 1814, BP, Box 7, NYPL.
56. See account book, Wages to Laborers of Various Nationalities, 47-48, BP, Box 10, NYPL.
57. IB to Oliver Phelps, Feb. 18, 1804, Phelps-Gorham Papers, NYSL.
58. IB to James Gould, March 10, 1830, BP, Box 5, NYPL.
59. IB to David Daggett, Nov. 4, 1807, David Daggett Papers, Yale Univ.
60. David Hackett Fischer, The Revolution of American Conservatism (New York: Harper & Row, 1965), 296; Dictionary of American Biography, III, 26-27.

61. IB to James Gould, March 10, 1830, BP, Box 5, NYPL.
62. Fischer, Revolution of Conservatism, 178-179.
63. IB to Daggett, March 28, 1816, Daggett Papers, Yale Univ.
64. IB to Daggett, Jan. 8, 1814, Daggett Papers, Yale Univ.
65. H.W. Dickinson, Robert Fulton, Engineer and Artist (London: John Lane, 1913), 260-261.
66. IB to Daggett, Jan. 8, 1814, Daggett Papers, Yale Univ.
67. IB to Daggett, Jan. 12, 1814, Daggett Papers, Yale Univ.
68. Dickinson, Robert Fulton, 261.
69. Ibid., 262-264.

CHAPTER IV

THE JEFFERSONIAN REPUBLIC AND THE DEFENSE OF TRADITION

To Federalists in middle age, the years 1812-1815 closed the door on the old, familiar order. Many of these men could not accept such a realization without a struggle, although their struggle was pitifully limited to futile gestures. But in those years, Bronson began to articulate the soundness theme in terms of the American experience and the problems engendered by that experience.

1.

The War of 1812 dealt a severe though temporary blow to the American economy. It is true, as has often been said, that the war had a positive effect, since capital shut off from trade found outlets in manufacturing. But that was a long-range effect; contemporaries were less able to appreciate it than were later observers. At the time, men of both parties regarded the situation as being extremely grave. An efficient English blockage sharply reduced foreign trade. There was some smuggling and blockade-running and in some parts of New England, including areas of Connecticut, trade even increased.¹ But these were exceptions. More typical

was the southern area of Connecticut with which Bronson was most familiar. British warships occasionally moved, undisturbed, through Long Island Sound, and trade was badly crippled at Bridgeport, as it was at the critical port of New York.

As historians have noted, New England flourished too well economically, after the Republican ascendancy, for extremism to triumph at the Hartford Convention.² Nevertheless, after 1807 the region, while not as devastated as its spokesmen so often maintained, did suffer. At no time between 1808 and the end of the war did New England's export trade reach pre-embargo levels. New England's share of the nation's export trade was \$24 million in 1807; it plummeted to less than \$6 million in 1808, worked back up to \$14 million in 1811, but by 1814 sank to the very low figure of \$2.6 million.³ Trade was the lifeblood of the northeast. No amount of capital diverted into the small manufactures of the period--and definitely not capital put into new banks--could persuade northern conservatives that the economy was thriving. Trade everywhere, not only in New England, was affected severely. In 1807 the country's combined imports and exports totalled \$246 million; in 1814 the figure was \$20 million.⁴

To Bronson, the worst aspect of the war was its effect upon national finance. Government expenses under economy-minded Jeffersonians soared to unprecedented levels that

far outstripped income. In 1811 the government's payments were slightly over \$8 million; by 1813 Madison's administration faced an expenditure of \$39 million, while it possessed a revenue of less than \$15 million.⁵ In 1812 the public debt, after eleven years of Albert Gallatin's skillful management, had been reduced to \$45 million; by late 1814 it was over \$100 million. Meanwhile, no National Bank existed to provide some measure of control over state banks. The number of chartered banks shot up from 88 in 1811 to 246 in 1816, while banknote circulation in the same years increased from \$28 million to \$68 million.⁶ Much of this increase was due to the Treasury Department's necessity of borrowing from banks to finance the war; this federal borrowing greatly expanded notes and deposits. Prices leaped to the highest level of any time in the entire period between 1781 and 1860. In New York wholesale prices rose 57 percent between June 1812 and December 1814.⁷

Congress and the Treasury Department had difficulty raising the money necessary to fight the war. An outstanding Secretary, Gallatin, was at the Treasury until May 1813, followed by two less competent men, William Jones and George W. Campbell, and in October 1814 the capable Alexander J. Dallas took over. All of these men attempted to finance the war primarily by borrowing. Between March 1812 and March 1815 Congress passed six separate laws authorizing the Treasury to obtain money by selling government stocks.

These sold poorly. At the end of 1814, over \$62 million in the new securities had been issued, of which only \$41 million had been sold.⁸ Furthermore, after the first issue, which sold at par, the others went only at a discount. Needing the money so badly it had little choice, the government in 1813 sold \$100 shares for \$88, and the next year for \$80. The actual market price at which the stocks subsequently circulated fell much lower, as businessmen of both parties kept their eyes on the bleak economic picture and the often infelicitous military news. The Treasury ultimately disposed of the whole \$80,952,000 which the six acts of Congress authorized, but a Congressional committee later calculated that for this large incurred indebtedness (which was redeemed at par), the government received money with a specie value of only \$34 million.⁹

Bronson bought none of this stock. Federalists almost totally rejected it, but no great number of individual Republican businessmen bought it either. Banks were the main purchasers, and the sectional political alignment was reflected in the support given to the government's war issue. Of the stock issued through 1814, Federalist New England purchased seven percent, the south and west, which were Republican but poor in capital, purchased six percent, while fully 87 percent was purchased in the four middle-state cities of New York, Philadelphia, Baltimore, and Washington.¹⁰

Besides banks, a few wealthy citizens purchased some of the stock. The largest single transaction between the government and private parties was the arrangement Gallatin made just before he left the Treasury with three of America's richest men (all of whom, like Gallatin himself, were foreign born): John Jacob Astor, Stephen Girard, and David Parish. The arrangement occurred after the government's second issue of stock, totalling \$16 million, in the spring of 1813; after a month, less than \$7 million had been taken. At a meeting with Gallatin in April, the three capitalists agreed to purchase the more than \$9 million that remained on the market. They demanded and received a discount, paying \$88 for each \$100 share.¹¹

Bronson seems not to have been acquainted with Girard, but he knew Astor and Parish very well. Along with most Federalists Bronson looked with disfavor on the three financiers' transaction with government, for it helped to prolong what was, in his opinion, an unnecessary and harmful war. Shortly after the purchase, Astor told Parish that someone had informed him of Bronson's effort to depress the value of the stock by spreading a false story that Parish was offering large blocks of the stock at a very small advance.¹² If what Astor heard was true, Bronson need not have gone to the trouble. The stock, which the financiers did not intend to keep entirely to themselves but to put on the market, held for a while at about 90, or slightly more than what they paid

for it; but as the economic and military situation deteriorated it sank below 70.¹³

The administration's financial expedients were, in Bronson's view, the worst aspect of a general debacle. The borrowing from the banks--that is, the issues of government stock, purchased by the banks with their notes which in turn were used to finance the war--was inflating banknote circulation and depreciating the currency. Issues of Treasury notes added to the inflation. Bronson's nagging anxiety was that the government would resort to an even worse expedient and simply print paper money as the Continental Congress had done during the Revolution; or, if not that, then push across a "paper scheme" in some other form.

He began to see in the trend of events a threat to the very existence of the new order that had come to power in 1787-1789. A defeat of that order would signify triumph for the landed gentry of the south, currently represented in Washington by "the new firm of James Madison & Co." A paper money system would "annihilate" credit, confidence, and bank solvency, and destroy the value of all property--except property in land.¹⁴ He could scarcely have made more clear his class and regional interpretation of the conflict in American society.

As the war dragged into 1814, a feeling of oppressiveness deepened among northern Federalists; it would lead some of them to the Hartford Convention in December. Bronson

reflected this ominous mood in March when he said of the feared paper money maneuver: "The consequences of resisting such a measure whatever they may, or can be, are less dreadful than that of submission."¹⁵ In this depressed atmosphere, Bronson in the spring of 1814 joined in the movement just getting underway to establish a new National Bank.

The credit for getting a Second BUS chartered in April 1816 belongs mainly to Congressman John C. Calhoun and Secretary of the Treasury Alexander J. Dallas.¹⁶ But the Bank did not suddenly become an important issue at that time. Raymond Walters and Kenneth Brown have contributed greatly to an understanding of the origins of the Second Bank; they rightly stressed the significance of Girard, Astor, and Parish--the purchasers of the government's 1813 stock issue--in the movement for a new Bank.¹⁷ But their studies tend to give the impression that the three great financiers almost single-handedly awoke businessmen and politicians to the urgent need for a BUS, whereas in reality, by early 1814 businessmen--not in large numbers yet, but in sizeable numbers--had become aware that a new Bank was the soundest means of overcoming the current financial instability.

Moreover, the issue was not as simple as Walters' important study would have it--that a small "probank group" of capitalists, spearheaded by the three financiers, worked against an "antibank" opposition.¹⁸ In fact, deep differences existed from the first among capitalists who shared a

"probank" position. These differences were based in politics and finance as well as--less pressingly but important as a harbinger of the future--New York's growing sense of rivalry with Philadelphia.

In the spring of 1814, Astor of New York, and Girard and Parish of Philadelphia, disturbed by the low market price of their stock and by the generally bleak economic situation, decided that their personal interests and the country's needs coincided. They concluded that the creation of a new BUS, with a capital consisting of recent government stock issues (of which they owned such a considerable amount) would rescue the nation as well as enhance the value of the stock. This does not mean they were insincere when they asserted that their purpose in advocating a new BUS was to provide assistance to the war effort. None of the three was an ideological opponent of Republicanism, and each must have wanted to see the war ended soon and on favorable terms; although, of course, their ownership of the government stock provided motivation enough, in itself, for supporting a new Bank. Parish found an ally in his Philadelphia Republican acquaintance Dallas, who was not yet at the Treasury, and they began trying to enlist support.

Meanwhile the Madison administration leaned toward a Bank. In view of the Treasury's inability to raise sufficient money to finance the war, the usefulness of a National Bank was, from the government's standpoint, the creation of a

large capital from which the government could borrow. On April 2 a known administration spokesman offered a resolution in the House that a committee be appointed to study the question of establishing a Bank, and although Republican strict constructionists tried to prevent a vote, the motion passed.¹⁹

Walters relates how the House vote stirred the three financiers to vigorous activity, and he says Parish began writing businessmen, seeking their support. The only Parish letter to a New York businessman which Walters cites was addressed to Bronson on April 8; Walters says Parish in that letter urged Bronson to solicit support for a Bank among Federalists.²⁰ However, a reading of the letter reveals a different situation. Bronson initiated the correspondence. He scarcely needed Parish to persuade him of the advantages of a Bank. He knew that Parish's holdings of government stock would interest him in any National Bank project. Encouraged by the House vote to believe that a Bank might be established, he wrote Parish to offer his opinion that any charter should be so framed as to win the support of Federalist men of capital. Parish then replied to Bronson that he agreed completely, but that for the moment he considered it "advisable to keep the combined federal Influence as much as possible out of view until some of the leading administration men in Congress have come out decidedly in favor of the measure." As soon as the matter progressed sufficiently in

Washington, Parish would be going to that city; before he did, he would appreciate having a conference with either Bronson or Nathaniel Prime. Parish declared that when Bronson saw the plan "which Mr. Girard & some other friends with me are disposed to give countenance & support," Bronson would consider such a Bank "solid & safe," beneficial both to the country and to the men who invested in it.²¹

Parish was wrong about this. Although Bronson did not tell Parish, he already knew the general tenor of the plan the three financiers supported and did not like it. The financiers wanted a National Bank whose subscriptions would be paid in government stock, thereby raising the stock's value. To Bronson, the present situation was very different from 1791 when the First Bank was established with subscriptions payable in government securities. The present securities seemed worthless, issued in desperation to carry on an expensive and needless war, and were selling poorly.

Bronson had hastily sketched his own plan for a Bank, and he sent Parish a copy.²² He also sent a copy to Daggett, with whom he could be much more candid than with Parish. The latter was a foreigner who carefully remained aloof from American political controversy, lived in Philadelphia and had many Republican friends, and possessed no animosity toward the Madison administration. Bronson on the other hand now had definite partisan motives. Integrated with his desire to restore a sound currency was an explicit desire to reassert

northeastern Federalist power in the councils of state. In the spring of 1814 he believed that a properly constituted National Bank was the key to both these goals.

Bronson realized that it could not, at first glance, be expected that a new Bank, which must necessarily come into being under a Republican administration, would be supported by Federalists, since Federalists had given little support to the administration's other methods of raising money. But his daily conversations with New York businessmen in recent months had convinced him that the fear of a descent into paper money was widespread. That fear, he advised Daggett, would "induce the federal interest to furnish capital for a National Bank," provided that such a Bank was so established as to truly preclude any resort to paper money.²³ Bronson's own plan, thrown together on the basis of his talks with Federalists, was in the nature of an emergency, stop-gap measure, like many other men's projects of that year. He was willing to admit the government's need for revenue and consequently acknowledged that the Bank would have to loan money to the government. The main danger which he sought to avoid was a further depreciation of the currency, and so he stressed the need to combat overextension of bank credit. He would include a clause in the charter which required court judgment on every discounted note thirty days overdue and provide for real estate to be sold, if necessary, to pay it.

This attachment of land as ultimate security was no accident. The provision, he told Daggett pointedly, "will be a triumph over the Privileged orders of the South." Bronson would continue throughout the war to advocate a Bank whose capital was secured by a land tax pledge on the part of every state. This would provide a tangible security far superior to a Bank based on the worthless government stocks. This argument was typical of those advanced by a number of other Federalist financiers in New York. Walters describes how Astor criticized the proposals for a Bank capital secured by real estate, and believed them to be at least partly inspired by politics. Astor claimed that Federalist financiers he had spoken to were "determined to ruin the Administration at the expense of the interest of the country & all that is & ought to be dear to them."²⁴

Bronson would seem to have been unrealistic to suppose that such a plan could ever get through a Republican Congress. Yet he based his views on the belief that the present emergency overrode other considerations, and on the fact that Federalists still represented such a large percentage of the men of wealth, whose support was necessary to any Bank project. He believed the administration had dug itself into such an untenable position that Congress would have to soon charter a Bank. "And if they grant a Charter that will procure them the money they want, must it not be one that the Federalists will subscribe to, & subject to Federal controul?"

Bronson asked Daggett to show the plan to Rufus King and seek his opinion on what degree of Federalist support in Congress could be expected.²⁵

Hopes for a new Bank were premature. Rumors of peace moves and the nearness of adjournment led to the discharge of the House committee on April 8, only six days after the committee had first been proposed. But the week that the question was opened in Congress showed that capitalists were beginning to regard the National Bank as a major issue. Bronson was engaged during these few days in conversations with Nathaniel Prime and other leading New Yorkers. The Federalists he talked with looked askance at the three financiers' plan, or any other plan that did not win the approval of the New York and New England Federalists in Congress. Bronson told Daggett of his correspondence with Parish and of his hope that Parish and the others could be brought to support a Bank plan closer to the New Yorkers' views.²⁶ On April 8, the same day the question terminated in Congress, Bronson reported on a meeting he had gone to the night before, attended by "some of the principal capitalists in the city," where the consensus was that a new Bank should be "located in this City where it ought to be: and its direction placed in the hands of men, where public & private interest would be safe." Again he relayed to Daggett a collective request from Federalist businessmen in the city for information on the current opinions of Federal-

ist Senators in Washington--"all you gentlemen whose better judgements ought to direct ours in this critical juncture."²⁷

The New York capitalists sought political leadership in vain. A problem that spring was that the issue faded too quickly, in a matter of days, without ever coming to the floor of Congress. Yet even later that year, when the question was fully debated, any hope for a united front of Federalist capitalists and politicians was unfeasible because the Federalist politicians themselves were never wholly united on the Bank question. The Federalist party, since 1800, had steadily lost popular support; Federalists remained strong on the state level, in a few states, for some years more, but as a national force the party by 1814 was in reality already dead; 1816 would be the last time the Federalist party would run a candidate for President, and Rufus King would get only 34 electoral votes to James Monroe's 183. Although Bronson could not quite yet admit it to himself, the party had no center left; even an issue as important as the Bank of the United States could no longer provide a rallying point. Rufus King would support one of the Bank bills later proposed which Bronson considered terrible and would oppose one Bronson considered sound; Daniel Webster would oppose both of them. The reasons for this were political, not financial.²⁸

During the hopeful first week of April 1814, however, Bronson for the last time believed, or at least showed a

strong desire to believe, that a real possibility existed for a northern commercial reassertion of political influence against the reckless southern agrarians. He wrote:

If the Federalists in Congress can be brought to act together on this subject, they have the power I have no doubt of restoring to the Merchantile interest by means of such a charter as is now to be had, that share of Political influence to which they are intitled, and which would give to the Eastern states that Salutary controul, over the mad Projects of the madmen of the South, which can be had no other way.²⁹

He was not fantasizing about an impossible turning back of the clock, but only wanted to restore a balance in the affairs of state. An opportunity had now opened, he believed, to employ a properly constituted Bank as the instrument by which to unify Federalist political and commercial interests. He explained to Daggett why a Bank of another form--and it was clear to him that some kind of Bank must soon be established--would lead to the opposite result. The chartering of an institution of which "the federal merchants don't generally approve" would have a disruptive effect on Federalist goals, because some Federalists would doubtless support any Bank to be created, while others would be more discriminating. The opportunity of achieving "union" would be dissipated and the Republicans, by means of a bad Bank, would increase their control over the economy. A good Bank, on the other hand, would elicit widespread, unified support from conservative northern capitalists; Federalists would sit on the board of directors and influence

the Bank's policies. The directors would have the power to resist the large government borrowing and spending which was now occurring. A Bank must therefore be chartered on a proper foundation.³⁰

But it was already too late. The House committee was discharged on the same day he made this argument for "union"; adjournment of Congress followed a few days later. Parish wrote Bronson that serious discussion of a new Bank "may now be considered postponed for a long time to come."³¹ Actually it was only postponed until the fall. But when discussion resumed, a greatly altered situation prevailed in the country.

2.

In August 1814 the British army burned Washington and threatened Baltimore. One effect of this military action was a run on the banks in those two cities, as depositors and note-holders demanded specie. Washington and Baltimore banks, like those in many other places, had expanded their liabilities in the past two years far in excess of their specie reserves, and they were forced to stop payment. This suspension of specie payments--that is, a suspension of convertibility from paper to specie--quickly spread throughout the country in the fall of 1814 to include all banks except those in New England. It was the first general suspension in the new nation's history. There have been only a very few others, of which the most recent and most serious was

in 1933. But the first one in 1814, unprecedented and coming so early in the national experience, was conceivably the most stunning to contemporaries. Bronson's outburst to Daggett, on September 1 as suspension was just beginning to spread, was perhaps the most reproachful thought that an eighteenth century rationalist could express. "It seems," he exclaimed, "as if all nature had ceas'd to think."³²

Although the result of suspension was widespread financial disarray, one group was immune and indeed profited; ironically, that group was the very bankers who stopped payments. For suspension, in the nineteenth century, did not mean the banks were out of business, only that they had ceased to redeem notes in specie. The banks continued to increase their circulation through loans, because the government and businessmen continued to need money, and because the absence of a National Bank meant that the state banks alone furnished the circulating medium. By not having to meet their main obligations, the state banks saw their profits actually increase significantly after suspension, and dividends to their stockholders continued unbroken.³³

But the currency became greatly depreciated, and circulated at discounts which Gallatin later said varied "not only from time to time, but at the same time from state to state, and in the same state from place to place."³⁴ Banknotes which travelled beyond the immediate vicinity of the bank that issued them were either refused or accepted at discounts which ranged as high in some cities as 25 percent.³⁵

For the administration, what had been a grave situation became a near catastrophe. Since the demise of the Bank of the United States in 1811, the state banks had transacted the government's business: advancing funds, paying government debts, and holding the public deposits which constituted the government's revenues from taxes and other sources. Now the Treasury was forced to receive its revenues in depreciated state bank paper. Transaction of routine government business became increasingly difficult through the vagaries now attendant upon the medium of exchange. Transfers of government funds from one region to another encountered either refusals, or acceptances of the funds at discounts. The Secretary of the Treasury reported that tax collectors in Tennessee refused tax payments in the notes of an Ohio bank, because the Tennessee banks in which the tax collections were kept refused to accept the Ohio bank's notes for deposit.³⁶ At the same time the government's expenses required it to continue borrowing from the banks and accepting depreciated notes.

Suspension of specie payments reinforced Bronson's and other conservatives' fears of a slide into general disorder. Moreover Bronson, because of his particular interest in the Bridgeport Bank and that institution's connection with the New York banks was especially hurt by suspension, as we shall shortly see. His frame of mind was indicated by a discussion he had in the summer of 1814 with James Lloyd, a wealthy

merchant and banker of Boston and a staunch Federalist who had just left the United States Senate after five years in that body. Lloyd, like Bronson, hated the war but wanted a strong navy, and believed that a National Bank should be chartered. The two capitalists revealed New York's and New England's growing disaffection with the course of national events when they reflected on the possibility, if Congress failed to act, of creating a separate and smaller Bank--not "National," but "Northern"--to save New England and New York while the rest of the country fell apart. But this plan never got beyond the theoretical stage.³⁷

Not only Federalists felt depressed by events. Dallas, the Philadelphia Republican who became Secretary of the Treasury in October, confessed before long to a friend: "If I was not mad when I came, it is not impossible that I shall become mad before I go away."³⁸ It was in a somber mood that the Madison administration undertook its first serious effort to charter a new Bank of the United States.

Dallas, in prior conversations with his friends Parish, Girard, and Astor, had already developed a proposal for a new Bank, and he sent it to the House a few days after becoming Secretary. The Bank, according to Dallas' plan, was to have a capital of \$50 million, of which \$20 million was to be subscribed by the government and \$30 million by individuals and corporations. Of the \$30 million subscribed by the public, only one-tenth had to be paid for in

specie, the rest in the government stock and treasury notes issued during the war. Three of Dallas' proposals would make the new Bank significantly different from Hamilton's Bank of 1791: the new institution was to loan the government \$30 million as soon as it was established; the government was to appoint one-third of the Bank's directors including its president instead of, as in the First Bank, the management being elected solely by the stockholders; and the President of the United States was empowered to suspend the Bank's specie payments at any time.³⁹

From the vantage point of nearly a century, the historian Ralph Catterall would call Dallas' 1814 plan a "monstrous scheme" undeserving of the name of bank, projected with nothing more in mind than the government's need for money.⁴⁰ Catterall was echoing a great many of Dallas' contemporaries, for the administration proposal encountered immediate opposition, both in Congress and among businessmen. Some of this hostility was of course partisan, stemming from Federalists' fears that if only stock issued during the war, of which they owned little, could be used to pay for subscriptions to the Bank, then supporters of the administration who had purchased that stock would have a great advantage over them. The government's participation in the management of the Bank also stirred political animosity among Federalists. Bronson, while fully sharing such feelings, also objected vehemently to the Dallas plan, as did many men of

both parties, because he believed it to be fundamentally unsound. He promptly labelled it "a paper money scheme of the most odious & dangerous character," because the Bank's capital was to consist mainly of depreciated government stock issued during the war.⁴¹ The stock had always sold below par; at the time the administration plan was introduced in Congress, \$100 of the stock sold in the New York market for \$66. Such a capital, along with the government's obvious need for money, gave the bank built-in inflationary weaknesses that could scarcely induce confidence in the best sort of investors. The requirement that the Bank loan the government \$30 million would, Bronson said, "saturate the whole country with circulating medium."⁴²

Bronson's reaction was shared in Congress by Calhoun and numerous other Republicans who, though belonging to the administration party, believed that the requirement of the large loan to the government, which would greatly expand paper circulation, meant in reality that the Bank could not possible be established on a specie-paying basis, and would therefore be "founded in insolvency." Daniel Webster, speaking for the Federalists, agreed, and denounced the entire plan as "a system of rank speculation" designed to create "a paper department of government."⁴³

Bronson was also hostile to specific individuals, whose interests he believed to be imbedded in the administration's plan. These were the three great capitalists Parish, Astor,

and Girard, whom he caustically labelled "the contractors," in reference to their 1813 stock contract with the government. It was, he had no doubt, solely their desire to enhance the value of the stock (purchased at 88, now selling at 66), which led them to lobby strenuously for a Bank. "I am not surprised," he told Daggett, "they should be anxious to have a new name for their stock; the one it now bears is in such general discredit."⁴⁴ And he was furious that they seemed to be succeeding, and in so doing, foisting upon the country a worthless Bank. Bronson thundered: "The contractors know it is a bubble; but they think to sell it before it bursts-- Astor says if he gets out of this scrape he'll see the devil have them before they shall have any more of his money....If Mr Dallas gets this Bank thro' I conclude he may 'hang up his fiddle,' his stipulation with the managers of the ball will I presume be at an end."⁴⁵

Bronson believed that Hamilton's plan, the First Bank of 1791-1811, represented the best model for any new BUS. This view was widely shared; the First BUS was naturally the standard of reference. Astor, for instance, viewed it as the finest model to follow.⁴⁶ And in the end, the Second Bank of 1816 was, indeed, almost a duplicate of the First Bank, though on a larger scale. But it was established only after the war was over. The precarious economy of 1814 put such an achievement, for the time being, beyond reach, and yet some kind of National Bank seemed desperately needed.

While Bronson believed that, ideally, a new Bank as close as possible to the old one would secure "the approbation of practical men," he himself was a practical man, and he recognized that something short of the best had to be settled for under present conditions.⁴⁷

As the debate over the Bank continued in Congress through the fall and winter of 1814, Bronson outlined, in his letters to Senator Daggett, what he considered not only essential but also obtainable, even under the difficult circumstances prevailing. The consideration he repeatedly asserted was the immediate and overriding necessity of restoring a stable currency, which must be done before any other good could be accomplished. Above everything else loomed the present suspension of payments. A proper National Bank could begin to bring the system back together by restoring the currency to a convertible basis. This was a predictable response. Bronson was a wealthy creditor; the greatest part of his fortune was placed in private moneylending, a fixed investment of capital secured by contract.

The administration's plan and the objections of the plan's critics, whether Federalist or Republican, stemmed from different views of the need for a new National Bank. The government needed cash to finance a war and thus the Treasury, so long as the war lasted, could not pursue a conservative deflationary policy. Politicians like Calhoun and Webster and capitalists like Bronson, on the other hand,

saw the main problem as that of a currency depreciated by state bank paper of varying values.

In letter after letter, Bronson urgently pressed upon his friend in the Senate the crucial needs of the moment as he conceived them. A National Bank must "secure to the nation that stable medium so necessary to the security of every species of property existing in the shape of contracts." If a proper Bank is not chartered "the credit of the nation, & the security of private contracts, is I believe at an end." It must be made clear that "the primary object of a Bank, is to furnish a standard as a circulating medium."⁴⁸

These recurring admonitions accentuated the immediate benefits of a Bank and the reasons why Congress must reject the administration's plan. But Bronson also saw the question in its broader perspective. Although the term "central bank" was not yet in usage, his imagery in the following passage, of a Bank as a "pillar" supporting a "superstructure," revealed his awareness that a Bank of large powers and wide responsibilities was necessary. He wrote Daggett:

As [a National Bank] is to be the corner stone, and pillar on which must rest the whole fabric of Public credit, it should be insulated and secured against all encroachments; so that nothing but a severance & breaking up of the Union could endanger its stability....If there is to be such a thing as public credit, it must have a bottom. If that bottom is firm the superstructure may sometimes totter, and even fall, & yet be again rebuilt. But all attempts to rebuild without such a foundation I believe will be utterly vain.⁴⁹

While the administration proposal was stalled in the House, a bill with substantially the same provisions was introduced in the Senate. When Bronson received word in early December that, after a week's debate, the bill had passed the upper house by a 17-14 vote, his despair was nearly complete. Astor and the other "contractors" had seemingly won a crucial victory. In one of the most bitter letters he ever wrote, Bronson addressed Daggett, who had sent him the gloomy news:

I could not have believ'd such a detestable project could have recd the sanction of any legislative body on earth....I hope every hand may be withered that gives currency to the fraud. What a cursed besotted people! to submit to have a war costing them hundreds of Millions, fastened upon them, that a dozen gamblers might make fortunes, by furnishing money to carry it on; and when failing of their object; to give them a bank for the avow'd purpose of cheating the nation out of 50 Millions of Dollars to indemnify them!!⁵⁰

Bronson interpreted the Senate vote as a permission for utter irresponsibility. The BUS would lead to an emission of paper money that would complete the job of national ruin begun by the war. For the next two months he and a few other New England capitalists rather desultorily talked about a "Northern Bank," along the lines of the project he had discussed with the Boston merchant and banker James Lloyd in the summer. This was conceived as a kind of sectional BUS, established with capital from the state banks of New York and New England and serving that region, or serving only New England if the New York

banks rejected the plan. Bronson tried, perhaps successfully, to get this proposal on the agenda of the Hartford Convention, apparently through his Connecticut friend Roger Minott Sherman, who was one of the delegates at Hartford.⁵¹ After the Convention and up to the arrival of the news of peace, he and Lloyd continued to discuss the scheme with some Federalists, including a Judge Lyman, who was evidently Daniel Lyman, Chief Justice of Rhode Island's Supreme Court and leader of his state's delegation to Hartford.⁵²

Disunion itself Bronson never discussed, at least in his extant written correspondence, and it is most unlikely that his natural caution and skepticism permitted him to take such an extreme idea seriously. Capitalists such as Bronson and Lloyd tended to be essentially moderates, although disturbed ones, in the heated New England atmosphere of late 1814. Neither man went to Hartford, nor did Bronson's distinguished Senatorial friend Daggett. Although James Lloyd's own published attacks on the war had helped ignite New England's fiery sectionalism, during 1814 Lloyd proved to be one of the moderate Federalists trying to control the flames.⁵³ After the Convention, in February 1815 on the eve of the news from Ghent, and while still contemplating a separate Bank for the northeast, Lloyd confined his views strictly within the limits of the federal Constitution and doubted that such a project could win enough popular support in New England.⁵⁴ Similarly, Bronson

was bothered by legal scruples in connection with the Northern Bank plan. Even as the delegates assembled at Hartford he wrote Daggett of the project: "Should there be constitutional difficulties in the way of this plan, can it not be so modified as to be free from this objection? Surely one state may establish a Bank, with liberty to have branches in other states."⁵⁵ Meanwhile, Bronson corresponded with Parish about a totally different plan, still hoping that Congress would charter a new BUS; he sent the Philadelphia financier a printed copy of the plan, apparently drawn up by himself.⁵⁶

To Bronson's relief the House refused to accede in the Senate's support of the administration Bank bill. Throughout the rest of December and the first six weeks of 1815, Congress debated on a new Bank but failed to establish one. On February 13 the capitol learned of the signing of the peace treaty. Many Congressmen believed that with the nation at peace its finances were secure; the movement for a new BUS now suddenly faded once again, not to be resumed until December.

3.

Peace did not alleviate financial problems. Suspension of specie payments remained in effect, and although Dallas made efforts to induce the banks to resume payments, he himself had doubts about the feasibility of an early

resumption. Dallas finally did adopt resumption of payments as the goal toward which the Treasury would work, but he found the bankers of New York and Philadelphia cool to his various proposals.⁵⁷ Many competent financial men who happened not to be linked to big-city banks--men such as Albert Gallatin, whom Bronson respected despite Gallatin's Republicanism and his service under Jefferson and Madison--believed resumption should be effected as soon as possible, even if a new BUS were not established.⁵⁸

Earlier, mention was made of Bronson's personal reason for urgently desiring resumption of payments; this arose from his financial interest in the Bridgeport Bank. Bridgeport was firmly tied to the metropolis, as the town's merchants depended largely on their trade with New York. The paper of the several New York banks far surpassed the paper of the small Bridgeport Bank as the town's circulating medium and had always been received by the Bridgeport institution in payment of debts due to it, while the notes of the Bridgeport Bank naturally flowed in the course of business to the banks in the city. Before the war began, Bronson and the other directors concluded that the town's exposed position on a defenseless harbor threatened the bank's security in case of British invasion, and they deposited most of the institution's specie in various New York banks.⁵⁹ Also, as previously mentioned, a deposit had been kept for some years with the Mechanics' Bank of New York in order to facilitate easy redemption of Bridgeport Bank notes in that city.

In the summer of 1814, as conditions suddenly worsened, to a discerning eye suspension seemed a very real possibility, which meant the Bridgeport Bank's money would be irretrievable. Feeling it imperative to put his bank into as sound a position as possible, Bronson took several actions that summer. He sent the merchant James B. Murray, soon to be his son-in-law, to Boston, where Murray obtained over \$30,000 in specie from the Bank of Massachusetts, which was packed in kegs and sent for safekeeping to the Albany State Bank along with some specie which Bronson, just before suspension, was able to retrieve from one of the New York banks which held his bank's deposits.⁶⁰ Also, Bronson after suspension sent several thousand dollars in specie for safekeeping abroad, to the enemy country's house of Baring Brothers and to another London house, from which he received interest of four percent and five percent respectively.⁶¹

These stratagems still left much Bridgeport Bank money in New York banks and, after suspension, out of reach. Bronson's growing exacerbation in late 1814 and throughout 1815 was to a large degree a result of his private business difficulties. While tied inextricably to New York, his bank was located in the state of Connecticut and was thus a New England bank. New England was the only region where banks had not suspended payments. A Connecticut law passed after suspension made it mandatory for banks in the state to redeem in specie, on demand, every note they had issued

of a denomination under \$100--which was the only kind of note the Bridgeport Bank printed--and upon failure to do so, to be penalized by the courts with nine percent interest charges on each unpaid note.⁶² A situation in which one group of banks must redeem their circulating paper, but could not return for redemption the notes of another group of banks with whom they did regular business, was obviously unable to endure for long, and after suspension the Bridgeport Bank, along with various other Connecticut banks in a similar relation to New York, had to sharply reduce or virtually cease lending money. Thus from August 1814 on, Bronson viewed himself and his bank as the victims of injustice. He would soon remark caustically: "The refusal to pay specie has operated as a virtual repeal of the charter of the Bridgeport Bank."⁶³

In February 1815 Bronson addressed a letter to the general committee of New York banks, which in the suspension crisis represented the united interests of the city institutions. He explained that the Bridgeport Bank did not wish to refuse New York banknotes in payment of debts due or to charge a discount on those notes, since New York paper was the main circulating medium for Bridgeport citizens. Therefore, in order to "enable us to receive in payment the bills of the New-York banks as usual," he requested the New York bankers' committee to authorize a loan to the Bridgeport Bank of \$70,000 on good security which, with the \$80,000

the bank could already command, would mean that the Bridgeport Bank could redeem all of its own paper still in circulation. Bronson offered to pay six percent interest on the loan, but beginning only after specie payments were resumed.⁶⁴

According to Bronson, this proposition went unanswered by the New York bankers. But the irritation he showed was spreading. By July 1815 several Connecticut bankers felt discomfited enough to assemble at a meeting in Middletown, which Bronson almost certainly attended. A communication was drafted and sent to the New York bankers' committee. It made certain recommendations, chief among them being that the city banks curtail their loans moderately, in order not to suddenly disrupt business; that they begin to redeem their paper at the rate of two percent per month, thus working gradually toward the goal of full resumption of payments; and that, in the meantime, dividends to stockholders be suspended.⁶⁵

The Connecticut bankers received a polite, aloof reply from the general committee of the New York banks stating that the committee had concluded that determination of policy "must be left to the banks in the city, unrestrained by any specific pledge on the subject." The New York bankers agreed that paper issues must be limited, and maintained that, in fact, the amount of their loans had increased very little since suspension.⁶⁶

To Bronson, the position taken by the city banks was spurious. He believed--and his assessment was similar to that made by modern banking historians--that the cause of the crisis lay in the large amounts loaned to government in exchange for stock and Treasury notes, and not in any excess of commercial loans to individuals.⁶⁷ He believed, moreover, that the city bankers' argument was not due to faulty reasoning, but was a purposeful attempt to mislead businessmen in order to deflect demands for resumption of payments. He would soon publicly note how often, in the city bankers' numerous statements of policy, reduction of discounts to businessmen was mentioned, while the government securities held by the banks were never discussed. The city banks' position on this question "may not have been designed to alarm the merchants; but it certainly had the effect....If the merchant was made to fear, that his individual ruin would be involved in the process of the reform, it could hardly be hoped that he would become its advocate."⁶⁸

Bronson may have been correct in his belief that the greater part of the business community was reduced to private grumbling and public acquiescence by the fear that changes might make matters worse. But in any case, the inflation of the period had hurt not only merchants, but nearly all other groups. Workingmen and craftsmen who labored for wages or even owned their small shops were hit

by it far harder than were people of higher income. A shopowner addressing the bankers in a letter to a newspaper put the matter in plain terms that everyone could understand:

It is your bank paper which has made every article of consumption so horribly dear....My journeymen have raised their wages eleven per cent....Formerly I employed six men at nine dollars a week; now I pay them ten. This makes a difference of 312 dollars a year.... There is no other reason why people can live cheaper in Boston than here, except that in Boston money is money, and nobody can make it any thing else: While here money is not money.⁶⁹

Bronson had long been convinced that the banks would not resume payments voluntarily. His desire for a "properly constituted" National Bank was grounded in his belief that such an institution would help to bring about resumption of payments. In October 1815 a new BUS seemed unattainable, yet something must be done. Bronson's patience was at an end. In that month he brought suit in the New York state Supreme Court to force specie payment by the city banks whose notes he held, and to get his deposits out of the banks.

Bronson was very serious about this step, but secretly he may have realized its somewhat quixotic nature. For some time to come, the legal problem of enforcement of bank redemption varied from state to state and was by no means universally settled. Bronson's decision to sue in the courts was an unusual maneuver, but not unheard of; during the specie suspension creditors of banks in various states resorted to this method of getting paper redeemed in specie, but few if

any seem to have been successful.⁷⁰ The business community seems generally to have considered men who took the step troublemakers, and of course the banks were hostile. Bronson probably decided he had no other recourse left. Also, he may have wanted to create a test case by raising a question through the legal process that public opinion seemed to him unenlightened about.

Bronson's suit offered three propositions to the city banks: they could transfer their government stock to trustees, to be sold to meet demands upon them if they had not paid specie within nine months; or they could agree to reduce their loans at a rate of two percent per month until they were able to pay their debts; or they could cease paying dividends to their stockholders until the debts were satisfied.⁷¹

While the propositions from the convention of Connecticut bankers in the summer had received a dignified, though negative, reply from the city banks, Bronson's individual action in the fall met with invective. He had to wait only a short while before receiving an unofficial but explicit reply to his propositions. On October 25, in the Republican newspaper National Advocate, appeared the first of five letters addressed "To Isaac Bronson, Esq.", written above the signature "Aurelius." Whoever else he was, "Aurelius" was clearly a spokesman for the New York banks. His first letter was more a personal attack than a financial argument.

Referring to "the imbecility of your mind," the author portrayed Bronson as "harrassed by the most violent hypochondriachal affections." Describing the unpopularity of Bronson's action, "Aurelius" advised the financier: "Inquire whether you are capable of breasting the torrent of public indignation which threatens to overwhelm you....As you traverse the streets, apparently dejected and depressed, every class of society appear to shun, or, at best, to receive you with a chilling coldness." He warned Bronson that even his supposed friends were "insincere" to him, and did not object when they heard "uttered against you the most violent, and, sometimes, the most unreasonable anathemas."⁷²

In his second letter "Aurelius" ripped into the class and political party with which Bronson was identified: the "anti-patriotic" and treacherous "eastern faction" which had wanted to force the country into "a degrading peace." He implied that Bronson sympathized with the notorious "essex junto" of Massachusetts which had conspired to ruin the New York banks by purchasing up their paper and demanding specie for it in order to "lessen the confidence of the community in our paper currency." But fortunately that scheme had been defeated by the citizenry, who had rallied behind the city banks' directors, "relying on their prudence and discretion in managing their concerns." That sentence must have set Bronson's teeth on edge. "Aurelius" called

Bronson's financial opinions "quack nostrums," and declared that even if Bronson's actions against the banks "are legal, still they are neither honourable, nor equitable." He promised that further letters would be forthcoming.⁷³

This public attack stung Bronson. After the first two letters appeared, he attempted to obtain a temporary court suspension of further publication of the letters on the grounds that they might prejudice his case in the public mind and prevent an impartial trial. But on October 28 at City Hall the Supreme Court, after hearing arguments of counsel for Bronson and the newspaper, ruled against Bronson's plea for temporary suspension on the technical grounds that his attorney's brief was improperly prepared. Bronson thereupon discontinued his lawsuits against the banks.⁷⁴ This unexpected move, following so soon after his earlier unusual step of bringing suit in the first place, took his opponents by surprise. "Aurelius" changed his tone and his next letter congratulated Bronson for having wisely "bowed to public opinion."⁷⁵

That may have been some part of the reason why Bronson dropped the suits. Like many men of his class Bronson shunned public controversy. While he had not expected the banks to be happy about his suits, he had probably been shocked by the abusive response that appeared in the National Advocate. And if the reaction to his move, among businessmen in general, was anywhere near as hostile as "Aurelius" portrayed it, Bronson was no doubt troubled.

But there was a more technical, legal reason for his decision. He had been advised that the New York courts were as yet undecided about the proper form of procedure in such cases. He clearly did not discard his idea of seeking redress through the judiciary. Three months later he was contemplating taking the step once more when he wrote Daggett: "It is only necessary to make [the banks] believe that the courts will give judgement against them, & they will soon retrieve their affairs....The courts have settled the form of the writ which they will sustain, so that the technical difficulties are done away."⁷⁶ However, with the establishment of a Second BUS soon after that, he saw no further reason to pursue the stratagem of a lawsuit.

In any case, once Bronson dropped litigation in late October, "Aurelius" immediately ceased his personal attacks. He filled his last three letters to Bronson with statistics on capital and circulation intended to demonstrate that the New York banks despite suspension were perfectly sound, and with encouraging assurances that commercial prosperity reigned in the city, while any attempt to force the banks to pay specie was misguided and "fraught with misery and ruin."⁷⁷

To Bronson, "Aurelius" reflected ominous new tendencies in the business world: shrillness, rootlessness, undependability. Over the next few weeks, to dispel his anger and defend his cause, Bronson put his thoughts on paper. What

came out of this endeavor was his first published writing. His initial intention was probably to answer "Aurelius" in a civil manner of address by presenting to the public a justification for his recent legal action. But he found himself required to go beyond his immediate quarrel and take a larger view.

Bronson used a recent pamphlet containing views with which he generally agreed as a vehicle for expressing his own arguments.⁷⁸ Under a title announcing a "review" of that work, the New-York Courier, a pro-Federalist newspaper, carried six unsigned articles between November 27 and December 8, which presented Bronson's case. The Courier in December then published the articles as a 19-page pamphlet under the title An Appeal to the Public on the Conduct of the Banks of New-York.⁷⁹ Bronson signed it "A Citizen," but everyone familiar with the dispute knew the identity of the author.

Bronson's Appeal to the Public was an expression, in particular, of the soundness tradition of banking reacting to financial instability, and of business conservatism in general, appalled by the excesses of enterprise. Bronson stated at the outset that the city's bankers and their customers knew full well, and admitted privately, that the currency was dangerously debased, and yet from fear that its reform would inconvenience them even temporarily, they preferred to leave matters unchanged. "It was always thus,

every where," he intoned darkly in an acknowledgement of universal frailty. The currency "has been reformed only when it exploded. But, that explosion has invariably produced effects, infinitely more tremendous, than the inconveniences that would have resulted from a regular and progressive system of reform."⁸⁰

Bronson was but one of several concerned individuals who responded in print to the financial confusion occasioned by the war and the suspension. But he was also representative of a broader trend: the beginnings, above and beyond the immediate crisis, of the effort to explain the principles and functions of banking which, increasingly with the growth of banks and all the enterprises which depended on banks, seemed to be in eclipse or misunderstood. Thus the Appeal was more than a jeremiad on prodigality; it marked Bronson's entrance into the ranks of the banking reformers.

By the time of the War of 1812, a society in which a comparatively small number of eminent capitalists dominated the money markets of the nation was being superseded by a society of expanding enterprise. Although an elite, then and later, continued to possess wealth and influence highly disproportionate to its numbers, the consensus of the mercantile tradition, rooted in common backgrounds and a common view of society among business leaders, was no longer capable of providing the informally exerted controls of the past.

In 1815 Bronson first articulated the problem that henceforth drew his attention: how to maintain, or restore, restraint and balance in an increasingly complex and dynamic economy fueled by a democratic enterprise which militated against the older assumptions of natural political and economic elites.

In time, the gradual resolution of the problem moved in the direction of replacing the increasingly ineffectual traditional controls with systematic controls, yet in a system so ordered as to permit freedom of enterprise (which was universally held to be indispensable). Consequently, questions of technique, among most reformers, became more and more prominent. Yet the technical discussions, which historians of banking theory have elaborated on and analyzed in detail, were superimposed on deep social and economic conflicts stemming from the swift changes then underway in America.

In a sense, Bronson faced two ways in the Appeal, as he was to continue to do for the almost quarter-century remaining of his life. His origins and convictions rendered in him a deep distrust of much of the changing quality of society; he was, as he had told Daggett, "a tardy believer in Projects." This attribute made him an excellent example of what Bray Hammond referred to generally as an eighteenth century conservatism which was "uncongenial to the new and democratic enterprisers who were filling the business world

with such numbers...such free-for-all aggressiveness, such sanguine irresponsibility...and such contempt for established codes and old-fashioned honesty."⁸¹ Bronson's use, in the Appeal to the Public, of the identical phrase which Hammond, another financial conservative, later employed--Bronson's contrast of "old-fashioned honesty" with "modern patriotism"--and his use of abstract nouns like "confidence" and "intrigue" revealed the qualitative, moral, subjective thrust of his thesis. Undeniably, a conservative ideology reacting to change profoundly informed his thought. On the other hand he faced forward as well, as he moved beyond mere condemnation in his first public attempt to provide a systematic rationale for the soundness doctrine.

The Appeal, of course, appeared in a particular context of specific, self-interested motives; much of the pamphlet presented personal justification. Bronson was quick to state his central, immediate theme, which was "that the loans made to government were the single cause of the excessive issues, and that the retention by the banks of the stock received in exchange for their notes, was the cause of their inability to pay specie."⁸² He proposed to demonstrate how the current situation could be resolved, even without the establishment of a National Bank.⁸³ But his general disquietude led him to a broader perspective, to a review of the course of events which had carried the New York banks to their present state of affairs. This required him to

go back to the beginning and to present to his readers a brief financial--and, thus, for him, moral--history of the republic from the Revolution to the War of 1812.

Bronson began his historical overview by reminding his readers that the financial exigencies of the Revolution had produced paper money in such volume that money lost all value. He did not dwell on that point, nor did he mention that he had taken part in the Revolution himself. In prosperous middle age Bronson could have no cause to doubt that the results of the struggle had proved well worth the price paid. In the Appeal he justified Continental money as a temporary expedient the American people were forced into from "every consideration which could make liberty and independence dear to them."⁸⁴

In fact, he believed that the expedient had produced a salutary result in the long run, for the people came to distrust all paper money. That distrust was healthy, for it had moderated the actions of the men who, in the 1780s, established the first banks in America. Those men "had strong jealousies to overcome, for suspicion watched them with eagle eye; and hence in their early operations, emissions of paper were carefully regulated by the means of the banks to redeem it."⁸⁵ Those first bankers managed their affairs in such a way that the public soon realized that banknotes would always be redeemed in specie when requested. Therefore specie was rarely requested, and notes circulated easily and

safely. In short, the public confidence indispensable to proper banking was created.

This wholesome condition did not last. In one bleak passage, Bronson presented his criticism of aspects of the emerging economic world which were loosening the tacit restraints of the old order.

The confidence which the first bankers had so universally established, by exercising caution and honesty... excited a spirit of speculation....For now, in almost every state, new banks arose, in rapid succession. But few, if any, of these had any other capital than the notes of the Stockholders, the paper of other banks, and the public confidence....The solidity of the old and honest banks was gradually undermined; and ultimately, there was little difference, as to substantial means, between the old and the new banks.⁸⁶

Although Bronson was hardly a disinterested commentator, the above description had much validity. Richard Timberlake's comments on early nineteenth century banking, in his recent analysis of banking past and present, are very similar to those of Bronson:

Many banks started up on specie shoestrings with the bulk of their assets being notes payable from stockholders who had simply given fixed interest claims to 'their' banks in order to have residual income shares in enterprises that they thought would enjoy exorbitant gains. When such banks were unable to meet the specie claims of their note holders, they went bankrupt and with widespread effects on the business communities in which they operated.⁸⁷

Consequently, said Bronson, banking degenerated into "a mere paper system"; banks became "mere incorporations of speculators."⁸⁸ These establishments operated recklessly in departing from the original rule of the first merchant bankers, who had made only non-renewable short-term discounts

and not loans for long periods. Recklessness had increased throughout the first decade of the new century and then, during the recent war, the banks, especially those in New York, began making huge long-term loans to government in exchange for government stock. That step proved disastrous. The banks' fragility became obvious, public confidence eroded, runs on the banks followed, and suspension of specie payments resulted. This hurt the public, however, not the banks; the latter continued to make profits and pay their stockholders handsome dividends. Moreover the banks, since suspension, had continued to loan the government money.⁸⁹ Thus in a generation the country's finances had declined from a stable condition to their present confusion.

Bronson had no doubt about what principles constituted proper banking, and he did not consider these principles abstruse or beyond the grasp of any person of ordinary intelligence. Some years later he employed a rather strained metaphor to emphasize and exaggerate this point: "The mystery of making an egg stand up endwise vanished as soon as one end of the shell was broken, & such would be the case with the mysteries of banking merely by the application of principles as simple as those by which the egg was made to stand on end."⁹⁰ Already by the time he wrote the Appeal, he believed in the general accessibility of proper banking technique and also in its absolute correctness. "This is not a mere theory," he assured his readers (though of course it

was), and he scoffed at pretentious theorists--"whimsical economists"--who produced easily refutable declarations on money and banking.⁹¹

Bronson presented one of the early explicit defenses of the commercial-loan theory. The paper issued by banks, he argued, "should be confined as much as possible to men in business," through discounts financing real, short-term business needs. In this way bankers "retain an uninterrupted controul over the amount of issues," which they lose by making long-term loans.⁹²

Here, he believed, was where the New York banks--in their long or indefinite loans to government, not to be repaid in any foreseeable future--had gone astray and disrupted banking operations. The money loaned to, and used by, government had gone into general circulation, and of course the paper in circulation had been far greater than the banks' ability to pay; once the people had begun to perceive this, a shaken public confidence had resulted in specie suspension.

Bronson did not mention the name "Aurelius" and only once referred to that writer's articles, when in the middle of the pamphlet he commented tersely that "a very indecent and scurrilous attack was made in the National Advocate, upon one of the creditors of the banks."⁹³ But he spent pages answering "Aurelius'" use of statistics by offering a counter-argument on such matters as bank capital, notes in

circulation, and current rates of foreign exchange. Much of this part of his presentation was in the nature of a quibble over figures.

His immediate argument was that reducing loans to merchants would do nothing but hurt the merchants. The only sound step was for the banks to sell their government stock in the open market. The stock had caused the inflation, it must find its true value among investors, and in this way the excesses of paper money could be righted. He did not deny that this was a hard step. But the situation was so out of hand that a radical corrective must be applied in order to achieve long-range improvement.⁹⁴ His summary view of the banks was: "Full dividends, realized by bankrupts; large profits divided among stockholders, who refused payment of their debts; may be evidences of modern patriotism, but they cannot be reconciled to old fashioned honesty." He believed, in fact, that it might appear to the discerning eye to be more a case of "rank speculation" than of patriotism.⁹⁵

Bronson closed by reviewing the conflict between the Bridgeport Bank and the New York banks, with obvious third-person references to "Mr. Bronson." With "Aurelius'" assault in mind he declared that the lawsuits against the banks were based on honorable claims and had been resorted to only after other efforts had failed. Was it reasonable, he asked, for the banks to argue that the lawsuits would force them to

curtail their discounts to merchants, when they need only suspend dividends to their stockholders until they paid their creditors, and lawsuits would be unnecessary? To the public, he put himself and others similarly situated in the role of injured citizens and inquired: "If injustice must be patiently borne, merely for the profit of those who inflict it, of what use are the laws and institutions of civil society?"⁹⁶

No one reading the Appeal to the Public could have mistaken it for an objective, disinterested document, and of course it was not. Nevertheless, it made an impression on Bronson's contemporaries and in the eyes of men informed in finance, raised him above the level of just another capitalist. It established his reputation as a financial "thinker," a reputation which grew in the 1820s and 1830s, even though he published very little more. Shortly after publication of the Appeal, Bronson heard from Thomas Gold, Federalist lawyer and entrepreneur from upstate New York currently serving in the House of Representatives, who exaggeratedly praised Bronson for his "victory over the Banks" and told him "it required courage to wage such a war."⁹⁷

The "victory" Bronson won was not in his immediate objective of forcing specie payment but in a long-range, indirect achievement. The issues which the Appeal raised were in fact, as he said in the pamphlet's opening pages, of national and not only local concern. The conflict which

he described drew attention to his ideas and to his practices as a working banker. Nicholas Biddle was a 29-year-old state senator in Pennsylvania when the Appeal was published, and fifteen years later, at the beginning of the great conflict that would destroy him, Biddle remarked to an associate who mentioned Bronson's name: "I have always ascribed to him an Essay published many years ago on the financial situation of the country, which proved the writer to be a sound and sagacious thinker."⁹⁸

In April 1816, four months after the Appeal was published, the Second Bank of the United States was finally chartered. The passage of the BUS bill did not come without acrimonious debate and continued opposition in Congress. However, Bronson was now opposed to further Federalist recalcitrance, for he considered this administration plan acceptable. The reason was simple: a BUS was not now to be established for the purpose of loaning the government money to finance the war; instead, the administration now wanted a Bank for the same reason that Bronson, Gallatin, and other financial conservatives had been advocating one--to stabilize the currency.

The state banks, it was clear, would not resume specie payments on their own; a BUS was seen as the only means to that end. Secretary Dallas and Congressman Calhoun took the lead in framing a plan which was almost identical to the First BUS of 1791 except that it was larger--\$35 million

as opposed to \$10 million--reflecting the country's growth in the past quarter-century. The only other notable difference was that while the number of directors was the same, twenty-five, the President of the United States was to appoint five of these in the new Bank, whereas the stockholders had selected all directors of the old BUS.

Debate began in the House in February. Bronson showed his first concurrence in years with a Republican measure when he wrote Daggett: "I am pretty well satisfied with the bank as it is, and am extremely anxious it should pass; because infinitely greater evils will be the consequence of its failure."⁹⁹

Several Federalists in Congress, including Daniel Webster, and a few Republicans headed by John Randolph, attacked the bill. Their criticism centered on two features: the size of the proposed Bank, and the fact that government was connected with it. Webster's opposition seems to have been grounded wholly in political partisanship. Bronson saw little point in the resistance; the objections seemed minor compared to the need for a Bank. The continuing disorder of the currency and no doubt his own recent clash with the New York banks had led him to drop his previous objections to the dangers inherent in government participation, and also to the provision for making Philadelphia the site of the new Bank as it had been of the old one. Bronson did express a faint hope that a last-minute amendment to the bill might yet

bring the Bank to New York, and he was still capable of his old sarcasm, as when he snidely said: "This must have been a mistake in drafting the bill, as Mr. Dallas surely could not have intended to give a preference to a Philada. influence." But the bill had his support, and he reported on the basis of extensive conversations with New Yorkers that "there is not a man of consideration that does not prefer taking the bank with all its imperfections, to risking the consequences of its rejection."¹⁰⁰

The bill passed the House on March 14 and the Senate on April 3; Madison signed it into law on April 10. While Webster in the House and Rufus King in the Senate, with some other Federalist irreconcilables, opposed it to the end, many members of their party, weighing the satisfactions of defeating a Republican measure against the dangers of continuing the present situation, joined the opposition.¹⁰¹

If Bronson bought any stock in the Second BUS, he sold it soon afterwards. In those years he was divesting himself of all bank stock except that of the Bridgeport Bank, and diverting more and more of his funds into long-term moneylending. Almost at the end of his life, in 1837, he stated that except for the Bridgeport institution he had owned no bank stock for more than thirty years. His extant inventories show him still owning some other stock as late as 1814, but otherwise confirm his statement.¹⁰² Neither did Parish buy stock in the institution which he

had so strongly advocated; he was short of cash and about to return to Europe, where, ten years later, he committed suicide after his Vienna bank failed.¹⁰³ Parish's associates Girard and Astor bought heavily in the new Bank's stock.

Specie payments were resumed by the nation's banks in February 1817, although imperfectly so; banknotes still circulated for some time thereafter at discounts that varied from place to place.¹⁰⁴ But the crisis appeared to have passed. Americans of all classes responded enthusiastically to the new prosperity and to the mood of triumphant nationalism which followed the war.

Yet one more setback occurred before the nation entered a period of sustained and remarkable growth in the 1820s; this was the Panic of 1819, prolonged into a serious though short-lived depression that lasted until 1821 or 1822 in most areas. Banks were again instrumental in the crisis, most notably the newly-created Bank of the United States.

The new BUS had been placed, as Bronson saw quickly, under the direction of the very same new business types that he was coming to dread. William Jones, former Secretary of the Treasury and Secretary of the Navy, was made the new Bank's president. Jones had shown incompetence in his former positions, and continued his record. He favored a strongly expansionary course, as revealed in his criticism of the First Bank for pursuing "a policy less enlarged,

liberal, and useful than its powers and resources would have justified."¹⁰⁵

Unfortunately, coupled with imprudent policy was actual fraud in management. George Williams of Baltimore was one of the Bank's directors; he, and the president and cashier of the Baltimore branch used the BUS for their own enrichment. In the spring of 1819 the three were exposed.¹⁰⁶ In March Langdon Cheves of South Carolina became the new president of the BUS, which was an improvement over Jones, but by then the country was in the depression. Not until 1823 when Nicholas Biddle took over the helm did the BUS become as powerful an economic force as its implicit powers permitted.¹⁰⁷

The Panic of 1819 had its origins in a large expansion of credit on the part of both the BUS and the state banks in 1817 and 1818. Faced with a serious shortage in its specie reserves in the summer of 1818, the BUS reversed its policy and began a sharp contraction of credit, which compelled the state banks also to contract. Notes in circulation had been \$68 million in 1816, but by the beginning of 1820 were only \$45 million. A great number of bank failures occurred, though less in New England than elsewhere. Whereas the war years had seen problems of inflation, now there was a severe shortage of money. The head of an upstate New York agricultural society put it bluntly: "Last year we talked of the difficulties of paying for our lands; this year the question is, how to exist."¹⁰⁸

Although banks had been held suspect by many people ever since their first appearance, the Panic of 1819 was the genesis of that profound antagonism among large segments of the population which, some years later, steered by the Jacksonians' political mastery, would be directed against the biggest bank of all. It was the BUS's sharp contraction of credit, resulting in widespread suffering, which the Democrat William Gouge referred to later, in his famous often-quoted remark: "The Bank was saved, and the people were ruined."¹⁰⁹

Bronson watched the events unfold with anger but without much surprise. He had been denounced in 1815 for criticizing the policies of the banks. Now, from everywhere--in countless pamphlets and in legislative debates and newspaper editorials, in every state in the Union--poured forth a torrent of arguments on what to do about banking. More than any other single event, the dismal financial breakdown in 1819--coming so soon after the sacrifices of the war and the euphoria of its termination--jarred men into a reconsideration of economic questions which ultimately led some of them to certain new formulations, which will be discussed in the next chapter.¹¹⁰

Even before the panic, in 1818, Bronson had complained to Daggett of the "speculating junto" which surrounded William Jones at the BUS. "We all know," he said,

what bold & hazardous games, men in desperate circumstances will play, even with their own property; and can it be expected that they will be more scrupulous

when in possession of the property of others?....I wish there was some way of taking this hydra out of the hands of those evil spirits, and of putting an end to that artificial & inflated state of things, which are forever baffling the calculations of those engaged in honest and regular pursuits.¹¹¹

In January 1819, when Jones and George Williams resigned their posts (Williams' frauds had not yet been revealed), Bronson and some other northern conservatives, including Daniel Webster and Judge Joseph Story, began working closely together, lobbying in business and political circles to secure a management for the Bank which would make the institution, in their judgment, more stable. Actually, long before Jones resigned Bronson had been promoting Cheves' candidacy, and was happy when the South Carolinian got the presidency.¹¹² There is a letter in Cheves' papers, ironic in the light of subsequent disclosures, written by Bronson to the ex-BUS director George Williams just before the country learned of Williams' manipulations, in which Bronson, in his grave manner, discussed the future course the BUS should take, and the type of sound leadership required for it.¹¹³

In other letters, Bronson reacted toward the depression with a rhetoric sometimes reminiscent of a hard-money agrarian; he put the blame primarily on the banks. Although he was personally little affected, he was well aware of the suffering being endured. He heard tales of woe over and over as farmers from the Fairfield vicinity and other areas

of Connecticut, who had borrowed heavily and were desperate with the fear of losing their land, rode to Greenfield Hill to talk to the great capitalist who was known to have had his quarrels with the banks. Bronson aided a great many of these farmers with loans and apparently some of them with simple charity; he also seems to have obtained some aid for them from wealthy friends in the city. By the spring of 1822, when better times were returning, he took great pride in his role, estimating that "more than a million of property, I am confident, has been protected by the funds which have been procur'd by my efforts."¹¹⁴

Bronson had received similarly distressing news during the depression from his brother Ethel, agent for Bronson's nearly 30,000 acres in northern New York which were being offered to settlers. Even in that cold distant region there had been a boom following the war which had ended in disaster. In 1818 Ethel described a recent "rage for speculation" among the people, and in the following year reported that land payments had become almost impossible to collect. A few months later, in the spring of 1820, Ethel wrote that he had no idea when he would be able to send any more money. To try to enforce payments through the courts was pointless; "it would in most instances ruin the settlers," and besides, evicting a settler solved nothing, for nobody else had money to purchase the land, and so the

land would fall into disuse.¹¹⁵ Not only the farmers, but every merchant in the area as well, was in bad shape. Bronson watched his income from the Jefferson County lands drop sharply. From March 1818 to March 1819, \$2,384 was collected; in the following twelve months the figure plummeted to \$360; and between March 1820 and March 1821 he watched with dismay as, for the first time since he bought the lands in 1804, not a single cent was forthcoming from the settlers for a whole year.¹¹⁶

Therefore the financier was not surprised at the measures being resorted to in some states: stay laws and tender laws designed to obviate debts whose enforced collection would mean ruin to the debtors. No one should be shocked, he said, "that being driven to desperation, they should seek relief for the calamities brought upon them." He wrote of the "distressed farmers in this & the neighbouring states, for whom my house has been a rendezvous for the last two years; who were seeking, with aching hearts the means to protect their mortgaged estates (which they had acquired by a life of toil & industry) from a sheriff's sale, and their families from being turned pennyless, upon the world."¹¹⁷

These were not the people to blame; they had been dupes of the banks. In private communication Bronson could speak more scathingly than he had permitted himself in the public Appeal. Contemptuously he described the easy-money cycle

that sent funds from banks to borrowers--he even believed those borrowers were often hired agents of the banks--who then loaned the borrowed funds to farmers with good land who had been seduced, like nearly everyone else, by visions of irreversible prosperity. When the bottom fell out, it was those seduced common people who faced ruin.

With cold meticulousness, Bronson in 1822 depicted what he saw as having been done to farmers in most areas in the previous five years:

There never was a time in the annals of the country when the farming interest were so generally involved; nor when so many persons had become the innocent victims to their confidence in the stability of those, who had no other foundation for their hopes, than the continued renewal of their notes at the banks....It will surprize no one that the banks should be desirous of giving all possible extension to such a profitable traffic...or that they should employ agents to go from place to place to retail their notes to every man who had a good farm to mortgage....Nor is it surprising that such a competition among buyers should be thus produced, as to occasion a general rise of prosperity--that farmers should turn speculators when every neighbourhood was filled with reports of fortunes made....Nor will any one be surprised, when the Venders of the bills were obliged to redeem them, that the farmers should be called upon to furnish the means.¹¹⁸

However, when Bronson wrote those words the depression was lifting, dreams of prosperity were very much alive once again, and the republic was at the beginning of a period of great economic growth and social change.

NOTES TO CHAPTER IV

1. Robert Albion, William A. Baker, and Benjamin W. Labaree, New England and the Sea (Middletown, Conn.: Wesleyan University Press, 1972), 85.

2. Robert A. East, "Economic Development and New England Federalism, 1803-1814," New England Quarterly, X (September 1937), 430-446.

3. Albion et al., New England and the Sea, 76-84.

4. Curtis P. Nettels, The Emergence of a National Economy, 1775-1815 (New York: Harper Torchbooks, 1969), 335.

5. Ibid., 331.

6. Albert Gallatin, Writings, Henry Adams, ed., (3 vols.; Philadelphia: J.B. Lippincott & Co., 1879), III, 286-7.

7. Nettels, National Economy, 331, 333.

8. Ibid., 332.

9. Hammond, Banks and Politics, 229.

10. Nettels, National Economy, 332.

11. Kenneth W. Porter, John Jacob Astor, Business Man, (2 vols.; Cambridge: Harvard University Press, 1931), I, 330-331.

12. Ibid., I, 333, 526-527.

13. Ibid., I, 331-332.

14. IB to David Daggett, March 12, April 5, 1814, Daggett Papers, Yale Univ.

15. IB to David Daggett, March 12, 1814, Daggett Papers, Yale Univ.

16. Hammond, Banks and Politics, 233.

17. Raymond Walters, Jr., "The Origins of the Second Bank of the United States," The Journal of Political Economy, LIII (June 1945), 115-131; Kenneth L. Brown, "Stephen Girard, Promoter of the Second Bank of the United States," Journal of Economic History, II (December 1942), 125-148. See also Raymond Walters, Jr., Alexander James Dallas (Philadelphia: University of Pennsylvania Press, 1943), 175-217.

18. Walters, "Origins of Second Bank," 115-120.

19. Ralph C.H. Catterall, The Second Bank of the United States (Chicago: University of Chicago Press, 1902), 8.

20. Walters, "Origins of Second Bank," 119.

21. David Parish to IB, April 8, 1814, David Parish Letter Books, V, 192-193, NYHS.

22. David Parish to IB, April 11, 1814, David Parish Letter Books, V, 197-198, NYHS.

23. IB to Daggett, April 5, 1814, Daggett Papers, Yale Univ.

24. Ibid; Walters, "Origins of Second Bank," 120-121. Bronson later elaborated on his plan and had it printed; nine months later he sent Parish a copy along with a letter seeking the support of Parish and his friends. IB to David Parish, Jan. 9, 1815, Parish Family Papers, St. Lawrence University.

25. IB to Daggett, April 5, 1814, Daggett Papers, Yale Univ.

26. IB to Daggett, April 7, 1814, Daggett Papers, Yale Univ.

27. IB to Daggett, April 8, 1814, Daggett Papers, Yale Univ.

28. Hammond, Banks and Politics, 239-240.

29. IB to Daggett, April 7, 1814, Daggett Papers, Yale Univ.

30. IB to Daggett, April 8, 1814, Daggett Papers, Yale Univ.

31. David Parish to IB, April 11, 1814, David Parish Letter Books, V, 197-198, NYHS.

32. IB to Daggett, Sept. 1, 1814, Daggett Papers, Yale Univ.

33. Gallatin later estimated that bank profits during suspension ranged from twelve to twenty percent. Gallatin, Writings, III, 331-332.

34. Ibid., III, 331.

35. Ibid., III, 331-332.

36. Hammond, Banks and Politics, 229-230.

37. Bronson's remarks on the "Northern Bank" project at the end of 1814 reveal the plan's origins to have been in discussions with Lloyd the previous summer. See IB to Daggett, Dec. 10, 1814, Daggett Papers, Yale Univ. On Lloyd, see Fischer, Revolution of Conservatism, 267.

38. Quoted in Walters, Dallas, 197.

39. Ibid., 192-193; Walters, "Origins of Second Bank," 124.

40. Catterall, Second Bank, 11.

41. IB to Daggett, Nov. 29, Dec. 10, 1814, Daggett Papers, Yale Univ.

42. IB to Daggett, Nov. 6, 15, 1814, Daggett Papers, Yale Univ.

43. Walters, "Origins of Second Bank," 124, 126.

44. IB to Daggett, Nov. 29, 1814, Daggett Papers, Yale Univ.

45. IB to Daggett, Dec. 10, 1814, Daggett Papers, Yale Univ.

46. Walters, "Origins of Second Bank," 121.

47. IB to Daggett, Jan. 12, 1815, Daggett Papers, Yale Univ.

48. IB to Daggett, Nov. 20, 22, 23, 1814, Daggett Papers, Yale Univ.

49. IB to Daggett, Nov. 20, 1814, Daggett Papers, Yale Univ.

50. IB to Daggett, Dec. 10, 1814, Daggett Papers, Yale Univ.

51. Ibid. The delegates in attendance, and some of the matters discussed, are given in Theodore Dwight, History of the Hartford Convention (New York: N. & J. White, 1833). Theodore Dwight was secretary of the Hartford Convention.

52. James B. Murray to IB, Feb. 10, 1815, BP, Box 2, NYPL. On Daniel Lyman, see Fischer, Revolution of Conservatism, 280-281.

53. Fischer, Revolution of Conservatism, 267.

54. James B. Murray to IB, Feb. 10, 1815, BP, Box 2, NYPL.

55. IB to Daggett, Dec. 14, 1814, Daggett Papers, Yale Univ.

56. IB to David Parish, Jan. 9, 1815, Parish Family Papers, St. Lawrence Univ.

57. Walters, Dallas, 201-208.

58. Ibid., 201.

59. Bronson, Appeal to the Public, 17; Lacey, Brief History of Bridgeport Bank, 6.

60. James B. Murray to IB, July 23, August 10, 14, 18, 1814, BP, Box 2, NYPL.

61. Mullet, Evans & Co. to IB, Nov. 26, 1814; Baring Brothers & Co. to IB, Dec. 1, 1814, BP, Box 2, NYPL.

62. Bronson, Appeal to the Public, 18.

63. Ibid., 21.

64. Ibid., 18-19.

65. Ibid., 11-12.

66. Ibid., 12-13.

67. For example, see Richard Timberlake, Jr., "The Specie Standard and Central Banking in the United States Before 1860," Journal of Economic History, XXI (September 1961), 326.

68. Bronson, Appeal to the Public, 11.

69. New-York Courier, Oct. 7, 1815.

70. Bray Hammond is informative on the persisting difficulties of legally compelling banks to redeem their circulating paper in specie. See Banks and Politics, 178-183, 690-694.

71. Bronson, Appeal to the Public, 19.

72. [New York] National Advocate, Oct. 25, 1815.

73. Ibid., Oct. 26, 1815.

74. Ibid., Oct. 30, 1815.

75. Ibid.

76. IB to David Daggett, Feb. 3, 1816, Daggett Papers, Yale Univ.

77. National Advocate, Nov. 1, 1815. In this last of his five letters, "Aurelius" asserted: "Our city is flourishing and prosperous....Joy beams on every countenance. The din and bustle of business cheers the lone heart of even poverty herself."

78. The pamphlet was Publicola [Ferris Pell], Letter to Albert Gallatin, Esq. on the Doctrine of Gold and Silver, and the Evils of the Present Banking System, in Effect and Tendency (New York: Gould and Van Pelt, 1815).

79. The six articles appeared in the New-York Courier on Nov. 27, 28, 29, 30, Dec. 1, 8, 1815.

80. Bronson, Appeal to the Public, 3.

81. Hammond, Banks and Politics, 252-253.

82. Bronson, Appeal to the Public, 4.

83. Ibid.

84. Ibid., 5.

85. Ibid.

86. Ibid., 6.

87. Richard H. Timberlake, Jr., Money, Banking, and Central Banking (New York: Harper & Row, 1965), 93.

88. Bronson, Appeal to the Public, 6.

89. Ibid., 7-9.

90. IB to John Bolton, Feb. 1829, BP, Box 5, NYPL.
91. Bronson, Appeal to the Public, 5, 7.
92. Ibid., 6.
93. Ibid., 14.
94. Ibid., 5.
95. Ibid., 4-5, 7-8.
96. Ibid., 20-21.
97. Thomas R. Gold to IB, March 12, 1816, BPGC, Box 200.
98. Nicholas Biddle to Charles A. Davis, Jan. 26, 1830, Letter Books, Nicholas Biddle Papers, Lib. of Cong.
99. IB to Daggett, March 16, 1816, Daggett Papers, Yale Univ.
100. IB to Daggett, March 18, 19, 21, 28, 1816, Daggett Papers, Yale Univ.; Catterall, Second Bank, 18-19; Hammond, Banks and Politics, 239.
101. Catterall, Second Bank, 20-21.
102. IB to _____, May 4, 1837, BP, Box 6, NYPL. See the inventories Bronson made on January 1 of 1804, 1814, 1824, 1829, and 1833 in BP, Box 7, and the inventory taken by his executors after his death and dated Jan. 1, 1839 in BP, Box 10, NYPL.
103. Raymond Walters, Jr. and Philip G. Walters, "David Parish: York State Land Promoter," New York History, XXVI (April 1945), 146.
104. Hammond, Banks and Politics, 248.
105. Quoted in ibid., 253.
106. Ibid., 261-262.
107. For a later study than Catterall's of the Bank's operations during its twenty years of existence, see Walter B. Smith, Economic Aspects of the Second Bank of the United States (Cambridge: Harvard University Press, 1953).
108. Murray N. Rothbard, The Panic of 1819: Reactions and Policies (New York: Columbia University Press, 1962), 7-12; the quoted statement appears in Samuel Rezneck, "The Depression of 1819-1822, A Social History," American Historical Review, XXXIX (October 1933), 30.

109. William M. Gouge, A Short History of Paper Money and Banking in the United States...to which is prefixed An Inquiry into the Principles of the System (Philadelphia: T.W. Ustick, 1833), II, 110.

110. The historian of the Panic of 1819 writes: "The Panic of 1819 exerted a profound effect on American economic thought. As the first great financial depression, similar to a modern expansion-depression pattern, the panic heightened interest in economic problems....The panic...aroused new speculations which were not to disappear with the return of prosperity." Rothbard, Panic of 1819, 189.

111. IB to Daggett, Jan. 10, 1818, Daggett Papers, Yale Univ.

112. Ibid.; also see IB to Daggett, Jan. 26, 1819, Daggett Papers, Yale Univ.

113. IB to George Williams, March 12, 1819, Langdon Cheves Papers, South Carolina Historical Society.

114. IB to James Hillhouse, March, 1822, BP, Box 3, NYPL.

115. Ethel Bronson to IB, April 6, 1818, Dec. 2, 1819, March 25, 1820, BP, Box 3, NYPL.

116. "Statement of the cost of Rutland property...up to the 20th day of November 1823," BP, Box 42, NYPL.

117. IB to James Hillhouse, March, 1822, BP, Box 3, NYPL.

118. Ibid.

CHAPTER V
THEORY: THE RISE OF TECHNIQUE

The social roots of the banking problem lay in the separate but not necessarily exclusive values of opportunity and order. How to reconcile growth and stability posed a question that was gradually shaping into a major issue. Whereas disputes over banking had previously been immersed in political conflict, there was now emerging a new approach: technical, increasingly sophisticated in its functional analysis, and divorced from partisan purposes. Bronson was one of the leading figures in this development.

1.

A period of war and depression was followed by an era of accelerating economic growth. The Bronson family continued its customary habits, dividing each year between Greenfield Hill and lower Manhattan, with European trips for the young men, including postgraduate medical study in Paris for the oldest son, Oliver, who in becoming a successful New York doctor perhaps partly fulfilled an old ambition of his father. All the older children were now

adults; Harriet and the two youngest children, Mary and Ann, never married; the other five, one by one, took partners whose names reflected a background of commercial wealth in New York: Murray, Willet, Donaldson, Bailey, Brinckerhoff.

In the 1820s Bronson maintained his connection with the Bridgeport Bank and also continued his close associations, mainly through moneylending, with the leading capitalists of New York City. He and Astor put aside their differences that had arisen during the recent war; the great merchant's name appears often in Bronson's account books. On one day alone, in 1820, Bronson took four of Astor's notes, totalling \$42, 349.¹

In that decade Bronson also became one of the largest lenders in upstate rural areas. The social implications of that shift of business activity were significant. Earlier we saw that Bronson's 1804 inventory recorded \$144,689 in money currently owed to him, which included only 33 separate loans, nearly all made to persons with such well-known names as Constable, Bard, Murray, Phelps, Roosevelt, Rhineland, and so forth. Twenty years later, his 1824 inventory showed \$443,190 owed to him, which included 134 separate loans, made to scores of people with obscure names.² These were long-term loans on mortgage security; like most large lenders, Bronson was not particular about punctual repayment of the principal so long as interest payments were regularly maintained.

The reasons for this shift to upstate New York lending--and also, though to a much less extent, western lending--were in national and regional economic developments, one of the greatest of which was the Erie Canal. Construction on the canal began in 1817; in 1820 a 96-mile middle section was opened for navigation, and by 1823 the epochal waterway connected the Genesee River, in the western part of the state, with the Hudson River. In 1825 the entire canal, running from Albany to its terminus in Buffalo, was completed.

The influence of the Erie Canal on the development of western New York can scarcely be overemphasized. The canal has often been noted for linking the newer states of the west with the New York market, but it is worth remembering that from 1815 to as late as 1850, New York itself was the leading agricultural state in the Union.³ The state's center of farming productivity was the great tier of counties in its western portion; the farmers of that vicinity profited more than those of the western states in the canal's early decades. The land bordering the canal was five times more densely populated in 1835 than it had been in 1817. The amount of land placed under cultivation in western New York increased 22 percent between 1821 and 1835. The rise of property values was phenomenal, and to a lender whose credit was secured by real estate, this was a vital consideration. One of the studies of canals and

economic development made under the direction of Carter Goodrich some years ago found that in the quarter-century between 1820 and 1846, the value of land and improvements in the fourteen counties bordering on the canal route increased by 91 percent.⁴

The field of private moneylending has not been studied in much detail. The best existing works on this form of business activity deal, for the most part, with the post-Civil War period and the western states, as well as with particular types of lending operations: institutional investment, or family concerns which drew upon pools of funds created by numerous small investors.⁵ This highly organized activity, which accounted for the purchase of many millions of dollars of western farm mortgages in the 1870s and 1880s, was different from the private moneylending of the pre-Civil War years.

The private lender, who had been a fixture of capitalist economies for several centuries and was prevalent in the American colonial period, was gradually disappearing in the early nineteenth century, due to the increase of investment opportunities and the spread of banks, insurance companies, and other financial intermediaries. Fritz Redlich remarked that Astor and Jacob Barker "seem to have been the last large private moneylenders."⁶ To those names must be added Bronson's, who belonged to their generation.

Nevertheless, in the years under discussion private lending, though waning, was still a popular investment for men with capital. Few seem to have invested on the scale that Bronson did, but many men put smaller amounts of funds into the lending market. In the preindustrial era, safe investment outlets for surplus funds were not as yet extensive in the United States. Since in the same period an urgent demand for capital existed, particularly in developing countryside areas, on the part of men with good landed security to offer as collateral, moneylending represented a sound investment.

Bronson was one of the earliest men to take advantage of the excellent opportunities afforded by lending in the thriving area of upstate New York. In social terms this reflected a recognition of the American middle class, which now in the "era of good feelings" was coming into its own. In the 1790s well-off urban merchants had, almost exclusively, been his borrowers. Now his funds went to the countryside. They did not however go to struggling settlers attempting to pay off their land contracts. He demanded clear proof of unencumbered title, and the land offered as security had to be valued at least three times greater than the amount of the loan.

While he was not the only investor in this market, he was, in the 1820s, one of the earliest on a large scale, and before the decade was over he was one of the best known.

When Nathan Miller, in his valuable study of New York's economic development, said that by the early 1830s shrewd urban capitalists recognized the potential of moneylending in western New York, the only example he cited was Bronson, and Miller apparently did not know that Bronson had been lending in the region for a decade by that time. Similarly when Bray Hammond, in his work on banking, commented that private lending, to a greater extent than had been assumed, co-existed with the growth of banks, his only illustration for this assertion was Bronson.⁷

In country regions during his own time, Bronson was considered a major lender. Scores of letters in his papers from prospective borrowers throughout New York and other states attest to his widespread reputation for being an available source of funds and a reasonable man to deal with. From as far away as Canada an entrepreneur wrote that he needed a \$3,000, ten year loan, for which the local banks' 90-day discount rule provided no help, and as for money-lenders: "There are very few Capitalists in this Province, and none that can afford to lend their money for so long a period as I require, without a higher rate of interest than I can afford to pay." A farmer in Steuben County of western New York wrote: "I have lately learned that your Course as a Cappitalist is so far different from our New York Cappsts that an amply Country Security has induced you to make loans." From Virginia, where Bronson made very few loans, a slave-

owner wrote disappointedly that Bronson's denial of his request "realey hurt my feelings verry much....I always understood that you had a plenty of money and was never in Want....Six thousand dollars to you is a thing of allmost nothing....I have allways understood that you could command any sum that you pleased to call for at any time." Another upstate New York man began his letter: "I am told that no one in the City loans so much money to come to the Country as you."⁸

The key element in the widely dispersed lending operation that Bronson built up in the 1820s was the local agent who negotiated the loans. When dealing with borrowers in New York City Bronson, more and more assisted by his second son Arthur, could handle the mechanics of the transaction, and in any case Bronson was dealing in the city with men whose properties and reputations he either knew about or could quickly ascertain. In the countryside, however, Bronson did not personally know the loan applicants, nor could he himself make a title search or inspect the land offered for security, and so the agent's judgment and ability were important. The agent was middleman between lender and borrower; he did not receive any commission from Bronson, but charged a fee to the borrower.

Only a handful of men worked with Bronson on any regular basis and they were all lawyers or land agents, prominent men in their communities with the indispensable

requisites of familiarity with the reputations of men and the values of land in their areas. Some of these men in upstate New York were Daniel Cady, later a justice in the state Supreme Court and the father of the feminist Elizabeth Cady Stanton; Nathaniel Howell, a judge and wealthy land agent for the great foreign syndicates the Pulteney Estates and the Holland Land Company; and Charles Butler, an intimate of the Albany Regency, the brother of Benjamin Butler who became Andrew Jackson's Attorney General in 1833, and still a young country lawyer when Bronson met him but destined to be one of the most successful businessmen of his generation.⁹

In supplying long-term development capital to enterprising men in new, expanding regions Bronson was obviously convinced that, besides making a good investment of his money, he was also providing the kind of credit which banks had not been designed to supply. Yet the difficulties surrounding the field of banking were not fading away, but rather becoming more prevalent and obvious. Simultaneously with his increase of country lending in the 1820s, Bronson was increasingly preoccupied with a theoretical endeavor whose practical objective was the stabilization of banking.

2.

Banks already occupied an important place in the economy when Bronson became a banker in the first decade of the nineteenth century; two decades later they were far more

important, numerous, and controversial. The United States had 29 banks in 1800, and more than 300 in 1820; the latter figure was a far greater number of banks than in any European country.¹⁰

This rapid growth often seemed perplexing to a people still largely agricultural, whose men of middle age could remember a smaller world in which, though competitiveness had existed in full measure, simpler relationships had moderated competition's impact upon general conditions.

When people of all classes spoke about the "evils of paper money" they were describing a threat that appeared very real to them, though there were differences of opinion as to what should be done about it. Americans of that time, from financiers to frontiersmen, saw the dangers of banking presented in their most vivid form by paper issues. Without a uniform currency and with every chartered bank having the power to issue its own paper, note issue seemed to pose the largest problem in banking. Unquestionably, this power was very often abused by bankers, especially in country regions, often leading to distress in the community. The Panic of 1819 had greatly reinforced concern about this matter. Another, smaller crisis in 1825--this one international, with severe effects in England--further agitated the public mind.

For all people worried by tendencies in banking--men like Bronson as well as men who hated Wall Street--the fundamental assumption was that stability was maintained only by

adhering to the specie standard. People who held sharply clashing views about the efficacy of banks nonetheless shared the conviction that gold and silver were the only true bases of value. Therefore policy proposals, in the last analysis, were usually suggestions either to eliminate banknotes altogether and return to "hard money," or so to control banking that paper currency would always be convertible and thus would function precisely as would hard money but with greater convenience.¹¹ The bête noire, from either standpoint, was the figure often denominated in the period as the "irresponsible" banker.

By the middle and late 1820s a number of people experienced in financial theory and practice were beginning to arrive at serious proposals for change in the banking system. The last word is the operative one; before any significant remedies could be advanced, it was first necessary to conceive the problems as systemic. This was only just beginning to happen. The leading students of American banking theory have seen the 1820s as the decade in which sophisticated analyses began to appear. Before that time, except for rare exceptions like Hamilton's writings, American banking literature had been unoriginal and usually polemic in nature, the product of particular quarrels; but in the 1820s, in the words of one scholar, there appeared "a growing perception of faults in the system itself--faults which, quite apart from the delinquencies of the individual banker, were certain to work mischief."¹²

A great many men began to produce articles and books of widely varying worth, and in the early 1830s their numbers increased; these originated in all sections of the country. In the following pages we will be concerned only with a half-dozen such men, all from either New York or Philadelphia, all of whom were closely familiar with each other's work, and whose approaches, in general, stemmed from similar perceptions of the roots of the problems. Each of them had some influence, either immediate or long-range, on the formation of banking policy and on the subsequent history of American banking.

Condy Raguet of Philadelphia was a merchant turned lawyer, a diplomat in Monroe's administration, later a Jackson supporter, an editor of financial journals, and the era's most prolific and perhaps most insightful writer on banking. He and Bronson met around 1820 and thereafter were friends, correspondents, and admirers of each other's thought, even though they were not in agreement on all details. John McVickar was a conservative religious man who descended from a wealthy mercantile family; he was an ordained Episcopalian minister and a professor of moral philosophy and political economy at Columbia College; he has been called America's "first academic economist."¹³ Eleazar Lord was a successful New York businessman, president of the Manhattan Fire Insurance Company, and a penetrating student of financial theory.

Albert Gallatin settled in New York in his seventies and became president of the National Bank of New York. Gallatin and Bronson met for apparently the first time at that late date in both men's lives, when they were elder statesmen of the city's financial community. Bray Hammond was inaccurate in calling them "the two leading bankers in New York" in the early 1830s, but that their views had great weight with other, younger men was frequently demonstrated.¹⁴ No letters between them exist in either man's papers, but evidence indicates that they conferred more than once on pressing issues.¹⁵ Although many years before they had belonged to clashing political parties, their views and their moral approach to money problems were grounded in similar values. While in their seventies, they journeyed with the New York delegation to the 1831 free trade convention in Philadelphia.¹⁶

The last one of the men we will discuss stood apart from the others in his attitude toward, and proposed remedies for, the problems of banking. This was William Gouge, the brilliant Jacksonian hard-money writer. Gouge was the son of an apothecary who, like his fellow Philadelphian Raguet, worked for several years as a journalist; Gouge then received a government appointment during Jackson's administration which he held for the rest of his life. As with Gallatin, no correspondence with Gouge exists in Bronson's papers, but Gouge later stated that he had known Bronson.¹⁷

These six men belonged to two generations. Bronson and Gallatin were born in 1760 and 1761 respectively; Raguet in 1784, McVickar in 1787, Lord in 1788, and Gouge in 1796. In 1825 the oldest among them, Bronson, was sixty-five; the youngest, Gouge, was twenty-nine. Differences of age, background, and experience, as well as the fact that each had a highly individualistic, strong-willed personality, precluded any of them from accepting totally the views of any other man on such a complex subject as banking (a subject, moreover, on which each man regarded himself as an authority). Yet these very differences make even more interesting the qualities that united them. Philosophically they all disliked strong government, while at the same time each man came increasingly to believe that some kind of corrective legislation was necessary in the delicate, precarious area of banking.

In the seven years between 1827 and 1833, these six men produced works that separately influenced the views of men who kept abreast of financial discussion and collectively had a significant impact on the American banking system. (Most of them also published some writings both before and after those dates.) Curiously, Gouge's work, the only one that was immediately widely read, had less influence, in the long run, than the other men's products.

These works were: McVickar's Hints on Banking (1827); Raguet's numerous articles in his Free Trade Advocate,

including his "Principles of Banking" in 1829 (although Raguet's major work was A Treatise on Currency and Banking in 1839 which drew together his earlier reflections); Bronson's 1829 article in Raguet's journal entitled "General Propositions Explanatory of the Elementary Principles of Banking"; Lord's Principles of Currency and Banking (1829); Gallatin's Considerations on the Currency and Banking System of the United States (1831); and Gouge's Short History of Paper Money and Banking (1833).

What distinguished these works from most of the writings of previous decades was the more sophisticated understanding and the more systemic conception mentioned above. The following examination of Bronson's ideas is seen within a whole social and intellectual context, in which a new approach to American banking was being gradually formulated.

Bronson, as we have said, believed that the banking principle which later came to be called the real-bills doctrine was the core of sound banking: banks should extend only short-term credit, based on "real" business paper that represented an actual commercial transaction already begun. A bank thereby maintained a condition which later came to be termed liquidity: with its loans made only for short periods, assets would be available on short notice to meet any unexpected demands for cash.¹⁸

Bronson had always opposed accommodation loans, and by the 1820s was convinced that these were the chief cause of banking instability.¹⁹ Accommodation loans were made with the understanding between the bank and its borrower that when the loan came due it would be renewed for another sixty or ninety days and then renewed again indefinitely, or until the bank needed the money. Such loans were often secured, like most long-term loans, by real estate. Both city and country banks made these loans; the difference between the two was that the city banks regularly made genuine, short-term commercial loans as well, whereas accommodation loans were the main business of most country banks, in New York as elsewhere.²⁰

The problem as seen by traditionalists was that this was a use of the bank's capital in long-term or indefinite loans which rendered the bank vulnerable in case of sudden demands, whereas short-term loans, continually returning, kept banks in a condition of greater safety. Underlying Bronson's and many other men's views toward short-term credit was an assumption based on the quantity theory of money then prevalent. Banks, they believed, could never fall into an unhealthy overissue of banknotes so long as they extended credit on real commercial paper, because the "needs of trade" (an abstraction of unplanned, harmonious relationships that reflected the economic spirit of devotees of Adam Smith) would automatically set controls on the proper

amount of credit to be extended. These self-regulating mechanisms would safely expand or contract the quantity of money in circulation according to the increase or reduction in the volume of business.²¹

In the period under discussion, the real-bills doctrine--or more generally speaking, what we have called the soundness tradition--had been accepted in principle, to varying extents and with reservations on some points, by numerous men with knowledge in finance, particularly easterners. Nevertheless, accommodation lending was widely practiced, and for the most insistent of reasons. Banks had capital on hand; there had always been available outlets for investment of capital such as public or private stocks, but most banks did not put the major part of their funds into such investments; instead they favored their better customers with long-term accommodations. Thus simultaneously, and without differentiation, banks were furnishing the country's medium of exchange through paper money issued in short-term credit (a proper function of commercial banks), and also supplying long-term loans for fixed investment in land, shops, taverns, and other long-range projects. This is what Bray Hammond called a "fatal hybridization of function" that prevailed in early American banking in the absence of a "rational differentiation of credit."²²

But the demand by borrowers for long-term credit was legitimate in an expanding economy where the short-term,

non-renewable "needs of trade" were one thing, and the need of long-term funds for the development of capital resources was quite another. Thus accommodation lending was widespread, and by no means did all experienced bankers consider accommodation loans to be harmful, either then or at later dates.²³

However, of the six men to whom we have referred, the efficacy of commercial-loan principles, and the inherent danger of accommodation loans, were generally agreed upon by all but one. William Gouge was the exception: Gouge was so hostile to all banks of note issue that in his Short History of Paper Money and Banking he declared that their policies were equally dangerous, whether they confined themselves to short-term credit or made accommodation loans.²⁴ (But as we shall see, he subsequently modified this view considerably.) The others believed that the undifferentiated extension of short-term and long-term loans made banking less safe. Gallatin, for instance, pointed out that banks loaned to individuals "the whole amount of their capital" except such portion as some of them might have invested in stocks, "and, in point of fact, a large portion of their loans consists of what the merchants consider as permanent accommodations." Gallatin called this a "departure from what has been generally deemed the true banking principle."²⁵

Bronson's 1829 published analysis reflected a growing viewpoint in established financial circles. He argued that accommodation loans created a damaging cycle in the whole business community. Bankers with capital on their hands were very generous in urging customers to take such loans; this represented a natural desire to put the money to use. But being of long--or what was worse, uncertain--duration, accommodation loans encouraged borrowers to use the money not for commercial transactions already in progress, but for capital investments or "speculation." The money had not been sought to finance a specific transaction; thus, predictably, the funds were used for such purposes as gambling in the commodities market, buying goods in the expectation of profit through an anticipated price rise.²⁶

The widening search for systematization in banking was apparent in Bronson's analysis. Since bankers, he said, were in competition with each other, one banker making accommodation loans in a community fairly well assured that other bankers would adopt the same policy. And prices did rise. The result was a specie drain to foreign countries. When that happened the banks had to retrench their lending in order for prices to be reduced to a competitive level with foreign goods, so that specie could flow back. Accommodation loans began to be called in at the same time that prices fell, and men who had used the loans for investment instead of to finance in-progress commercial transactions

were caught under severe pressure.²⁷ Therefore, according to Bronson's thesis, banking policies were the frequent cause of general distress. A basic disjunction existed in accommodation lending. Such lending represented money put into use by banks when money was plentiful and profits were sought from surplus funds on hand, and then cut off when money was scarce. Loans were extended when money was needed the least, and called for when it was needed the most. To Bronson, it was manifestly an irrational economic practice. It was for this reason that he told Raguet that the American banking system had become "radically defective."²⁸

The solution, as Bronson came to perceive it, lay in providing for a safe investment of a bank's capital in order to provide security for the notes the bank put into circulation. Bankers would obviously invest their capital in some way, but under the present system the capital was being used, he believed, improperly--in the regular, daily lending operations of the banks. The pursuit of profit which propelled any system of private enterprise thus created an inherent problem in that this natural pursuit "sets all the banks simultaneously striving to see who can lend the most money, and make the greatest dividend, until the drafts for coin for exportation creates an alarm, then the strife in curtailing becomes as great as it had been before in extending their loans: these fluctuations, though not so regular, become quite as certain as the rise and fall of the tides."²⁹

On the philosophical level, Bronson's thesis represented the old soundness theory reacting to easy credit practices. On the instrumental level, it represented the emerging significance of technique, and indicated the perspective from which intelligent capitalists were beginning to view economic problems. As such, it was a manifestation of an ascending organizational (and, in embryo, technological) consciousness in American society. Banking had originated in a smaller economy dominated by commercial capitalists whose trade was financed by short-term credit. Clearly, banking could not return to practices which satisfied the late eighteenth century. The demand for opportunity and the faith in growth--hallmarks of the country's explosive nineteenth century economy-- had destroyed the basis of the old mercantile banking system. A new system was needed.

As a large moneylender Bronson knew better than most people the limitations of private individuals in supplying the growing need for capital. Moneylending as a source of funds had been surpassed by the great increase of banks; by the 1850s large-scale moneylending as a private investment activity had virtually disappeared.³⁰ Any insightful man of the 1820s and 1830s could foresee that enterprise would depend more and more on banks. The development of Bronson's thought had paralleled innovations in his practice. In 1816 his bank had successfully petitioned the Connecticut

legislature to reduce the institution's capital from \$200,000 to \$100,000, since the bank's commercial business in Bridgeport required no larger capital for safety, and the surplus capital could be returned to the stockholders (of whom Bronson was by far the largest), to be invested "with equal safety and greater advantage by the stockholders, in their individual capacities." Then in 1821 he had initiated a policy of investing all of the Bridgeport Bank's capital in long-term mortgage-secured loans, while maintaining in the bank's daily operations his strict rule of short-term, non-renewable credit.³¹ By the middle 1820s Bronson was developing this policy into a general theoretical argument.

This development did not occur merely out of Bronson's ruminations. Bronson was not a brilliant or original theorist. He was, rather, a creative financier with a capacity for seizing upon and synthesizing the most enlightened policies then operative and the most promising ideas currently circulating. He had reflected often, as many of his comments reveal, upon the greatest financial establishment of his day, the Bank of England, whose entire capital was invested in government stock. American financial conservatives, in general, tended to look to the Bank of England as the best available model of soundness. Besides that premier practical example, there were then current in England various theoretical proposals for enhancing the stability of bank note issues. David Ricardo in 1816 had proposed for English country banks

the idea of a banknote backed by government bonds to provide security to the public.³² Even if we had to infer, we would be safe in assuming that Bronson was familiar with the writings of a towering figure like Ricardo. But in fact, there is proof that Ricardo's writings influenced Bronson; in two letters in 1829, he specifically cited the great economist's arguments to justify his own proposals.³³

By 1827 at the latest, and probably earlier, Bronson had adopted a nomenclature which distinguished between a bank's "credit" and its "capital." By that year he had developed a technical compartmentalization of banking into two distinct categories, which were the rough equivalents of what later came to be the distinction between commercial and investment banking.³⁴ The first category--the bank's commercial banking operations--was represented by what he called its "credit": its moving assets and liabilities--specie on hand, note issues, and deposits. The second category--the bank's investment banking operations--was represented by what he called its "capital": its fixed assets and liabilities--paid-in capital and long-term loans. Bronson did not originate the particular meanings he gave to these terms of credit and capital--they had been used before in about the same sense that he used them, for instance in an 1820 report of the Secretary of the Treasury--but he helped give wider currency to them.³⁵

Bronson maintained that in the bank's daily operations, only its "credit" should be used; that is, he argued as he always had that only short-term, non-renewable loans should be made. But now he introduced a second, newer principle: the bank's "capital" should be rigidly excluded from the daily operations by investing all of it permanently, outside the bank, in sound investments such as government stocks and bonds, or in mortgages.

Bronson conceived this as the answer to the problem arising from accommodation loans, which were long-term loans indiscriminately mixed with short-term loans in the bank's operations.³⁶ This procedure would divorce the capital entirely from the bank's day-to-day business, and the soundness of the real-bills doctrine would provide the controls necessary to render those day-to-day operations safe; while at the same time the capital invested permanently would provide security to the bank's noteholders and depositors. Emergencies, sudden excessive demands for specie, could be managed safely; the banks would have the capital investments which they could liquidize, if necessary, to meet the demands. But except in rare cases this should be an unlikely necessity, he believed, for since the banks were adhering to commercial loan principles in their daily lending they need only curtail their discounts for a while in order to restore equilibrium. Under such practices, the present dangers created by accommodation lending (capital used in speculative

investments leading to a price rise, specie drain, etc.) would be minimized, since none of the capital would be available, having already been invested outside the bank in safe long-term loans.³⁷

In order to assure that the capital could not be used unwisely, Bronson proposed a method of governmental regulation which had been suggested to him in Ricardo's writings. The capital which was invested outside the bank was to be pledged with the state government so that security to the public would be definitely achieved. The securities in which the bank invested its capital were to be placed beyond the control of the bank by pledging them with an agent of the government. The possibility of excessive note issue would be obviated by requiring that this government agent affix an official stamp to all the banknotes each bank was to use in its business; the total of such notes could not exceed the amount of the bank's capital, which had been lodged with the state in the form of the stocks, bonds, and mortgages in which the capital had been invested (the bank drew dividends or interest on these securities). No bank could issue notes that did not contain the stamp, and therefore, a bank's note issues could not exceed its paid-in capital.³⁸

Bronson was a determined advocate of business freedom, with a deep faith in what he called "those immutable laws, which alike regulate both commerce and currency."³⁹ To him,

"natural laws" of political economy were both real and absolute. State regulatory operations--to the very limited degree that he called for them--appeared necessary because the currency had a unique function in the economy, over which government had to exert authority in order to provide the stability necessary for the larger freedom of enterprise.

No further regulation was seen as necessary; with his friend Raguet, Bronson believed there were too many man-made laws already. Publicly he argued that after the system he proposed had been implemented, "every thing else may be safely left to the discretion of the [bank] directors. The condition of their being will necessarily prescribe the nature and limits of their operations."⁴⁰ Privately, after explaining to a friend the efficacy of giving government a control over the amount of note issues by stamping each note, he added that "the banks may be afterwards safely left 'to manage their own affairs in their own way'--The law of self preservation will be the best guarantee for their prudence, and the best security for the public."⁴¹ The degree of regulatory action he espoused, Bronson believed, would enable banking to acquire that "perfect security" which he had sought for it so long.

3.

This was Bronson's contribution to financial theory, his elaboration on the basic real-bills doctrine in order, as he saw it, to meet the problems arising from the swift expansion of a new economy. It was far from being so safe a technical emendation as he assumed. Nor was his critique a definitive statement on the many problems of American banking. Nowhere in his numerous discussions did he recognize the importance of a fixed specie reserve ratio; this was an inadequacy of analysis common to his age. The mechanism of a fixed ratio, which became central to later banking, was only beginning to be hesitantly experimented with at about the time of Bronson's death, and not until the 1850s did a consensus begin to be reached among bankers as to what constituted a "safe" fractional specie reserve.⁴²

Furthermore, the importance which his time attributed to note issue caused him to treat the subject of deposits peripherally. In seeking security it was the danger of excessive note issue he stressed. This too was typical of the leading financiers of his time, including Nicholas Biddle.⁴³ Bronson showed a clear understanding that demand deposits also represented a liability, but his remedies were mainly oriented toward the "paper money" danger. He may have been primarily thinking of country banks in this respect, for they did indeed represent such a danger, since they depended almost wholly on note issue--often issuing paper greatly in excess of their reserves--and had relatively

small deposits. On the other hand, by the 1820s deposits already played a large role in the operations of city banks.⁴⁴ Thus there were various limitations in Bronson's proposals for improved banking.

Yet when all this is said, it must be added that Bronson's ideas were part of a significant development in the history of American banking. Bronson and a few other men were making contributions in the 1820s and 1830s that would later have much to do with the charting of new directions. His own proposals, first published in 1829, were so innovative that in 1838 Raguet could still write: "The plan of investing the whole or any large portion of the capital of a bank in fixed securities...will be so novel to most of our fellow citizens, that it is more than probable that a long time will elapse before its superiority over our present banking system will be generally admitted."⁴⁵ But when he wrote those words, Raguet was celebrating the breakthrough of the concept, for it had just been incorporated into the New York General Banking Law, or "Free Banking" Act. Raguet congratulated Bronson after passage of that act for the first triumph in "the cause in which you have been so long, so ably, and I may now say, so successfully engaged."⁴⁶

The passage of the New York Free Banking Law of 1838 was one of the pivotal moments in American finance. Bray Hammond, though he disliked the act, called it "the most

important event in American banking history."⁴⁷ While its supporters had no such grand design in mind at the time, it could be seen later as one of the first crucial steps in the reorganization of American banking after the destruction of the Second Bank of the United States. It provided the model for the national banking system created in Lincoln's administration.⁴⁸ The free banking concept, in which notes were secured by bonds representing the investment of capital outside the banks, formed the basis of the National Bank Act of 1863, which structured the American banking system for the next half-century, until the passage of the Federal Reserve Act in 1913.⁴⁹

Bronson's role in this major turning-point was not appreciated until the past generation, when Fritz Redlich made it clear for the first time.⁵⁰ The reasons for Bronson's influence being obscured were rather accidental. First, he was seventy-eight and only a month away from his death when New York's Free Banking Act was passed; he had nothing to do with getting legislative support for its actual passage. Second, the initial detailed proposal for the free banking concept itself--that is, abolition of the incorporation requirement for establishing banks--was made by John McVickar in his 1827 pamphlet, Hints on Banking. This actually was McVickar's own idea (although it had been proposed earlier in America, but less professionally, and Adam Smith, much earlier, had promoted the idea in England); therefore

McVickar's major role in propagating this important idea was obvious, and properly appreciated by later commentators. And since in Hints on Banking McVickar supported his proposal with a theoretical argument that distinguished between a bank's "credit" and its "capital," and argued that the latter should be invested in stock as security for redemption of note issues, both innovative elements in his pamphlet--making banking a "free trade," and establishing security by investment of capital--were later assumed to have been McVickar's own ideas. In 1829, two years after McVickar's Hints on Banking, Bronson's article appeared in Raguet's journal, and in the same year appeared Eleazar Lord's Principles of Currency and Banking. Bronson did not mention the abolition of incorporation, but concentrated in his brief article on the security proposal; Lord argued both ideas. Moreover, Bronson's very brief essay was much less elaborate than Lord's longer discussion. Therefore Lord, with McVickar, came to be seen as the earliest important advocates of these ideas in America.⁵¹

Lord himself, much later, paid a warm tribute to Bronson in a pamphlet which appeared in 1861, when the movement was underway that led to the National Bank Act. Lord, then still alive, claimed to have "first proposed and published the plan of free banking in this State," and did not mention McVickar's proposal which had preceded his own by two years. He did, however, cite Bronson; the proposal, Lord said, was

"unwelcome in the most influential quarters," and he went on:

A single individual, the late Isaac Bronson [sic], only, among the capitalists, financiers, and bankers of New-York, promptly sanctioned, and earnestly endeavored, at much expense of time and of personal inconvenience, to secure its adoption. Had the legislators of that period possessed the intelligence of that remarkable man, and had the lobby of that period possessed any thing of the nature of his integrity, the provisions of the bill as originally passed would...have been different.⁵²

Not until 1945 did Bronson's name begin to be better known. In that year Abraham Venit, evidently the first person to do any considerable research in Bronson's papers, published an article on the financier's ideas in the Journal of Economic History.⁵³ While Venit did not mention the Free Banking Act or draw the connection between Bronson's theory and the later legislation, his discussion of Bronson's ideas gave a clue to Redlich, who was then completing research for the first part of his monumental Molding of American Banking. Redlich went to Bronson's writings (though he apparently was not able to study his papers), and when Redlich's book appeared two years later it presented the intellectual background of the Free Banking Act, including a discussion of Bronson's influence.⁵⁴

Venit had shown that McVickar's Hints on Banking, which the author dated February 17, 1827, contained ideas that originated with Bronson. In early 1827 Bronson sent McVickar some of his papers, including what McVickar referred to as

Bronson's "pamphlet," obviously an early draft of Bronson's article which appeared two years later in Raguet's Journal. After studying what the financier had sent, McVickar wrote him on February 10: "I confess that the perusal of [your papers] & your pamphlet have somewhat changed my views-- & have enlightened my mind generally on the subject--With regard to your principle--I am conclusively settled--confined to credit banks are harmless--My only doubt is as to the efficacy of the remedy you propose." McVickar then stated some questions on the role of bank capital which he asked Bronson to clarify.⁵⁵

Bronson came back immediately on February 12 with answers to each of McVickar's questions, which involved a detailed theoretical discussion supporting his ideas. "If my premises are true," Bronson wrote the professor,

there will be no evil to guard against: for the system, it is contended is based upon principles which (independently of the injunctions of law) will necessarily restrain the banks from over issues....[The legislature] can and ought to require the banks to have a pledged capital vested in some permanent security equal in amount to what they do issue & confine them in their business to funds produced by credit alone.⁵⁶

Bronson pointedly suggested to the economist: "The remedy appears to me as obvious as it is simple and equally calculated to promote the particular interests of the banks & the general interests of Society. I know of nothing in our temporal concerns, which could have a better claim to public attention at this time than a short well written

tract explaining the elementary principles by which our banks of discount & deposit ought to be regulated."⁵⁷

McVickar had obviously been working on an essay on banking. His pamphlet, which he dated a few days later, incorporated the proposals Bronson had advanced into McVickar's own argument for making banking a "free trade."⁵⁸

Clearly, no one person can be singled out for a unique role in so gradual and complex a development as the movement which culminated in the Free Banking Act. Bronson was only one among a growing number of informed writers on finance in the period. That is, in fact, the point being made here: that the changing social and economic milieu was leading several enlightened men, more or less simultaneously, toward common perceptions of the direction which banking reform should take.

Reform was decidedly what these men saw themselves embarked upon. The spirit of reform has generally been seen as one of the primary characteristics of the period, and conservative capitalists like Bronson should be seen as an embodiment of that impulse, with objectives that reflected their particular values, just as surely as should antibank "locofocos," or temperance advocates, or abolitionists. Bronson used the word reform several times to describe his purpose, because he was so convinced that the banking system was "radically defective." His conceptualization of the problem had nothing to do with a conflict between rich and

poor, financiers and farmers. He perceived a flawed system in which the real danger arose from within the commercial and financial world itself: the system's weaknesses rendered it fair game for uninformed or reckless men pursuing quick profits at minimal risks. William Gouge, defender of the interests of mechanics and small farmers, repeatedly criticized "irresponsible corporations" and "irresponsible Boards of Directors."⁵⁹ Bronson, the man of wealth whose values were formed in the generation before Gouge was born, slashingly referred to "irresponsible stockholders," "gamblers," and "mere speculators."

The social and economic premises of Bronson's reform aims were explicitly stated in a letter written to a friend in 1829. Discussing New York banking, Bronson maintained that

unless it is reformed, trading will only be another name for Gambling, which will generate and nourish an army of brokers....Hitherto we [in New York] have had our share of the disgrace which the ignorance or knavery of Bankers have spread over the country; and it is time such principles were introduced into the system as to procure for it the character of an honorable occupation....The most formidable opposition to [a reformed] system after all, will proceed from those who want banks without capital...and yet they will want to be authorized to make loans the same as if they had it.... At any rate let there be an end to that system of legalized swindling which has been carried on...which authorizes a stockholder on the payment of some pitiful investment after having received five times the amount in dividends to escape from all further responsibility, by forfeiting what he has paid--leaving perhaps half a million of notes in circulation the avails of which are no where to be found unless in the pockets of these irresponsible and fugitive stockholders.⁶⁰

Bronson saw his proposals not only as remedying the instability caused by present banking practices, but as helping to solve the problem inherent in the growing demand for opportunity which necessitated long-term credit. Bronson's term for people needing this type of credit was "producers," that is, people who actually produced goods as opposed to the merchants who traded in those goods, and whom he sometimes termed "distributors."⁶¹ Traditionally, private moneylenders, of whom he was one of the last great examples, had furnished the permanent capital needed by the "producing classes"--farmers, mechanics, and manufacturers. But banks had now assumed the function of furnishing it; thus the goal was to provide a method whereby the banks could do so without threatening general business equilibrium.

He maintained that his system would do this, for the banks' investment in stocks and mortgages would finance long-term enterprises. Thus the banks would serve the different needs of the two main economic groups. He asserted that the stock or mortgage security, which provided the ultimate protection for the bank's customers and stockholders, "enables the money to perform a double operation. It establishes the credit of the banker which is the proper fund for carrying on his business and at the same time furnishes Capital for the producer which is necessary to bring to maturity the various operations connected with his business."⁶²

Of course, these investments by the bank in stocks, bonds, and mortgages were to be on the "best" security available--which was the same criterion employed by Bronson in his private lending. This was the inner logic of capital seeking investment outlets. Raguet later expressed the capitalist viewpoint on this question when, in praise of the Free Banking Act which contained Bronson's principle, he spoke of the safety to bank stockholders and customers which the new system provided. Since "the loans which the individual stockholders themselves would have made as private capitalists seeking the safest investments" would now be put into long-term investments by the banks, with funds which the stockholders provided, Raguet declared that "it is for the interest of the stockholders that the capital should be loaned...with the greatest possible caution as to the security of its investments."⁶³

This was the standpoint to be expected from Raguet, since the avowed objective of the new idea was security. As a corollary benefit, there was opportunity for "producers" as well. Such investments would naturally tend to go first and in greatest proportion to larger projects or more substantial individuals. It had become fashionable among men of all persuasions to celebrate the virtues of the "producing classes;" when they did so, neither the speech-makers of the political parties nor the investing capitalists

had primarily in mind the self-sufficient, independent "sturdy yeoman" of legend. A dynamic growth powered not only by great entrepreneurs but by the expanding middle class of commercial farmers and small enterprisers was becoming the expression of faith in America's economic future.⁶⁴

Of the other men to whom we have referred, there was nearly total agreement on the efficacy of the new proposal. McVickar and Lord supported it fully, being co-advocates.⁶⁵ Raguet, as we have seen, enthusiastically welcomed the new idea and praised the Free Banking Act. Gallatin, writing in 1831 after McVickar, Bronson, and Lord had made their arguments public, indicated without mentioning any of them specifically that he thought the idea of investing capital in public stocks a sound one, and he was a strong proponent of the Free Banking Act that passed seven years later.⁶⁶

Gouge is the most interesting of the other men to consider in this regard. Justly famous as the most intelligent hard-money advocate of the early nineteenth century, Gouge stood somewhat apart from the others in background, economic status, and politics, but his understanding of banking was certainly as broad as was any of theirs. While Gouge was definitely "antibank," it should be kept in mind that he opposed only incorporated banks of note issue. He proposed, in their place, private banks with capital supplied by "men of great wealth" who would, in effect, operate as private moneylenders.⁶⁷

Gouge's view of Bronson's thought is curious. In his Short History of Paper Money and Banking, published in 1833 at the height of the attack on the BUS, Gouge saw no value in distinguishing between genuine commercial loans and accommodation loans. In discussing the new ideas recently advanced by Bronson, McVickar, and Lord (without mentioning their names), Gouge made clear that he found the whole argument about banks' "credit" as opposed to their "capital" to be useless, since he believed all banks of note issue, regardless of their policies, should be abolished.⁶⁸

Yet Gouge used Bronson's 1815 Appeal to the Public to bolster one of his own arguments. In the chapter of his Short History (a book of 375 pages) which was devoted to banking during the years 1814-1816, Gouge, when arguing that banks in that period overissued due to the excessive government stock they purchased, cited Bronson and his Appeal and then proceeded to quote eight straight paragraphs from Bronson's pamphlet. At the end of the chapter Gouge used Mathew Carey's defense of banking in that period as a foil and, employing Carey's own words, argued that "Mr. Carey shows" the banks' curtailment of credit in 1815 "to have arisen from the extensive dealings of the Banks in Government securities, thereby confirming the statements of Mr. Bronson."⁶⁹

Of greater interest is Gouge's later shift of viewpoint on banking. In 1842, after most of the tumult over

the National Bank had subsided, Gouge published, in his Journal of Banking, Arthur Bronson's historical sketch of the Bridgeport Bank under his late father's direction. In his introduction to Arthur Bronson's essay--an essay defending the elder Bronson's strict commercial loan principles in a bank's daily business and investment of its capital in permanent securities--Gouge approached the subject cautiously. He still thought all note-issuing banks were bad, and he did not like the Free Banking Act, but he was now willing to admit that the soundness tradition had some merit. "To paper-money banks," Gouge wrote, "even when conducted on the principles laid down in this article, there are... very strong objections. But we firmly believe, that if our banks generally were conducted on those principles, the system would be shorn of half its evils. Banks so conducted, whatever other evils they would inflict on the community, would never stop specie payments."⁷⁰

A year later in 1843, Gouge went farther, in an article in Hunts' Merchants' Magazine entitled "Commercial Banking." While in 1833 the hard-money Gouge saw commercial banks as enormous social evils, whether or not their policies were "sound," ten years later he virtually embraced the real-bills doctrine. Perhaps he had conceded that reliance on private moneylenders was chimerical. He now declared: "The prettiest, and, we may add, the safest way of making money

that has ever yet been invented, is that of banking on commercial principles. It is creditable, moreover, which some modes of making money are not; and therefore it ought to receive the especial attention of those who wish to make money, and at the same time preserve their reputation."⁷¹ He then proceeded to lay down the correct principles of banking, and as a practical illustration, quoted virtually the whole of Arthur Bronson's discussion of Isaac Bronson's banking ideas which had appeared in Gouge's journal the previous year (as in the earlier article, actual names were omitted). Gouge concluded his piece with an explicit tribute to the correctness of Bronson's theory and practice.

So striking are the particulars in the history of this bank, that some have supposed them to be mere fictions.... These particulars are facts. We have the name of the bank. It was situated in a town not very distant from the city of New York. We have also the names of the president, and of others who were connected with the bank. In point of fact, we were acquainted with the president by whom the bank was so successfully managed.... [Banks which have failed] all owe their ruin to long loans to government, or long loans to individuals; through which, attempts were made to make mere circulating credit supply the place of solid, permanent capital.⁷²

While Gouge made an almost ritualistic gesture in the last paragraph of his article, remarking that "there are strong objections to banks of issue, on whatever principles," the entire focus of his essay was on the efficacy of banking principles which Bronson and other conservatives had long espoused. Contemporaries and later observers alike were correct to see in this article a significant shift in Gouge's

thought, even though, formally, he maintained his old hard-money position.⁷³ Certainly Gouge's approach to banking, consistent with the fluctuating nature of the business itself in that period, was neither static nor narrowly doctrinaire, but flexible and complex.

We have extended this line of inquiry in order to indicate that the whole question of banking "reform," which was seen by many Americans of all classes as the most pressing issue of the 1820s and 1830s, arose in a more complicated context than is usually recognized. There were many attacks on banking from all quarters, but what seems insufficiently appreciated is that some of the most successful reform proposals came from men very much at home in capitalist circles.

During the late 1820s and the 1830s, many treatises on banking--of the less colorful sort, lacking partisan disputation--were put forward by bankers, merchants, journalists, academic economists, and other people. Some of the more persuasive of these proved to be influential. To be sure, these writings did not reflect dispassionate, Olympian ideals; they were produced by worried men and revealed definite value systems. But what is most important to note is that the conflict was unfolding in a framework of values and relationships substantially altered from that of a few decades earlier when commercial-agrarian ideological quarrels had represented a conflict basic to American society.

Commercial capitalism by this date had won the hearts and minds of the American people. Even Marvin Meyers, in his study so brilliantly illuminating the darker moods and deeper anxieties of the period, finds the fundamental tension in the effort "to recall agrarian republican innocence to a society drawn fatally to the main chance and the long chance, to the revolutionizing ways of acquisition, emulative consumption, promotion, and speculation."⁷⁴

"Agrarian republican innocence" certainly had its champions, some of whom, like Andrew Jackson, exerted great influence. Yet more and more, Americans were accepting certain facts as given, such as that banks were there to stay, even though they might be the chief sources of economic distress and social dislocation. Gouge, even in his earlier, most radical days, envisaged his system of private banks as operated by "men in whom the public could place confidence....It is in lending money that men of large fortunes can employ their capitals with most profit and convenience."⁷⁵

The main thrust of the ultimately most successful explorations then underway was toward greater systematization. In the Jacksonian period and even later, enough uncertainty about ends still existed to produce quarrels over genuinely different social ideals. But this was an old reality and should not be interpreted as still the most salient feature of disputes over banking; the future would be in another direction.

Already in those years we can see the spread of an analytical insight that was quite distinct from the old trader-farmer conflict. Men who shared this insight perceived an acquisitive, commercial capitalism as irrevocable, but sought to temper, restrain, or reorient it. Differences naturally existed; Gouge for instance continued to be most concerned with making opportunity available to mechanics and farmers within the system; Bronson was most sensitive to the interests of men of commerce. But the most revealing fact is that both men, starting at different points, applied functional analyses to banking and ended with similar conclusions. Instead of looking so intently at their differences, perhaps we should pay more attention to their resemblances. At any rate, it can scarcely be argued that the financier Bronson and the hard-money man Gouge resided in mutually hostile camps.

In those years, people could look back upon a half-century of the nation's existence and see a record of revolution and a second war, of various political and financial crises, of growth, depression, and revived growth. Those were critical years in the transition from the older agrarian-commercial republic to the full-fledged capitalist order of the mid-century. The role of banks in society was becoming a major social question. With about seventy percent of the population still engaged directly in agriculture, but with new forces emerging that were altering habits of genera-

tions in the lifetime of a single man, the dilemma created by banking appeared to touch the very heart of the American future. What seemed at stake was the always precariously maintained stability of the nation.

The half-dozen men we have discussed lived among the troubles and the pitfalls of the real world. Gouge liked to consider himself an "intellectual" who belonged to the growing class of "disinterested political economists"--and so all of them to an extent might be described--but not one of them possessed the traits of a utopian thinker.⁷⁶ All of them had passed their careers in highly competitive, exposed areas of their society, in the company of ambitious and often ruthless men of affairs. Bronson, the financier; Gouge and Raguet, the journalist and the lawyer-journalist; Lord, the merchant; Gallatin, the politician and statesman; all knew American life as engaged participants. Even McVickar, seemingly more remote from strife in his classrooms at Columbia, had been deeply wounded when caught in the thicket of academic politics.⁷⁷ They had all, sooner or later, come to understand the marketplace. They knew, as well as any men knew, the cupidity and the bad faith which flourished in the countinghouses and legislative arenas and academic halls of their age, within earshot of splendid orations on dignity and democracy. They were all old enough to have witnessed the erosion of earlier restraints under the torrent of the volatile ambitions of a people more unfettered by custom than any people in the history of the world.

Their ancestors had articulated the great dilemmas of the social order in terms of godliness and worldliness. These men likewise pointed on occasion to examples of human failing. But it was not their intention to grapple with fundamental problems of behavior, whose origin they saw in the nature of man and whose solution rested in the hands of God. Their approach was less cosmic (though scarcely less dogmatic) than that of their more spiritual forebears. Their objective, rather, was to advance certain analyses and principles which they believed could reimpose order in the most precarious area of the economy, and thus permit growth in an environment of stability.

None of these reformers opposed the expansion of opportunity to the populace at large--they all welcomed it, judging it healthy--but in banking each of them, including the Jacksonian Gouge and the old humanist republican Gallatin, wanted above all soundness. And each of them recognized that this inevitably meant that determinative control must reside in the hands of solid, conservative men of wealth. That recognition, whatever their diverse views on the question of ultimate justice may have been, in itself testified to the relentless pervasion of capitalist modes of thought.

NOTES TO CHAPTER V

1. Merchants' Bank Account, 1803-1824, Sept. 9, 1820, BP, Box 10, NYPL.

2. "Inventory to 1st Jany. 1824," BP, Box 7, NYPL.

3. Gates, Farmer's Age, 31.

4. Carter Goodrich, ed., Canals and American Economic Development (New York: Columbia University Press, 1961), 235; Ronald E. Shaw, Erie Water West: A History of the Erie Canal, 1792-1854 (Lexington: University of Kentucky Press, 1966), 262-264.

5. The finest of such studies is Allan G. Bogue, Money at Interest: The Farm Mortgage on the Middle Border (Ithaca: Cornell University Press, 1955). On the same subject see Jay Ladin, "Mortgage Credit in Tippecanoe County, Indiana, 1865-1880," Agricultural History, XLI (January 1967), 37-43. The period 1793-1820 is dealt with, also for a somewhat different type of lending, in Robert W. Silsby, "Credit and Creditors in the Phelps-Gorham Purchase," unpublished Ph.D. dissertation, Cornell University, 1958. An article based on part of that dissertation was published as "Mortgage Credit in the Phelps-Gorham Purchase," New York History, XLI (January 1960), 3-24. A recent article dealing with an earlier period is also of some interest; see Julian Gwyn, "Money Lending in New England: The Case of Admiral Sir Peter Warren and His Heirs, 1739-1805," New England Quarterly, XLIV (March 1971), 117-134. Also see the studies by Elva Tooker, cited in Chapter I above, of the moneylending operations of the Philadelphia merchant Nathan Trotter.

6. Redlich, Molding, II, 5.

7. Nathan Miller, The Enterprise of a Free People: Aspects of Economic Development in New York State during the Canal Period, 1792-1838 (Ithaca: Cornell University Press, 1962), 139-140; Hammond, Banks and Politics, 687-688.

8. Daniel Jones to IB, Dec. 19, 1833, BP, Box 84; Henry Townsend to IB, Oct. 12, 1829, BP, Box 79; Moses Gibson to IB, July 12, 1829, BP, Box 79; Elisha Hale to IB, Aug. 28, 1837, BP, Box 88, NYPL.

9. On Cady and Butler, see DAB; on Howell, see Orsamus Turner, History of the Pioneer Settlement of Phelps and Gorham's Purchase, and Morris' Reserve (Rochester: William Alling, 1851), 179-181, and Lewis Cass Aldrich, comp., History of Ontario County, New York (Syracuse: D. Mason & Co., 1893), 164-165, 464-465.

10. Hammond, Banks and Politics, 144-145.

11. Mints, History of Banking Theory, 11.

12. Miller, Banking Theories Before 1860, 8.

13. Rothbard, Panic of 1819, 188-189.

14. Hammond, Banks and Politics, 413.

15. See for instance Roger Minott Sherman to Albert Gallatin, May 18, 1832, Albert Gallatin Papers, NYHS, and John Bolton to IB, Jan. 16, 1833, BP, Box 84, NYPL.

16. William Short to IB, Nov. 9, 1831, BP, Box 82, NYPL; Raymond Walters, Jr., Albert Gallatin (New York: The Macmillan Company, 1957), 360-361.

17. William M. Gouge, "Commercial Banking," Hunt's Merchants' Magazine, VIII (April 1843), 321.

18. Mints, History of Banking Theory, 29.

19. A criticism of long-term, or accommodation, lending in the daily operations of banks had been a main theme of Bronson's Appeal to the Public of 1815, and the rules of the Bridgeport Bank, laid down in 1807, had prohibited accommodation lending.

20. Redlich, Molding, I, 11.

21. Miller, Banking Theories Before 1860, 175-176.

22. Hammond, "Long and Short Term Credit," 85, 93-94.

23. In Connecticut itself--where Bronson from 1807-1832 ran a bank on strictly commercial principles--an official report of the state's Bank Commissioners declared, in 1841, that the practice of some Connecticut banks of refusing to renew discounts was "a great innovation" which discriminated against certain classes of borrowers. Miller, Banking Theories Before 1860, 177.

24. Gouge, Short History of Paper Money, I, 50-52.

25. Gallatin, Writings, III, 279.

26. [Isaac Bronson], "General Propositions Explanatory of the Elementary Principles of Banking," Free Trade Advocate, II (July 11, 1829), 25.

27. Ibid.

28. Condy Raguet to IB, March 14, 1832, BP, Box 83, NYPL.

29. Bronson, "General Propositions," 25.

30. Redlich, Molding, II, 18.

31. Arthur Bronson, "History of the Bank of _____", 210-211.

32. David Ricardo, Proposals for an Economical and Secure Currency; with observations on the profits of the Bank of England (London: John Murray, 1816), 35-36.

33. IB to Thomas Olcott, Jan. 16, 1829, BP, Box 5, NYPL; IB to Joshua Forman, Jan. 26, 1829, Nathaniel P. Tallmadge Papers, The State Historical Society of Wisconsin.

34. Green, "Louisiana Bank Act of 1842," 400.

35. Redlich, Molding, I, 193.

36. Bronson, "General Propositions," 26-27.

37. Ibid.

38. In his "General Propositions," published in July 1829, Bronson did not specifically mention the stamping of banknotes, but he had already fixed upon this regulatory method; see IB to John Bolton, Feb. 2, 1829, BP, Box 5, NYPL.

39. Bronson, "General Propositions," 25.

40. Ibid., 26.

41. IB to John Bolton, Feb. 2, 1829, BP, Box 5, NYPL.

42. Louis M. Hacker, The Course of American Economic Growth and Development (New York: John Wiley & Sons, 1970), 119.

43. Redlich, Molding, I, 140.

44. Data on New York city and country banks for this period is furnished in Robert E. Chaddock, The Safety-Fund Banking System in New York, 1829-1866 (Washington: Government Printing Office, 1910), 236-242.

45. Financial Register, II, 7.

46. Ibid.
47. Bray Hammond, "Free Banks and Corporations: The New York Free Banking Act of 1838," Journal of Political Economy, XLIV (April 1936), 184.
48. Redlich, Molding, II, 99-100.
49. Leonard C. Helderman, National and State Banks (Boston: Houghton Mifflin Co., 1931), 142-143.
50. See Redlich, Molding, I, 191-196.
51. A New Yorker [John McVickar], Hints on Banking, in a Letter to a Gentleman in Albany (New York: Vanderpool & Cole, 1827); Eleazar Lord, Principles of Currency and Banking (New York: G. & C. & H. Carvill, 1829).
52. Eleazar Lord, A Letter on National Currency, addressed to the Secretary of the Treasury (New York: A.D.F. Randolph, 1861), 23.
53. Abraham H. Venit, "Isaac Bronson: His Banking Theory and the Financial Controversies of the Jacksonian Period," Journal of Economic History, V (November 1945), 201-214.
54. Redlich, Molding, I, 187-204.
55. John McVickar to IB, Feb. 10, 1827, BPGC, Box 200. This correspondence is discussed in Venit, "Isaac Bronson," 202-204.
56. IB to McVickar, Feb. 12, 1827, BP, Box 4, NYPL.
57. Ibid.
58. McVickar, Hints on Banking, 5-15.
59. Gouge, Short History of Paper Money, I, 36-37, and many other remarks throughout this book.
60. IB to Joshua Forman, Jan. 26, 1829, Nathaniel Tallmadge Papers, State Historical Society of Wisconsin.
61. Many of Bronson's theoretical reflections, in drafts which discuss various aspects of his theory and banking in general are found in a large number of undated, unsigned manuscripts, written in his hand, in Box 14 (Miscellaneous Papers), BP, NYPL.
62. IB to John Bolton, Feb. 1829, BP, Box 5, NYPL.

63. Financial Register, II, 8.

64. By the 1850s this expression of faith was being shaped into a new political ideology by the emerging Republican Party. See Eric Foner, Free Soil, Free Labor, Free Men (New York: Oxford University Press, 1970), 11-39.

65. Although McVickar in 1839, a year after the Free Banking Act, criticized the inclusion of mortgages on real estate as security for note issues, feeling that only government bonds should have been used. See Joseph Dorfman and R.G. Tugwell, Early American Policy: Six Columbia Contributors (New York: Columbia University Press, 1960), 138. Redlich also disliked the use of mortgages as security; Molding, I, 198-201.

66. Gallatin, Writings, III, 278-279; Walters, Albert Gallatin, 370.

67. Gouge, Short History of Paper Money, I, 48-49.

68. Ibid., 50-51.

69. Ibid., 67-72.

70. Journal of Banking, I, 209.

71. Hunt's Merchants' Magazine, VIII, 314.

72. Ibid., 321.

73. Miller, Banking Theories Before 1860, 177; Mints, History of Banking Theory, 135; Hammond, "Long and Short Term Credit," 91-92. Joseph Dorfman suggests that perhaps Gouge did not really change his views as much as has been assumed. See his introduction to the 1968 reprint of Gouge's book; Joseph Dorfman, "William M. Gouge and the Formation of Orthodox American Monetary Policy" in Gouge, Short History of Paper Money (New York: Augustus M. Kelley, 1968), 17.

74. Marvin Meyers, The Jacksonian Persuasion (New York: Vintage Books, 1960), 15.

75. Gouge, Short History of Paper Money, I, 48-49.

76. Dorfman, "William M. Gouge," 25.

77. Dorfman and Tugwell, Early American Policy, 111-112.

CHAPTER VI

POLITICS: THE BEGINNINGS OF CONSERVATIVE REFORM

A new set of circumstances had emerged which helped to shape the activities of New York businessmen for the next decade. The days of an elite governing class were gone; the federal government, like that of New York, was in the hands of leaders who praised democracy and the common man. Increasingly, Bronson and other capitalist reformers had to pursue their aims within the new political context created by the rise of the Jacksonians.

1.

By the late 1820s Bronson had a number of close connections among leading men of the Democratic Party. Although some historians have referred to Bronson as a member of that party, this does not seem to have been the case in any meaningful sense.¹ After the demise of the Federalists he cannot be clearly identified with any specific political group, and he appears to have been sincere in remarks such as "being no party man myself," which he sometimes interjected into letters discussing public questions.² He left in his papers no clues as to how he voted in any election.

His primary associations were with other businessmen, many of whom, like himself, tended to be politically independent, although they were drawn more and more into the political conflict over banking from the late 1820s on.

As a leading financier of his time Bronson had met over the course of his career many of the foremost political figures in the nation. In 1828 Andrew Jackson was elected President, and a major source of Jackson's strength was the Albany Regency, which was the greatest political machine in New York and probably in the United States.³ That Bronson had broader contacts among Democrats than among that party's opponents was doubtless due to the simple fact that the former possessed the greatest influence. Bronson's deepening concern over banking inevitably drew him toward the circles of men who wielded power.

Bronson was fairly close to several key figures of the Albany Regency, especially to men who composed what is sometimes called the Regency's banking or business wing.⁴ The leader of this group was Thomas Olcott, who happened to be Bronson's nephew (Bronson's wife was an Olcott). Thomas Olcott was cashier and later president of the Farmers' and Mechanics' Bank of Albany, and an occasional associate of Bronson in various enterprises. Bronson was also close from 1830 on with Olcott's friend, Charles Butler, brother of the Regency leader Benjamin Butler, who has been mentioned previously as one of Bronson's upstate loan agents. Churchill

C. Cambreleng was Bronson's closest contact among the Congressional Jacksonians; Cambreleng had begun his career as an agent of John Jacob Astor, was well informed on banking, personally close to Jackson himself, and a Congressman from New York City who belonged to the Regency's city ally, Tammany Hall.

Bronson however had no substantive political or economic ties with the Regency. He was a prominent figure of New York City's financial community; Wall Street and the Regency's banking wing formed two distinct, not complementary, interest groups.⁵ Especially after 1829, the capitalists of the two groups often perceived their interests to be at variance. The men of Wall Street did not tend by and large to be aligned to any particular party, while Olcott and the other Albany bankers were committed Democrats. Bronson probably felt closer to the New York City Democrat James A. Hamilton than to any of the above men. Hamilton, son of the country's first Secretary of the Treasury, had become a Democrat and an intimate adviser to Andrew Jackson. Having acquired a fortune through investments in city property, and belonging through status and family name to the city's elite, James Hamilton was among those New Yorkers like Bronson who would reflect the special concerns of Wall Street in the intensifying conflicts of the 1830s.

Bronson also knew Jackson and Van Buren. How well he knew Jackson is uncertain, but he once invited the President

to Greenfield Hill, and given Bronson's austere eighteenth century sense of propriety, that signifies unquestionably that the two men were reasonably well acquainted. As for Van Buren, more than one contemporary remarked on Bronson's friendliness with him, although the papers of the two men lack evidence of much contact between them.⁶

Bronson's son-in-law James Murray, who was Maria's husband and for whom the financier had great affection, was an enthusiastic supporter of Jackson. Murray was appointed by Jackson to the French Claims Commission in 1832, and that year he worked hard for Jackson's re-election in New York. A month after the election he wrote Maria a glowing letter describing a conversation he had had with Jackson in Washington, in which he had congratulated the President on his re-election, for it was "a gratifying proof from the magnitude of his majority of the entire confidence of the people in his administration."⁷

Bronson also knew the Democratic free trader William Cullen Bryant and, after Bryant took over editorship of the New-York Evening Post in 1829, Bronson continued to read the paper just as he had for so long when the old Federalist William Coleman edited it. Bronson's free trade views were well known, and when Bryant's associate at the Evening Post, William Leggett, later left the paper to begin his own Plainedealer, Leggett sent Bronson a prospectus inviting subscription.⁸

In contrast to these indications of ties to influential Democrats, Bronson felt no closeness at all to Jackson's great rival Henry Clay. Bronson seems never to have thought very highly of the Kentuckian; as early as 1814 he made unflattering remarks about Clay's appointment as one of the commissioners to negotiate with the British at Ghent. Clay's later grand project of an "American System" left the financier cold. Bronson's strong free trade sympathies made Clay's tariff advocacy coupled with plans for government-financed internal improvements seem a great boondoggle.⁹

As for the other major figures among Jackson's rivals, Bronson had long known Webster, and though Bronson never said so, the "God-like Daniel" may well have fit best his conception of what a President should be. However, Webster's conversion to a pro-tariff position in the 1820s annoyed him. Bronson never met John Calhoun, but always respected him, especially for his understanding of financial questions.

By the middle 1830s, after Democratic financial policy had alienated him, Bronson's letters contain many scathing references to the party and some of its leaders, and he became more friendly with some members of the new Whig Party. Even for those years, however, it would be inaccurate to identify him solidly with one or another political cause.

2.

In 1828--a year after McVickar first made the new

banking theory public, and a year before his own argument was printed--Bronson began an effort to persuade influential Democrats of the innovation's worthiness. His real intention had never been to add a few pages to the literature on banking, but to achieve practical reforms in the system.

Around December of 1828, Bronson sent a manuscript of his still unpublished essay to his friend James Hamilton, who had just become one of President-elect Jackson's closest personal advisers, and who was also intimate with New York's Governor-elect Van Buren. In January Van Buren would be inaugurated, and banking would obviously be one of the first subjects with which he would have to deal. No new banks had been chartered in New York since 1825, and when the legislature convened it would have before it nearly thirty petitions for renewal of old charters, and nearly forty petitions for new charters.¹⁰ Among informed men a feeling existed that the state's desultory attitude in recent years toward the growing banking problem would have to change, that the problem must be frankly faced. In that spirit Bronson sent his paper to Hamilton, and Hamilton was impressed.¹¹

But Bronson was not the only man with a new suggestion. At precisely the same time an old acquaintance of his, Joshua Forman, had independently put forward his own proposal. This latter proposal was the prototype of what soon became the famous New York Safety Fund Act of 1829. Forman was an upstate entrepreneur who had done more than anyone to promote

the interests of Syracuse, then still a small town, and launch it on its great growth in subsequent decades. He and Bronson had had dealings together at least as early as 1802.¹² At that very time Forman was one of the men being considered for the position of agent for North Carolina lands purchased in 1825 by Bronson and some other capitalists. In the summer of 1829 Forman got the job, moved to North Carolina, and held the agency for several years, apparently taking no further part in the banking debate.¹³ Thus his moment in the spotlight was brief, but his proposal proved important enough to win him a place in banking history as the originator of the Safety Fund idea.

Forman seems to have derived his plan from reading about a certain Chinese arrangement between government and merchants in the city of Canton. The act as passed in April 1829 by the New York legislature required each new bank that was chartered--and any existing bank that chose to come into the Safety Fund system--to contribute three percent of its capital to a state fund to be used to pay the debts of any insolvent bank within the system. The object, as with most reform proposals then appearing, was to protect against overissues of banknotes and thus provide security for the banks' noteholders. It was intended that henceforth, the failure of a single bank would not leave its noteholders with worthless paper, for the state-administered fund would provide, in effect, an insurance policy against the contingency.

In addition, the act took the innovative and important step of establishing in the state a board of three bank commissioners with powers of examination and redress in the affairs of every bank within the Safety Fund system.¹⁴

The act contained some serious flaws and did not operate as well as hoped; it was for all intents and purposes superseded by the Free Banking Act a decade later. Yet the principle it established was copied in other states and, a century later, by Congress with the creation of the Federal Deposit Insurance Corporation.¹⁵

These are the bare details of the principles of the Safety Fund Act, which have been dealt with extensively in published accounts.¹⁶ What have not been dealt with adequately are the earliest developments, before Forman's proposal was enacted into law. Bronson was closely involved in these.

The sequence of events which brought Forman's proposal to the attention of the Regency is not precisely known. With no evidence available on Forman's initial action once he had conceived the plan, only conjecture is possible. One anonymous critic of the Safety Fund Act later implied rather vaguely that Van Buren was the first to see the new plan, and stated that Forman--not mentioned by name but referred to as a "visionary speculator"--was then dispatched to New York City to win support from the metropolitan bankers.¹⁷ On the other hand, Jabez Hammond, who knew both men, says

Forman went first to Bronson with his plan, that Bronson approved it in principle and discussed it with other city financiers, and then Forman went to Albany to sell Van Buren and the Albany bankers on the project, with Van Buren subsequently including it in his message to the legislature on January 6, 1829.¹⁸

Bronson's papers do not specifically document his connection with the plan until a few days after Van Buren's January 6 message, and so on the basis of that evidence it cannot be definitely asserted that Jabez Hammond was correct in saying Bronson was the first person brought into the project. But whether Forman went first to Bronson or to Van Buren, it is certain that once Van Buren accepted it as a viable plan and made the idea public, Forman was charged with responsibility for putting it into a detailed draft to be sent to the legislature, and that Forman hurried to New York City seeking Bronson's advice and assistance. His long acquaintance with Bronson made the financier a natural choice. Forman himself had no large experience in banking, as suggested by his somewhat anxious remark to Bronson: "I think I am now master of the subject....I have really got into [this] business without any means of determining when I shall get out or where it will lead me."¹⁹

From Bronson's standpoint, Forman's idea was only a means to an end. Bronson saw at once that the notion of a "safety fund" could be compatibly joined with his own

ideas on banking safety. Those ideas embodied the control techniques of investing capital in permanent securities and regulating the amount of note issues by bond-backed banknotes stamped by public authority. James Hamilton had read Bronson's manuscript shortly before Forman introduced his own proposal, and Hamilton learned about Forman's scheme in December 1828 while Van Buren, to whom Hamilton was very close at the time, was preparing his state message.

Of the two new proposals, Hamilton thought Bronson's the most comprehensive and, like Bronson, saw that the two could be wedded. That month Hamilton wrote a long letter to Van Buren which was actually an exposition of Bronson's banking theory. "Can the Legislature, by special enactments," Hamilton wrote,

prevent these excessive issues, and thus aid in maintaining the stability of the local currency? I believe they cannot; but I do believe that if incorporations are granted upon correct principles, that it will produce this effect....The only way to arrive at that great desideratum is, first, to compel the banks to do what it was originally intended they should do, as Mr. Bronson expresses it--'Furnish a medium of trade, and not capital,' that is, discount paper which originates in business transactions, and not paper in order to originate business; which may be called accommodation paper....And, second, to require them so to place their capital that it cannot be loaned....It would be easier to commence a new system correctly, than to amend an old one....The two great points to which I have referred must be guarded; and I think this will be done effectually by a plan Bronson has submitted to me, together with the plan you have referred to.²⁰

Hamilton went on to discuss "principles deemed indispensable in a reformed system of banking," which were nine paragraphs, in quotations, taken word for word from Bronson's

manuscript. Thus Hamilton's advice to the Governor-elect was to use Bronson's plan, of which Van Buren was until then unaware, as the model for banking reform in New York and to add to it what Hamilton considered the good but secondary technique of a safety fund, toward which Van Buren was already leaning.²¹

In his January 6 message Van Buren did not follow Hamilton's suggestion, but instead directed the legislature's attention to the safety fund idea only. Van Buren's principal financial adviser Thomas Olcott had shown a liking for Forman's suggestion, and Van Buren, whose understanding of economics was not highly developed, depended greatly on Olcott's financial opinions.²² Olcott had recognized in Forman's plan not only a sound idea but a mechanism with potential benefits to himself and other Albany bankers, and to the Regency itself.

A law passed along the lines of Forman's proposal would create a new banking system for the state, an accomplishment--especially with the rising complaints about legislative laggardness on the banking question--which would work to the credit of the Democratic Party majority in the legislature. More important to Olcott in the long run, the system, which would include all newly chartered banks and every old bank which could be induced or pressured to join it, would create an interdependent network of banking institutions tied together by interest and legal

requirement. The heart of this system would be Albany, where the system would have been created by the party to whom the Albany bankers were allied. Those bankers, who comprised the second most important financial community in the state, next to the one in New York City, always looked westward. Wall Street's power was immense, but the Regency bankers saw the western portion of the state as their suzerainty. The great canal which started in Albany linked that city economically to the western counties; both Albany and western New York were in the early stages of a great boom in population and production. The westerners, and their banks, of which they were demanding more and more, looked first to Albany, not to the financial community of the metropolis.

The Safety Fund Act was an immense boon to Albany. It is no wonder that the Democrat Jabez Hammond, who much admired both Van Buren and Olcott, reported that Olcott "was struck with the great benefits which would result to the public" from such a plan.²³ While the new system would connect Albany financially and politically with the booming western countryside, the Democratic legislature would meanwhile protect that system through its control over all new applications for bank charters--most significantly, those coming from Albany's great financial rival, Wall Street.

Olcott was not so unsophisticated as to spell out these considerations on paper, nor was it necessary for him to do

so. But since the above is a description of what actually happened, it is hardly possible to believe that Olcott and his Albany colleagues were unaware that their support of the Safety Fund suggestion would influence such a result. Of course they denied it when subsequently accused, but many people, from upstate anti-Masons down to city mechanics and bankers, would subsequently charge the Safety Fund Act with being based more on political than financial considerations. Even Frank Otto Gatell, in an article which attacks an interpretation of the Regency as eternally scheming, admits of the period after the Safety Fund went into effect: "The Regency had prudently kept New York City banking capital as low as was politically and economically feasible. The Albany banks--all of them, not just [Olcott's] much-maligned Mechanics and Farmers--exercised almost despotic control over credit, westward from Albany."²⁴

However, in the early weeks of 1829, before the proposal became law, Albany and New York City had not yet clashed over the Safety Fund. Van Buren, as soon as he accepted Olcott's advice to include the proposal in his January 6 address, had asked Forman to go to Wall Street with his idea. It was Bronson whom Forman went to, and the two men had several long conversations which ranged over the whole subject of banking. Bronson's enlisting of James Hamilton's support had not so far produced results, but in Forman's safety fund plan, with the Regency support it had

won, Bronson saw an opportunity and tried to seize it. In their conversations, Bronson explained his new theory and how by joining it to Forman's plan, that plan could be improved. Other New York bankers were brought into some of the discussions, and at this stage seem to have given tentative expressions of support.

At Van Buren's request, Forman was then engaged in putting his idea as quickly as possible into a form suitable for being sent to the legislature as a specific, detailed proposal. Through their talks, Bronson won Forman over to an agreement that Bronson's own idea, without mentioning the financier, should be incorporated into the message to the legislature. On January 17 Forman told Bronson he felt temporarily "relieved from the bank subject by having closed the discussions here, to be resumed at Albany."²⁵

As Forman prepared to return to the state capitol, Bronson wrote his nephew Olcott. Bronson's purpose was to seek support for his own plan under the cover of commending Forman's proposal. The men of the Regency were not as yet aware that Forman, preparing his draft in the city, was being heavily influenced by Bronson's arguments. Bronson told Olcott that he had had several conferences with Forman about the plan now being drawn up "that appears to me to be based upon the Sound Elementary principles of currency and which proposes as far as practicable to confine the banks to their proper business lending on their credit, and the

merchants to theirs lending on their capital."²⁵ This principle was Bronson's, and had nothing to do with Forman's original safety fund idea. With the Regency prepared to throw its great weight behind Forman's plan, Bronson was trying to lay the groundwork with Olcott, prior to the latter's seeing Forman's draft, by blandly speaking of an altogether new proposal as being integral to Forman's project. Bronson said that when Forman arrived in Albany he would show Olcott "a few propositions illustrative of my ideas of those principles," by which he meant a copy of his as yet unpublished essay, which he had already shown to James Hamilton and a few other city businessmen. As one banker to another, he praised the layman Forman for his accomplishment: "I think it good to prove that he has drawn from the resources of his own mind and from the nature of things, conclusions which others have only arrived at by observation & experience." Bronson cited the Englishmen Ricardo, William Huskisson, and Lord Liverpool as proof of the soundness of the ideas which Forman (actually, Bronson) advocated, and he requested Olcott's aid, "so far as the principles of his scheme meet your approbation," in getting legislative support for the plan.²⁶

Forman was far from being a manipulatable object. He was an enterprising and ambitious man--Bronson recognized Forman's desire for personal credit if the plan became law--and the safety fund, after all, was Forman's own

original concept. Bronson had been able, through their conversations, to integrate his own theoretical and practical notions into Forman's draft in progress. But the final plan--its wording, and public recognition of it--clearly had to be Forman's, and Bronson was careful not to appear to be taking over direction of the project.

When Forman departed for Albany, he had not as yet put his message into final form because he wanted to have further conferences with financiers in that city. Bronson was by no means sure that his own ideas would survive in lucid form, if at all, in the report Forman sent to the legislature. In Albany that winter on business was Bronson's friend John Bolton, president of the Hudson and Delaware Canal Company and one of the few men who already knew about, and enthusiastically supported, Bronson's banking proposals; moreover, Bolton was a Democrat. Bronson felt that someone should be on hand to continue to give Forman advice, and he sought Bolton's aid. At the same time he suggested to Forman with an air of casualness that Bolton might be of assistance to him.²⁷

Bronson continued to correspond with Forman. He knew that for the upstater, the safety fund idea itself was paramount, and thus in his letters Bronson reiterated those principles which he had recently introduced to Forman, and which he considered crucial to genuine reform. Gravely he warned: "I think it probable this will be the last oppor-

tunity that will occur for reforming the banking system of this State." Appealing to authority, he cited Ricardo as evidence of the soundness of his own argument. He emphasized again the dangers arising from accommodation loans, saying that "unless they are removed by requiring the capital to be pledged no effectual security either for the Banks or the public can ever be obtained." And he stressed that the safety fund technique, no matter how salutary, was not in itself sufficient to create safe banking.²⁸

By January 24 Forman had finished his report and presented it to Olcott and Van Buren. He wrote Bronson to thank him for his aid, saluting the financier by saying that "when published I will send you a copy as to father & patron of correct principles of circulation & banking in this country."²⁹ But Bronson was not encouraged when he heard of the Regency leadership's response to his new ideas, which Forman had elaborated on at length in the latter part of the report. Concerning the section that contained Bronson's views, Forman reported that Van Buren "at first wished me to leave out that part of the subject, but after it was recast he was so far satisfied as to consent to its remaining." The reaction of the banker Olcott, to whom Bronson had sent his manuscript, was in the nature of an ironic quip. "Olcot [sic] admits the principles," Forman wrote, "but says that as things are he can make more money."³⁰

Olcott does not seem to have intended any cynicism by this remark, only a doubt that the new principle was politically feasible. Like Van Buren, he did not object to its being included in the message. Olcott doubtless saw that its innovative theoretical nature made it too subtle for the politicians to grasp as easily as the safety fund idea, with its resemblance to the clear-cut, elementary principle of an insurance policy. Olcott knew that its chance of being included in any law at the present time was very slim.

Thus the Regency accepted and supported the safety fund concept, both for its own sake and because of the benefits it offered the Democratic Party, but had little interest in the proposal that accompanied it. This was natural; the last part of Forman's message, embodying Bronson's ideas, was an implicit criticism of banking practices which were very widespread, especially in upstate country banks in which the Regency took special interest. Bronson's proposal was an entirely different subject from the safety fund plan, not intrinsic to it at all but simply stuck on to the end of the report. Van Buren, in his brief message to the legislature dated January 26, which introduced Forman's report to the lawmakers, was careful to distinguish between the two parts of the proposal, saying that the ideas expressed in the latter part "have been now for the first time communicated to me, and were not referred to in my message at the commencement of the session." In the

published version, the last five pages of the fourteen-page report contained Bronson's ideas, but were presented as if they were part of the plan Forman was advocating. The phraseology was Forman's, and the argument was more verbose, less well-organized, than Bronson would have presented it. But all the essential points of the new theory were included.³¹

Bronson was annoyed to learn that Forman had made no effort to obtain John Bolton's assistance in preparing the message. A few days after the proposal went to the legislature Bolton wrote Bronson that until a couple of days earlier "I was not apprised of the whole of Mr. Forman's plan. Since then it has been published & I find it embraces yours....It appears to me that your part of the plan would be sufficient for all the purposes of security. I find the whole plan engages much attention and I hope for good results." A few days later Bolton reported that Bronson was being "justly quoted here as good authority on the Banking subject" and that he was discussing Bronson's ideas with various legislators, as well as showing them a letter the financier had sent Bolton (obviously for that express purpose) which discussed at greater length the reforms he advocated.³²

On reading the published copy Forman sent him, Bronson found it a bit confused in style and organization, and "somewhat encumbered with extraneous matter." He told Bolton: "If his fear of losing the credit of being the

author of so great a discovery, had not prevented his availing himself of your advice & experience...there would have been I presume less captious opposition and cavil about trifles, than he will have to contend with in its present form."³³

Bronson's hopes that his ideas would be accepted were soon disappointed. On February 13 the Assembly committee to which Forman's proposal had been referred presented a bill incorporating the safety fund principle and the establishment of a board of bank commissioners, but rejecting that part of the proposal in which Bronson was most interested. The committee offered its opinion that "the principle recently suggested, of investing the capital of a bank in stocks or in bonds and mortgages, cannot with safety be introduced into the banking system of this country....The solvency of a bank, and the solidity of its paper, is not produced by locking up its capital in such a manner as to render impracticable its convertibility to coin; but by giving the bank the free use of its capital, and by restricting within a safe limit the amount of its issues."³⁴ After reading this predictable misunderstanding of advanced financial thought and the intent of his own proposal, Bronson fired off a rebuttal to every member of the committee and to several other legislators, but to no avail.³⁵

Bolton wrote Bronson lamenting that the committee "omitted or rejected the only part of Mr. Forman's project that was worth having." There were, he told Bronson, supporters of his views among the politicians at Albany, and he mentioned Luther Bradish, chairman of the Senate banking committee, as one. But there was "great diversity of opinion" on the whole subject of banking.³⁶

Bronson sent Bradish a copy of his essay which a few months later would be published by Raguet, and he presented in a few words the essence of his reform. The real question, he said, was how banks were to employ their capital in the best manner.

I say in long loans until the borrowers have accomplished the purpose for which they wanted the money-- others say in accommodation loans (which from their nature are urged upon the borrowers when they are wanted least & withdrawn from them when they are wanted most). The producers want the permanent use of the capital of the bankers, the distributors only the use of their credit--Money thus employed performs a double operation....How far the interference of the Legislature is supposed to be necessary to secure these objects you will judge from the suggestions in the paper inclosed.³⁷

These ideas were too new in 1829. In April the Safety Fund Act was passed, embodying Forman's original plan and creating a three-member Bank Commission, but with no reference to those suggestions which Bronson had managed to get included in Forman's proposal.

Along with most of Wall Street, Bronson criticized the Safety Fund Act. Most of the city banks refused at first to take charters under the new law. Gallatin pointed

out cogently, on behalf of the city's financial district, that the Safety Fund system "appears to us unjust, 1st, by making institutions properly managed responsible for the conduct of others at a great distance, and over which they have no control; 2d, because, on account of the disproportion between the aggregate of the circulation and deposits of the city and country banks respectively, the first are made to pay in the safety fund twice as much in proportion as the country banks."³⁶

Gallatin's argument was a graphic expression of the deepening city-country conflict in banking. As mentioned earlier, the city institutions were far sounder than those in the countryside; Wall Street naturally prided itself on that fact. The new law assessed all banks equally, and thus inequitably from the city bankers' standpoint, because it made good banks, which did not need special protection, the insurers of bad banks. The Safety Fund protected against risks due to excessive note issue, but the city banks by that date carried large deposits, while their notes in circulation were now less than one-third of the amount of their capital. The country banks, on the other hand, depended entirely on note issue and had paper in circulation far in excess of their capital.³⁹ Consequently the city financiers saw the tax which the law imposed equally on all banks in the system as being discriminatory, and New York newspapers vehemently criticized the law, predicting ruin for the city banks if they entered the system.⁴⁰

Bronson, as we have seen, would have been willing to accept the Safety Fund had the law included his own principles, which by now he felt were the only true guarantee of soundness. Since the law had not done that, his only technical criticism of the Safety Fund was that it created an illusion of soundness which could prove dangerous, for "the confidence induced amongst the banks in each other's stability, by the imagined security afforded by the Safety Fund," could lead them into excessive issues.⁴¹ In short, it was not inherently a bad law, just an incomplete one, but its incompleteness tended to worsen the situation.

Bronson did, however, have a good deal more to say in political criticism of the Safety Fund system, though this criticism was made privately. Bronson saw the Regency's support of the Safety Fund as motivated primarily by Van Buren's presidential ambitions, which everyone by then knew the Little Magician possessed in abundance. Bronson also suspected that the new system was possibly an opening step in an attack on the Bank of the United States.⁴² This suspicion was expressed by other men in the next year or two, although it remains unclear whether or not the suspicions were well founded, and recently historians have differed on the question.⁴³

The reaction to the Safety Fund affords a revealing glimpse into certain developments then underway in the state. Gallatin's objection reflected Wall Street's wari-

ness of country banking, and Bronson's reflected Wall Street's wariness of the financial-political ambitions of the Albany Regency. The sense of rivalry and conflicting interests expressed in these men's objections would intensify over the next decade.

The following winter Bronson tried again to get his ideas enacted into law when he petitioned the legislature under his own name for a new bank to be capitalized at \$300,000 and located in New York City's Seventh Ward. As his petition made clear, the bank would be founded entirely on his new principles and would deposit with the state permanent security in bonds and mortgages, or state or federal stocks, to an amount equal to the notes the bank would be allowed to issue.⁴⁴ Presumably he had interested several investors in the project. However, he fared no better than the previous year, in fact he seems to have withdrawn the petition after it was referred to a legislative committee.

Nevertheless, his ideas were beginning to reach a wider audience. In July 1829 Raguet published Bronson's brief but carefully prepared article in the Free Trade Advocate.⁴⁵ Bronson's old acquaintance Cambreleng, the Jacksonian politician, wrote him encouragingly in the same month the article appeared:

I have read your propositions for banking, over and over again, with attention, and I am unable to discover any principle questionable or unsound. The change you propose it seems to me would produce the

most salutary effects by making banks, what they ought to be, offices for facilitating trade, and not, as they are, proprietors of capital for ruining those engaged in it. If all the banks in the Union were founded on the solid and permanent basis you propose, the public would be secured from all loss....Altho occasional revulsions in trade would occur under any system, their recurrence would be less frequent and their effects less violent.⁴⁶

Cambreleg went on to direct more pointed personal praise at the financier and to indicate something which Bronson already knew--that the National Bank, though its charter still had seven years to run, was on the minds of powerful men. "I shall have occasion hereafter," Cambreleg wrote, "to direct my attention more particularly to this question and shall then take the liberty of asking your aid--for on this subject I have always considered you my oracle. As the time approaches for re-chartering the Bank of the United States, it will become a question of deeper interest--and we shall certainly be entitled to the thanks of our Countrymen if we can frame any plan by which the value of their property may be more perfectly regulated and secured, through a permanent, sound and unvarying currency."⁴⁷

3.

A few months after Cambreleg wrote these words there appeared, muffled but unmistakable, the first public manifestation of the administration's hostility to the BUS, in Jackson's annual message of December 1829.

Interestingly, in view of Bronson's later stand against Biddle's Bank, his first reaction to Jackson's message was protective toward the Bank. He owned no BUS stock, and had never met or corresponded with Nicholas Biddle. But a National Bank seemed to him so essential that he believed no rational person could wish to see it destroyed, and that no prudent person could take lightly any antipathy toward it expressed by the head of state. Bronson discussed the subject with Charles A. Davis, a director of the Bank's New York branch (who in a few years, as "Major Jack Downing," would amuse Whigs with his parodies of Democratic policies).⁴⁸ Davis immediately wrote Biddle in an effort to establish communication between Bronson and the Philadelphia financier. Davis gave Biddle a candid appraisal of Bronson, noting that he was perhaps too conservative for the spirit of the times, but too intelligent to be disregarded. "All I can say is," Davis told Biddle,

he is esteemed here as one of our soundest men in the Science of Banking in which he has been practically engaged for 30 Years. His system is said to be rather too safe for the present day tho I should think his arguments are not easily resisted....He was desirous I should communicate to you a sketch of his ideas & plans but as I have said before I think you will find it more interesting from himself....Mr. Bronson tells me he has during the last year had long conferences with Mr. Cambrelling to whom he furnish'd minute statements & data & eventually found him favorably dispos'd to his views-- He knows Mr. Van Buren intimately--and others in power-- He attributes to Van B. mainly the late public expression on the views of Govt. touching the Bank.⁴⁹

Biddle replied to Davis that "there are few men whose experience & reflection I should deem more useful than those of Mr. Bronson," and that although he did not know him personally, "his reputation is very familiar to me." Davis could assure Bronson that "his name alone will always be a sufficient introduction."⁵⁰

Davis was forced to reply a few days later that Bronson "is a very modest unassuming man & fears that it may look a little like presumption on his part to enter first into a discussion of a subject which may result in showing that he knows far less about it than you....I have a very high regard for this old Gentleman & his abilities as a Banker....He is so clear & so practical....I am so convinced you wd. find him among your most valuable correspondents on a subject soon to interest & exercise the best talents of our Country--that I with easy conscience wd. ask you to have the goodness to drop him a line which at once wd. give him easy confidence in addressing you."⁵¹

Biddle complied, sending Bronson a gracious and flattering note asking for his views.⁵² A week later, on February 13, 1830, Bronson responded with his first and apparently his last letter to Nicholas Biddle. His long communication had two main themes: the politics of recent banking developments, and advice on the National Bank's response.

On the first theme, although Bronson did not mention parties or individuals, his meaning was clear. "I had long been aware," he wrote, "that a powerful influence existed hostile to the rechartering of [the National Bank], but I had not anticipated an official development of the design before it appeared in the Presidents message....I have always regarded the U.S.B. as our Sheet Anchor; and the perpetuity of its existence of vital importance to the best interests of the country."⁵³

Bronson offered his opinion of the political motives behind the Safety Fund Act of the previous year; out of his suspicions, he also anticipated what the Jacksonians adopted three years later with the deposit bank system.

If the other states had come into the [Safety Fund] measure, as was recommended, the bankers of the country would have become a company of mutual insurers; and probably, in the opinion of the government, sufficiently safe to be intrusted with the collection & disbursement of the public money; and if the influence which might be created by a proper selection of banks which should participate in these favours was well husbanded; might not that influence be brought to bear with some effect upon the elections? and by possibility convince some of the unconstitutionality of the Bank law, who before only doubted.---At any rate; if it could be shewn that the state banks could be safely employd to manage the fiscal concerns of the nation; it would undoubtedly lessen the chance of getting the charter of the U.S.B. renewed.⁵⁴

His suggestion for the response the Bank should make in the present situation amounted to subtle bribery of the government. The Bank should apply for a renewal of its

charter and offer to loan the government \$20 million at three percent interest. This loan was not to be repaid until the expiration of the renewed charter. Bronson's reasoning was that the government might look well on such an offer, since it was currently attempting to pay off the national debt, whereas if application for re-charter were delayed until the debt was paid off through the sinking fund, the Bank would lose much of its negotiating power.⁵⁵

There was another purpose behind Bronson's suggestion, though he did not say so to Biddle. Such a BUS as he proposed would be adhering in large measure to the new principles he had begun to espouse; the \$20 million would be a large portion of the Bank's capital out on permanent loan, not to be used in the daily operations. As valuable as he considered the BUS, he did not think its record flawless, and already he was thinking of a National Bank established on terms more consistent with what he had come to see as necessary requirements for proper banking.

Apparently Biddle made no reply to Bronson's letter, at least in written communication, and Bronson never offered further advice. For some time the two camps in the impending struggle moved carefully, the Democratic press increasing its criticism of the BUS, while the chief protagonists Jackson and Biddle circumspectly refrained publicly from

admitting a quarrel existed. Cambreleng advised Bronson somewhat ominously that "Wall St." did not really know how powerful was the opposition to the Bank.⁵⁶ Proposals for a new BUS began to emanate from various quarters. Jackson himself, whatever his private views, proposed a new Bank in 1829 and 1830 that would operate as a branch of the Treasury Department; along the lines of Gouge's ideas, this Bank would not issue notes but could accept deposits and deal in bills of exchange.⁵⁷ One of the most effective maneuvers in the Jacksonian attack on the BUS, whether or not entirely calculated, was to keep alive the hopes, and thus for some time the support, of many people who could accept the demise of Biddle's Bank, but who decidedly wanted a BUS in some form.

Thomas Hart Benton deepened hostilities when in February 1831 he delivered a speech on the floor of the Senate that bitterly denounced the BUS. Biddle wanted a distinguished public figure to reply and was disappointed when acknowledged pro-Bank Senators, among them Webster, were unwilling to do so. The Democrats' opponents were at the moment more interested in the growing personal quarrel between Calhoun and Van Buren and did not wish to divert attention to another issue.⁵⁸

Bronson felt that the speech should be answered and said so to Morris Robinson, cashier of the New York branch of the BUS. Biddle himself was forced to reply to Benton's

speech in a signed newspaper article.⁵⁹ The financier then wrote a note to his cashier Robinson that probably reflected some pique at finding none of the supposed "friends of the Bank" willing to defend it publicly against what he saw as a scurrilous attack. Biddle said Robinson could tell Bronson "that the reply to Mr. Benton's speech was made in consequence of your telling me that Mr. Bronson said the speech ought to be answered. I wish he would return the compliment by answering himself the next speech against the Bank, as I should very willingly trust its cause to such able hands."⁶⁰

Biddle did not yet know it, but Bronson's support for the BUS was already waning. Bronson believed that the present institution could be improved upon and had begun drafting a plan for a new Bank, though he did not yet make it public. The only person that evidence shows definitely to have known of it before 1832 was Cambreleng.⁶¹

Bronson's plan for a new National Bank was essentially his banking theory written large, to encompass the largest and most important bank in the country. From 1831 until his death in 1838 this plan remained fundamentally the same, although it was put forward in different forms to keep pace with the shifting political developments of those years.

Various undated drafts of the plan are in Bronson's papers. The amount of the capital was a flexible matter, but he proposed in line with his current thought that the

capital be loaned on bonds and mortgages, apportioned in each state according to taxes paid, preference given to those who offered the best security. Lifting his plan for a New York state bank to the national level, he proposed that the securities be pledged with the Secretary of the Treasury, as backing for notes to be issued by the Bank only to the amount of capital pledged, the notes to be stamped by government. The Bank would receive and disburse public revenues as did the existing Bank. In other respects, Bronson's institution was designed to be a purely commercial bank, making only sixty or ninety day loans.⁶²

Bronson advanced his project--whose future, if it had one at all, would be in the hands of a Democratic Congress--with arguments which were intended to appeal to hard-money men as well as eastern financiers. He wanted to make sure that the agrarians and small enterprisers who comprised a large proportion of Democratic strength could see their interests represented. In one of his drafts explaining his plan he became overtly political in taking a slap at Henry Clay's projected system of improvements and tariffs. "By placing the entire capital of the Bank in the hands of the operatives of the country," he wrote, "at a low rate of interest not to be withdrawn, the same results may be produced, but in a different way, that are claimed for the American system, but I trust more consistent with the principles of equity."⁶³

Meanwhile, Bronson's personal enterprise was shifting in new directions. While he continued his large investment in moneylending, he was bringing to a close his long association with commercial banking and taking an interest in a new type of financial institution. Between 1830 and 1834 he was involved with the establishment of two companies; both were planned and mainly financed by small groups of wealthy capitalists in New York City.

The first was the New York Life Insurance and Trust Company, chartered in March 1830. The second was the Ohio Life Insurance and Trust Company, chartered in February 1834.⁶⁴ The first did not have note issue, or banking, powers; the second did. Each was a large corporation for the time: the New York company was capitalized at \$1,000,000, the Ohio company at \$2,000,000. Both made very large numbers of long-term loans on mortgage security. The New York company did so primarily in western New York where Bronson had been lending heavily for a decade, the Ohio company did so both in Cincinnati, where it was located, and throughout the rest of the state. In neither institution, despite the company title, was life insurance ever a large aspect of the business. Both corporations represented an important new development: the westward movement of capital, which by 1830 had accumulated significantly in the commercial and financial centers of the eastern seaboard.

The board of directors of the New York company reflected the financial leadership of the city. Besides Bronson, the board included William Bard of the old mercantile family (he was principal organizer and first president), John Jacob Astor, Nathaniel Prime and Samuel Ward, John Hone and Lynde Catlin (of the Merchants' Bank, with whom Bronson had worked in 1803 in establishing that institution), Philip Hone (of the Bank of America), James Kent, Stephen Van Rensselaer, and Josiah Ogden Hoffman. The lawyer John Duer, son of the great speculator of the 1780s, was counsel for the corporation. The Albany Regency was represented by Benjamin Butler, another counsel. Butler's brother Charles became an agent for the company in western New York.⁶⁵

The board of directors of the Ohio company was, for prudent reasons, composed of Ohio men who worked closely with the easterners; men such as Micajah T. Williams of Cincinnati who was the company's first president.⁶⁶ The majority of the stock was held by New Yorkers such as Prime, Ward, and their younger partner James Gore King (\$100,000), Bronson and Isaac Carow (\$50,000 each), Arthur Bronson (\$30,000), John Duer, George Griswold, and John Ward & Co. (\$20,000 each).⁶⁷ One Ohioan with whom Bronson was acquainted, and whom Bronson assisted in getting elected to the board, was Elisha Whittlesey, a Whig Congressman. Whittlesey in the mid-1830s performed the service that David Daggett had performed during the War of 1812: keeping Bronson

regularly informed on the administration's maneuvers concerning financial policy.

It was not accidental that Bronson's turn to participation in larger corporate activity occurred simultaneously with his severing of ties with the Bridgeport Bank. At the very time in the early 1830s when the banking question was becoming the major political issue in the nation and when Bronson was drawn increasingly into the question, he was ending his personal connection with commercial banking.

Except for the Bridgeport Bank he had not owned any bank stock for several years and was more and more convinced that most such stock was a poor investment. He had never been very interested in the day to day management of the Bridgeport institution and had spent at least half of each year away from the town. In 1819 he had stepped down after twelve years as president, although he had continued to guide policy. On five different occasions after 1819 he was summoned back to the presidency, but each time accepted the office on a temporary basis only. The persistent claims that the small bank made on him were becoming irksome.

In the first week of 1830 the cashier of the Bridgeport Bank wrote Bronson's son Arthur with some alarm: "A report is circulating among our Directors that your Father has sold out his stock here which has caused considerable emotion among some of them." The cashier said he did not believe it, but hoped it would not be discussed publicly

because "although there were no foundation for the report the effect would be like electricity we should most assuredly be hard run for Specie."⁶⁸ The rumor turned out to be a little premature, although Bronson may well have spoken to some of the directors of his plans to sell out.

Other reasons existed for his becoming weary of the Bridgeport connection. Since 1807 he had directed the affairs of the bank unopposed internally and without competition from any other local bank. In 1830 and 1831 this began to change, and he encountered a situation in which his long-imposed rules were considered too restricting. Early in 1830 Bronson heard from a wealthy Bridgeport merchant named Erasmus Foote, a recent stockholder in the bank, that a project was underway to establish a rival bank in the town. Foote warned Bronson that complaints were circulating in Bridgeport about the majority of the bank's stock being owned by non-residents--which meant primarily Bronson himself--and that "the business part of the community who benefit the Bank most have no interest in it."⁶⁹

Foote, in addition to coming on the board of the Bridgeport Bank, was already chief stockholder of a bank in nearby Middletown. Subsequent events suggest a collusion between him and other Bridgeport Bank directors with the object either of forcing Bronson to liberalize the bank's credit practices, or squeezing Bronson out of the institution. A director of the bank wrote Bronson ominously that since Foote's Middle-

town bank was so much more liberal than the Bridgeport Bank, the former bank's paper was circulating more and more in Bridgeport. "As this is the time for bringing grain from the country," the director warned, "and as there appears a good deal of dissatisfaction regarding the Management of our Bank, the popular Voice appears against us and the people generally are in favour of new things (Banks particularly)."⁷⁰

A few days later another director wrote that the Bridgeport Bank's policy of not issuing small bills had resulted in the proliferation of one, two, and three-dollar bills from the Middletown bank. He closed bluntly: "Permit me to say that in my opinion & I believe of all the directors especially those in Bpt. that the Interest & Welfare of the Bank requires something to be done different from what now is."⁷¹

The message was clear. The growing competition among banks everywhere, and the resulting pressure to extend more credit, had finally reached the institution which Bronson had directed for a quarter of a century. With growing concerns in other quarters, financial and political, that were expending his energy, which in a man past seventy was not inexhaustible, Bronson had no intention of struggling for the control of a small bank that he had led for so long without conflict. In 1831 the competitor bank in Bridgeport was chartered. By 1832 the fight between Bronson and the

other directors was in the open. Bronson's son Arthur described the final confrontation between the old financier and a younger generation of board members, in October 1832:

He was reproached as being quite behind the age, and as belonging to a school then utterly extinct. He was told that the resources of the country were increased, and largely increasing, and required more bank capital; and in order to maintain the popularity of the institution, it must "accommodate" its customers. Finding resistance in vain, the president finally told the board that...he would now make a proposition, either to purchase out their interest or sell his own as a stockholder, and forever dissolve his connection with the institution.⁷²

The board took the second offer. In November Bronson sold the better than \$34,000 in stock he had held since the bank's capital had been reduced to \$100,000 in 1816. For the first time since 1806 he owned no shares in the Bridgeport Bank.⁷³

Bronson may have felt some vindication in the aftermath. The bank's policies were changed, permanent investment of its capital was discontinued, and accommodation loans became common. A twentieth century historian of the city of Bridgeport wrote: "The new management did not possess the business sagacity of the former controlling heads and they soon became enamoured with the wild land speculation which ended a few years later in a grand financial crash." Though the bank did not have to close its doors in 1837, it went through a very difficult period. Within five months after the panic that year, the office of president changed hands four times.⁷⁴

The problems of the small Bridgeport Bank after 1832 were of no concern to Bronson, and he did not refer to them after leaving the institution. In the spring of that year he celebrated his seventy-second birthday, while the debate over the National Bank's re-charter application occupied the attention of Congress. His health, not surprisingly, gave him increasing problems, yet he remained active--as he did until practically the very end.

Whatever happened to him, his family was quite secure. His most recent will, made three years earlier, left Anna the use of Greenfield Hill and \$100,000; since she was herself sixty-seven she would face no material problems for the rest of her life; furthermore, eight children were at hand to care for her. As for the five daughters and three sons, the will divided the remainder of his property equally among them.⁷⁵ Since it was clear that Bronson's estate would be substantial (it turned out to be around \$700,000), each child would be left with an inheritance of his principal investment, bonds and mortgages, which would, exclusive of any distribution of real estate, provide an adequate income for life to the three unmarried daughters, if properly managed, and provide a very substantial capital to his two married daughters and his three sons.

The narrowing future of such a man might have promised a tranquil evening of waning powers, secluded in the safety of his family. But instead, the last six years of his life were spent involved in the great contest of the age, as the Jacksonians attacked the Bank.

NOTES TO CHAPTER VI

1. Myers, Money Market, I, 162, identifies Bronson as a Democrat; Catterall, Second Bank, 241, calls Bronson a "friend" of Andrew Jackson.

2. For instance, IB to John Duer, n.d., BI, Box 6, NYPL.

3. Robert V. Remini, "The Albany Regency," New York History, XXXIX (October 1956), 353.

4. Michael A. Lebowitz, arguing against a view of the New York state Democratic Party as "monolithic" in favor of a view which sees the party as "deeply split over the policies in regard to banks," suggests the value of "the distinction between the factions which contemporary radical Democrats found useful: between True Democracy and Bank, Speculative, or Conservative Democracy." See his "The Significance of Claptrap in American History," Studies on the Left, 3 (Winter 1963), 88-89.

5. On this subject, see Frank Otto Gatell, "Sober Second Thoughts on Van Buren, the Albany Regency, and the Wall Street Conspiracy," Journal of American History, LIII (June 1966), 19-40.

6. A.J. Donelson to IB, June 14, 1833, BF, Box 84, NYPL; S.M. Stillwell to IB, Feb. 12, 1833, BP, Box 84, NYPL; Charles A. Davis to Nicholas Biddle, Jan. 29, 1830, Biddle Papers, Lib. of Cong.

7. James B. Murray to Maria Murray, Dec. 11, 1832, Murray Papers, NYHS.

8. William Leggett to IB, Nov. 4, 1836, BP, Box 87, NYPL.

9. IB to David Daggett, Jan. 12, 1814, Daggett Papers, Yale Univ.; IB to Henry Lee, Jan. 26, 1832, BP, Box 6, NYPL.

10. Chaddock, Safety-Fund, 247, 259.

11. James A. Hamilton, Reminiscences (New York: Charles Scribner & Co., 1869), 82-83.

12. IB to Joshua Forman, Dec. 3, 1802, BI, Box 1, NYPL.

13. According to the DAB, Forman died in North Carolina in 1848. See a document dated July 1, 1829, containing an agreement between Bronson and a partner, Goold Hoyt, and Forman, giving Forman the North Carolina agency, in BF, Box 5, NYPL.

14. Chaddock, Safety-Fund, 261-262.

15. Redlich, Holding, I, 44.

16. Chaddock, Safety-Fund, is the most detailed treatment, but nearly all works dealing with the history of banking in America, such as Redlich, Hammond, Timberlake, standard textbook accounts, etc., give a prominent place to the Safety Fund Act.

17. R.K. Moulton, Legislative and Documentary History of the Banks of the United States (New York: G. & C. Carvill & Co., 1834), 57.

18. Jabez Hammond, Political Parties in New York, II, 298-299.

19. Joshua Forman to IB, Jan. 26, 1829, BFGC, Box 200.

20. Hamilton, Reminiscences, 82-83.

21. The whole letter appears in Reminiscences, 82-85.

22. Olcott's role in getting the safety fund idea accepted is discussed in Jabez Hammond, Political Parties in New York, II, 298-301.

23. Ibid., 299.

24. Gatell, "Sober Second Thoughts," 35.

25. Forman to IB, Jan. 17, 1829, BFGC, Box 200.

26. IB to Thomas Olcott, Jan. 16, 1829, BP, Box 5, NYPL.

27. IB to Forman, Feb. 3, 1829, BP, Box 5, NYPL.

28. IB to Forman, Jan. 26, 1829, Nathaniel Tallmadge Papers, State Historical Society of Wisconsin.

29. Forman to IB, Jan. 26, 1829, BFGC, Box 200.

30. Ibid.

31. N.Y. Assembly, Journal, 52d Session (1829), 172-185.

32. John Bolton to IB, Jan. 31, Feb. 5, 1829, BFGC, Box 200.

33. IB to John Bolton, Feb. 2, 1829, BP, Box 5, NYPL.
34. N.Y. Assembly, Journal, 52d Session (1829), 436-437.
35. Undated manuscripts, BP, Box 14, NYPL.
36. Bolton to IB, March 10, 1829, BP, Box 79, NYPL;
Bolton to IB, July 29, 1829, BPGC, Box 200.
37. IB to Luther Bradish, March 5, 1829, BP, Box 5, NYPL.
38. Gallatin, Writings, III, 318.
39. Chaddock, Safety-Fund, 267-269.
40. New-York Evening Post, April 1, 3, 1829.
41. Financial Register, II, 12.
42. Undated manuscripts, BP, Box 14, NYPL.
43. These differences appear in Gatell, "Sober Second Thoughts," 27-28.
44. N.Y. Senate, Journal, 53d Session (1830), 195.
The printed petition is enclosed in R.M. Sherman to Albert Gallatin, Nov. 1, 1831, Gallatin Papers, NYHS.
45. Bronson, "General Propositions," Free Trade Advocate, II, 24-27.
46. C.C. Cambreleng to IB, July 22, 1829, BP, Box 5, NYPL.
47. Ibid.
48. Gatell, "Sober Second Thoughts," 23, identifies "Major Jack Downing" as Davis.
49. Charles A. Davis to Nicholas Biddle, Jan. 25, 1830, Biddle Papers, Lib. of Cong.
50. Biddle to Davis, Jan. 26, 1830, Letter Books, Biddle Papers, Lib. of Cong.
51. Davis to Biddle, Feb. 4, 1830, Biddle Papers, Lib. of Cong.
52. Biddle to IB, Feb. 7, 1830, BP, Box 80, NYPL. A copy of the letter is in the Letter Books of the Biddle Papers.
53. IB to Biddle, Feb. 13, 1830, Biddle Papers, Lib. of Cong.

54. Ibid.
55. Ibid.
56. Cambreleng to IB, May 15, 1830, BPGC, Box 200.
57. Thomas Govan, Nicholas Biddle (Chicago: University of Chicago Press, 1959), 135-136.
58. Ibid., 138.
59. [Philadelphia] United States Gazette, Feb. 26, 1831.
60. Biddle to M. Robinson, March 18, 1831, Letter Books, Biddle Papers, Lib. of Cong.
61. Cambreleng to IB, April 16, 1831, BIGC, Box 200.
62. See several drafts of this plan in undated manuscripts, BP, Box 14, NYPL.
63. Ibid.
64. Material on Bronson's interest in these companies is abundant in his papers. See especially Box 80 for the New York company; also see Allan Nevins, History of the Bank of New York and Trust Company, 1784 to 1934 (New York: privately printed, 1934), 49-50; appendix, v. For the Ohio company, see especially Boxes 99 and 100; also see Harry N. Scheiber, "Entrepreneurship and Western Development: The Case of Micaiah T. Williams," Business History Review, XXXVII (Winter 1963), 356-361.
65. Nevins, Bank of New York and Trust Company, 49-50; Neil A. McNall, An Agricultural History of the Genesee Valley, 1790-1860 (Philadelphia: University of Pennsylvania Press, 1952), 210-217.
66. Scheiber, "Micaiah T. Williams," 359.
67. [Columbus] Ohio Monitor, March 14, 1836.
68. Josiah Hayt to Arthur Bronson, Jan. 7, 1830, BP, Box 98, NYPL.
69. Erasmus Foote to IB, Feb. 17, 1830, BP, Box 80, NYPL.
70. Ebenezer Jesup to IB, Jan. 29, 1831, BP, Box 82, NYPL.
71. William Peet to IB, Feb. 5, 1831, BP, Box 82, NYPL.
72. Arthur Bronson, "History of the Bank of _____", 226.

73. IB to Arthur Bronson, Nov. 28, 1832, BP, Box 18, NYPL.

74. George C. Waldo, Jr., History of Bridgeport and Vicinity (2 vols.; New York: S.J. Clarke Co., 1917), I, 201; Bridgeport's First Bank: The Story of the Connecticut National Bank, 1806-1956 (n.p., n.d.), unpaginated.

75. Material on the distribution of Bronson's estate is contained in BP, Box 9, NYPL.

CHAPTER VII

THE JACKSONIAN REPUBLIC AND THE TACTICS OF WALL STREET

A National Bank was the central political issue of the 1830s. The survival or demise of the existing Bank was only one aspect of that broad issue; fairly early in the controversy it became a secondary question to many capitalists, since the fate of that particular Bank seemed determined. But national finance was in upheaval; the effort to restore order occupied the remainder of Bronson's life.

1.

Politics and competitiveness steadily undermined the support which leading New York capitalists had almost instinctively given to the Bank of the United States when it first came under attack in 1829-1830. Contemporaries made much of New Yorkers' designs to destroy the existing BUS in order to get a new one in their city, and some later commentators, notably Bray Hammond, elevated these complaints to the level of historical interpretation. Hammond saw a conspiracy between the Albany Regency and New York City business interests, the latter motivated by "Wall Street's jealousy of Chestnut Street," to supplant

Philadelphia as the financial capitol of the nation. This thesis, Frank Otto Gatell has argued convincingly, rests on shaky ground. The financial communities of Albany and the metropolis were more rivals than allies.¹

Yet undeniably, New York capitalists did come to oppose the Bank in large numbers. Here too, Hammond's argument is somewhat misleading. Hammond posits a specific type as the operative figure in the assault on the BUS: the reckless, credit-hungry, new breed of entrepreneur, as opposed to the old "aristocracy of business."² Hammond scarcely notices the role in the BUS contest played by established, conservative men of wealth like Bronson and his friends, even though he shows familiarity with (and a certain affection for) such men, and cites Bronson approvingly several times in his work. Bronson was certainly no new breed of enterpriser, nor did he conspire with the Regency. As we have seen, in 1829 he suspected a Regency plot against the Bank. Nevertheless, it is also true that Bronson and many of his Wall Street associates were not, for very long, friends of Nicholas Biddle's Bank either.

The role of the New York business community in the political-financial turmoil of the 1830s has never been dealt with in depth, and such a study would be valuable. Although the present study can scarcely claim to offer a comprehensive account of that subject, hopefully it will provide some useful suggestions by following the attitudes

and activities of one prominent capitalist and various of his colleagues during that decade. What is revealed is a broad pattern of response extending over several years. The debate over whether or not the Second Bank should be re-chartered was but one passing episode. The whole period from 1829-1830, when the administration's hostility to the Bank first became overt, to 1837-1838, when the country plunged into a major financial crisis, should be seen as a continuum. During that time New York capitalists formed only one group in a many-sided, intricate struggle. The one tie binding these individualistic enterprisers together was a shared perception of personal and civic interest.

Much had changed in the city's financial district since the crude warfare between banks in 1803-1805 or the fissures along political party lines during the War of 1812. The split in the financial world was now between the city and the countryside. Personal quarrels and private competitiveness existed among the men of Wall Street as fully as they did in any similar group of men, but these were secondary in the context of large national issues that could hurt or help the economic life of the metropolis and thus affect the interests of men with heavy financial stakes in the city.

Several major capitalists of those years comprise an identifiable group with mutual concerns. In the 1830s they were frequently drawn together in investments as well as in collective responses to political developments. Besides

Bronson, this group included other backers of the new financial corporations in New York and Ohio, previously discussed, such as Nathaniel Prime and Samuel Ward, as well as James Gore King, son of Rufus King, whom Prime and Ward had taken into partnership in the major private banking house in America. These three men possessed great influence not only in their own country but also, through their close relationship with Baring Brothers of London, in international finance. Some of the others in this circle of cooperating New Yorkers were: Bronson's Democratic friends James Hamilton and John Bolton; Samuel Ward's brother John Ward, who headed his own large private bank; Daniel Jackson and George Griswold, directors of large chartered banks in the city; the theorists John McVickar and Eleazar Lord; William Beach Lawrence, wealthy investor and budding economist; and the prominent lawyer John Duer, who with his brother William Alexander Duer, president of Columbia College, had carried the family name to a higher eminence than their father had left it when he died in debtor's prison in 1799.

These men, along with other New Yorkers of varying degrees of wealth and status, did what they could to protect New York's financial interests against perceived threats and to advance those interests through perceived opportunities. No overall plan or predetermined strategy existed. Most of them believed that the financial system of the United States required a National Bank--but a National Bank

was not necessarily the same thing as Biddle's Bank. Even on this point, however, the attitudes of these men developed only gradually. For example, Bronson put his new BUS plan into the form of a petition to Congress in early 1832, and at that time he made no strict distinction between Congress' chartering a new Bank or re-chartering the old one, provided that the re-charter included the changes he sought.³ Had Congress taken the latter course, the existing BUS would have continued and obviously would have remained in Philadelphia; Bronson in 1832 saw this as one acceptable alternative. But a year later, a large group of New Yorkers published their own plan for a Bank, authored chiefly by Bronson, which was not only critical of the existing Bank but specifically called for the establishment of a new BUS in their city. In the political warfare over banking these New Yorkers, powerful though they were in business circles, were mainly reacting to developments which they had not initiated and over which they had far less control than they preferred.

The New Yorkers' turn away from Nicholas Biddle had, in their own judgment, a sound financial basis, although doubtless they over-emphasized it in rationalization of their actions. During 1830 and 1831, Biddle's management of the BUS had not strengthened their confidence in his soundness. Biddle had engaged in a broad expansion of credit, especially in the Bank's branch offices of the west and southwest. Much of this was in accommodation loans, for Biddle

had suddenly found the Bank with an unexpectedly large amount of unemployed capital. By February 1832, with his re-charter application before the Congress, Biddle halted the expansion, instructing the western branches to return to short-term credit.⁴ But Wall Street viewed the BUS policy of 1830-1831 with misgivings; there had been considerable suffering in eastern commercial circles because of the Bank's western activities. Even Fritz Redlich, whose general assessment of Biddle's performance as president of the BUS is very respectful, concludes that "It was in this excessive expansion of 1830 and 1831 that Biddle, unbeknown to himself, for the first time betrayed his trust as the country's central banker."⁵

Of course, when Bronson and his colleagues recalled Biddle's policy with disfavor a couple of years later, they were not merely expressing a financial judgment, but were justifying an attack on the Bank that was, at bottom, a self-interested argument advancing Wall Street's ambitions. Their critique was no less sincere for that, since self-interested arguments are doubtless most forceful when coupled with a genuine conviction of one's superiority. The New Yorkers saw it as self-evident--and they were correct--that their city had become, in a familiar phrase of the time which Bronson sometimes used, "the chief emporium of commerce" in the United States. They believed, not illogically, that New York should also be the nation's undisputed financial center, which meant it should have the National Bank.

Therefore the New Yorkers sought to enhance their individual fortunes and their city's advantages, and believed themselves to be acting properly in doing so. The commercial and financial rivalry between New York and Philadelphia went back to colonial days. Many New Yorkers, including Bronson, had advocated their city as the site of the Second Bank during the War of 1812. Had the assault on the BUS not occurred--initiated by other men for their own, largely political reasons--the men of Wall Street would hardly have moved so undisguisedly in the direction which they did in the early 1830s. But once the assault began, they stepped forward opportunistically toward the opening they perceived.

In the end, a new National Bank was denied them, but their primary goal--an enhanced capacity for Wall Street to exert a dominating influence over banking in New York state and as far as possible beyond the state--was accomplished as fully as the delimiting political practicalities of the period allowed. The Free Banking Act of 1838 was the instrument they ultimately grasped, and for this reason free banking, in the present study, is approached from a different standpoint than that taken in most interpretations.

Two points should be kept in mind throughout the following discussion. On one hand the New York capitalists we are talking about had a very clear idea of what their interests were and what would serve their interests. On

the other hand they had little control over national financial policies that affected those interests materially. Whether or not the Democratic Party's policies were instrumental in creating the serious economic developments of the 1830s--an alarming inflationary spiral, then a panic and a depression--is a question about which historians disagree. But there can be little disagreement that at the time, most wealthy businessmen in New York believed the Democrats' policies were either abetting or failing to prevent financial instability.

Thus we must see these men, in economic terms, as having their objectives clearly in mind, but, in political terms, as being compelled to adopt whatever course of action seemed most practically feasible at any given time. After several years of efforts, these two lines of economic interest and political expediency converged in an advocacy of free banking. That free banking had other advocates, and benefited people far removed from Wall Street, is obviously true. Here we are suggesting that this reform--and free banking must surely be seen as one of the major reforms of the early nineteenth century--served many other purposes than merely that of attacking "privilege" or establishing "democratic" banking.

2.

Bronson's 1832 memorial for a new National Bank was only one among several such petitions from different cities,

all of them totally unsuccessful.⁶ The Jackson-Biddle clash came to a head in the first half of that year. The Bank's own petition for re-charter was introduced into the House on January 10, and the Ways and Means Committee recommended re-charter in early February. A committee of seven Congressmen, including Cambreleng, conducted an investigation of BUS activities and in May produced two documents, a majority report critical of the Bank and a minority report defending it. After much debate the Senate in June passed a re-charter bill by a vote of 28-20; the House passed the bill on July 3 by a vote of 107-86, and on July 10 Jackson delivered his veto.⁷

Crucial to any project for a new BUS was the support it could obtain from leading Jacksonians. During these months of debate on Biddle's Bank, Bronson was in regular correspondence with Democratic enemies of the institution, especially with Cambreleng, who had emerged as the most vocal opponent among New York City's politicians, and who sat on the important House Ways and Means Committee.

Bronson and other New York capitalists were in a fundamentally different position from the Democratic politicians in the BUS struggle. The latter were highly sensitive to out-of-state suspicions about New Yorkers' seeking to promote their state at the expense of the BUS and the rest of the country--suspicions already being voiced in Congress and the press, which would become a deafening

roar if party support was openly thrown to the establishment of a new Bank in the metropolis. Many Democrats were willing to discuss such a project privately and as a future possibility, but political exigencies and hard-money views were to determine responses at every stage. After Jackson's re-election in 1832, the party openly and rapidly withdrew support from projects to re-establish the Bank anywhere.

But for some time many New York businessmen believed a real possibility existed for chartering a new BUS in their city, and numerous Democrats, prior to Jackson's re-election, did not discourage them from so believing. Probably some of the Democrats were being cagey, and privately intended to oppose any new BUS once the present Bank was out of the way. But the politicians' responses do not really seem to have been part of some cunning, calculated endeavor. A recent study has shown convincingly that Democratic financial policy developed only gradually, in piecemeal fashion, with much internal debate; for instance, many western Democrats were just as eager for a new Bank as the easterners of Wall Street, and they made their wishes explicit. The veto and the removal of the deposits were only the first steps, not the culmination, of Democratic policy.⁸

In January 1832, shortly after Biddle's application for re-charter had been presented in the House, Cambreleng told Bronson unqualifiedly that if the re-charter bill passed Congress, "it is very certain the President will

put his veto upon it." A week later Cambreleng advised Bronson to lay his own plan for a Bank before Congress.⁹ Three weeks after that the Congressman wrote cautiously to the financier, in hard-money fashion: "When the Bank question comes up I shall give my views on that subject--I am now engaged in a course of reflection on it--until I have finished that course I shall not be able to tell you what I think of your plan--I have such a dread of all paper circulation that I cannot yet persuade myself to adopt any plan contemplating the issue of bank notes--at least not beyond a very small proportion of its capital."¹⁰

From other Democrats Bronson received varied responses, none of which was outright discouraging. James Hamilton, who unlike Van Buren, Cambreleng, and other of Jackson's intimates would have serious reservations about the party's policies after the veto, thought a copy of Bronson's explanation of his ideas should be sent to every member of the House and Senate.¹¹ Charles Butler discussed Bronson's plan with his brother and with Silas Wright. Benjamin Butler liked the project but was dubious about permanently investing the entire capital of the institution, suggesting instead that one-third or one-fourth be kept on hand; he desired a reply from Bronson on that suggestion. Silas Wright was "opposed on constitutional grounds to any Bank-- If there be any Bank it should be one which will secure the results of your proposition. He conversed very frankly on

the subject & is disposed in case he cannot prevail on his grounds to defeat a Bank altogether, to go for the safest and most simple plan."¹²

Bronson had naturally sent a copy of his memorial to the Philadelphia Democrat Raguet and received a reply similar to that of Wright. Bronson's principles, Raguet said, were "perfectly sound. I have no doubt that a bank conducted upon your plan, would obviate most of the objections which exist against a large monied institution....I sincerely wish, that I had no constitutional scruples to prevent me, from advocating such a bank as yours."¹³

Bronson had also sent a copy of his arguments to his cousin Alvin Bronson, the upstate businessman then serving in the New York Senate. Alvin Bronson showed the plan to various legislators, including Regency leaders. He reported, in a balanced appraisal combining hard-headed realism with a slim degree of encouragement, that "the Regency people are not greatly skilled in this matter & are too much occupied to afford time to be interested--the thinking men (& they are not numerous) are favourably impressed with your plan & through them it must make its slow progress to public favour if at all."¹⁴

There the matter rested. When Bronson's and other petitions went to Congress in the first half of 1832, the atmosphere in that body, with Biddle's formidable institution still very much alive, made serious discussion of

a new Bank premature. Revealing the temporary sense of collaboration between the conservative financier and the anti-Biddle forces was Cambreleng's remark to Bronson in May: "The President will nullify [the re-charter bill] if it reaches him--We shall I think have till the next Congress--that is till decemr 1833 to mature out plans." Three days after the re-charter bill passed the Senate in June, Cambreleng underscored this tacit understanding with his comment: "We shall have plenty of time during the summer to talk over this matter--Whatever the friends of the Bank may think I have entire confidence in the firmness of the President." A month later came the veto, and in the Jacksonian mood of triumph which followed, Cambreleng wrote Bronson encouragingly: "I intend now going to work on the question in which you take so deep an interest."¹⁵

But the basis for any common effort between them, if it ever truly existed, soon disappeared. In November 1832 Jackson was overwhelmingly re-elected to a second term, and the administration immediately began moving toward the policy of a deposit bank system, which precluded a National Bank. Henceforth Bronson and Cambreleng had no real grounds for cooperation.

Bronson opposed the removal of the government deposits from the BUS and the deposit, or "pet" banking system (as it came to be called), that the Democrats now seriously contemplated. While most of the prominent party figures,

such as Cambreleng, vigorously supported the new proposal, a few, including James Hamilton, had serious doubts. Bronson and Hamilton, along with their New York business friends, shared basic attitudes throughout the course of the protracted BUS conflict. They acquiesced in or supported, either from the outset or a little later, the Jacksonian attack on the Bank. Nicholas Biddle was in their view expendable, and his Bank could be replaced by a better one (better both from the standpoint of operation and location). But a deposit bank system--the use of selected state banks as repositories of federal funds and as the agencies of whatever regulation of bank credit might continue to exist--was a very different matter.

For some men, including Bronson, objections to the deposit bank proposition were partly political: these banks were envisaged as being connected to the national administration in the same kind of relationship that linked New York's Safety Fund banks to the Regency. But the basic objections were economic in the broadest sense: the entire banking system of the United States would be hopelessly imbalanced, and in fact, the word "system" would virtually cease to apply. Bronson expressed his thoughts on this subject as forcefully as he ever did in a letter to John Duer:

I Believe it to be beyond the wit of man to contrive a scheme for sustaining a convertible paper currency issued from one thousand independent, disconnected corporations, each stimulated by its own individual interests, without the agency of some controuling,

conservative power capable of preventing those issues from being carried to such excess as to involve in bankruptcy the entire banking system of the country & that a national bank properly constituted, to act on the currency is the best agent which can be employed for such a purpose & I think that this will sooner or later be universally admitted by the intelligent & impartial men of all parties.¹⁶

"Some controuling, conservative power." This was the core value of Bronson's career-long search and the goal which he and many other capitalists now began to pursue in growing opposition to the Democrats, who seemed philosophically committed against that goal, at least on terms satisfactory to much of Wall Street.

In another letter in this period Bronson advanced a concise definition of central banking--a term not yet in use--when he wrote that the preservation of a stable currency would not be possible "unless the United States create a bank, so constituted, that its own existence shall be made to depend on the exercise of such a controlling influence over the circulation of other banks, as to preserve the whole in a sound condition."¹⁷

In February 1833, several months before Amos Kendall's excursion to obtain eastern bankers' views on the administration's contemplated removal of the deposits, Bronson evidently consulted with Van Buren on the subject. Through his son Arthur, Bronson arranged an interview with the Vice-President-elect in the city. He then wrote Van Buren in advance of their meeting to express his concern for the

"perpetuity" of a National Bank, which he considered essential to "sustaining the financial Merchantile & Moral character of the country," a concern which explained his seeking an interview "before the question should be agitated."¹⁸ But the Democrats were swiftly moving toward the new policy, and whatever Bronson said to Van Buren by that date could have carried little weight.

However, since not all the men close to Jackson agreed with the policy being shaped, Bronson was given the opportunity to make his views fully known to the administration. This occurred in April 1833 through Bronson's friendliness with Hamilton. The President had shown Hamilton the arguments of several persons who urged removal of the deposits and had asked for the New Yorker's opinion. Hamilton told Jackson he would need more time for deliberation and consultation with "the most distinguished bankers," although he did give the President his first impression, which was that "the measure proposed was a very questionable one, and must lead to great disturbance in commercial affairs."¹⁹

Hamilton had already discussed the subject with Louis McLane, to whom he felt closer than any other Cabinet member.²⁰ McLane had advised Jackson against the removal in November 1832, and in December Jackson countered by transferring him from Treasury to State.²¹ McLane asked Hamilton to obtain the opinions of leading New York bankers.

Hamilton invited several city bankers to a meeting and found that "all agreed that the measure would be difficult of accomplishment and disastrous in its effects upon the business of the country."²² Then Hamilton separately sought out the views of two New Yorkers, the only ones he specified by name in his recollections. These were Gallatin and Bronson. Both men vigorously opposed removing the deposits.

Gallatin gave his objections verbally; from Bronson, Hamilton requested written replies to several detailed "interrogatories" drawn up by McLane, concerning such matters as the potential effects of the move on the state banks and on the BUS.²³ It is clear that Hamilton and McLane, both of whom opposed the contemplated policy, were gathering arguments to sustain their opposition.

Bronson wrote long, carefully phrased replies to the questions Hamilton submitted to him. He conceded that, hypothetically, the deposit bank system might be able to work without great harm. But that would depend upon too many contingencies which, he believed, could not be realistically anticipated. A withdrawal of the deposits would mean, he asserted, that the BUS would have to reduce its business. The state banks would be forced to do the same to avoid falling under heavy demands by the BUS for specie redemption.²⁴

Bronson was emphatically negative on the question of whether the deposit banks could provide a collective alternative to the monetary functions of a National Bank. His understanding of central banking persuaded him that a single, large, conservative financial institution was necessary to the economy. The state banks, he said, to be safe and efficient "must be subjected to one controlling will, and this power must be placed at some one commanding point in respect to commerce and moneyed transactions; they must merge the individual interest into one common concern.... This would be, in fact, a Bank of the United States."²⁵

But Bronson made clear that he did not support the present Bank. He criticized the BUS--or rather, implicitly, Biddle's management--for the "reckless issue of credits and circulation in 1831." On the question of whether removing the deposits would help or hurt the BUS in its efforts to renew its charter, he maintained that removal would probably work in the Bank's favor by creating such distress that people would look to it for relief. If unprovoked, the BUS would probably act responsibly, following a policy most beneficial to its stockholders, gradually curtailing its loans and phasing itself out of existence. But such a drastic move as the administration contemplated would produce "a powerful influence on Pennsylvania" and would "furnish an excuse for every offensive means the Bank might choose to adopt. The community would be the victim." The Bank's

recent management neither promoted the public interest nor deserved the public's confidence, and Bronson declared "unhesitatingly" that he opposed its re-charter.²⁶

These words of spring 1833 were recalled a few years later by Bronson's Whig friend Elisha Whittlesey with a hindsight much influenced by the Panic of 1837, which had just rocked the country. Bronson's replies to the questions, Whittlesey said, were "prophetic....Mr. McLane most probably wrote for the two fold purpose of obtaining information from experienced financiers, to confirm his opinion of the proposed measure, and to influence the President in deciding it. He must have laid this correspondence before the President. The removal of the deposits was ordered with the knowledge of what financial men thought of the measure."²⁷ Many years after that Ralph Catterall levelled the same charge when, after describing Bronson's arguments, he wrote (rather exaggeratedly calling Bronson a "friend" of Jackson): "With these assurances to guide him, Jackson persisted in his course, and knowing that a panic must in all probability result, according to the opinion of a competent banker who was a friend to him and an enemy of the bank, he must be held accountable, as the supporters of the bank asserted, for having precipitated the panic."²⁸

Whittlesey's remark in 1837 and Catterall's in 1902 reflect the widely held and long maintained judgment that Jackson and his aides were largely responsible for the

disaster of 1837. Historians are now persuasively criticizing the traditional view. Peter Temin's impressive recent study argues that Democratic Party policies had very little to do with creating the serious inflation of the 1830s or the depression that followed.²⁹ Although Temin's careful marshalling of statistics is unlikely to be soon controverted, it is nonetheless true that the way people perceive a situation is important in itself, whether or not their perceptions are later seen as accurate. A great many businessmen in 1833 were troubled by the direction of Jacksonian policy and believed it might lead to bad results. Biddle's predictable response was one such likely result, as Bronson saw. Before 1833 had ended, Biddle's contraction seemed to justify the anxieties.

In June 1833 Jackson made a tour of the northeast. Bronson invited him to stay at Greenfield Hill while he was in Connecticut. By then Jackson had probably seen, or been advised of, Bronson's opinion on the subject of removing the deposits. Old Hickory's nephew and secretary Andrew Jackson Donelson wrote Bronson that the President "directs me to express to you his thanks for the kind invitation tending to him the hospitalities of your house," and "would take great pleasure in accepting it if it did not disturb the arrangements which have been made for his conveyance to Boston."³⁰

While the administration was cool to Bronson's arguments, the financier's views on banking were beginning to be studied with interest. Already in the spring of 1832, one of the three members of the Bank Commission established by the Safety Fund Act had discussed Bronson's theory with Cambreleng and Alvin Bronson, and had sent the financier some "strictures" on it.³¹ The Bank Commissioners in their annual report for 1832, published in January 1833, thought Bronson's views notable enough to mention, though reservations were expressed. While no name was given, it was obviously Bronson and his ideas being referred to when the Commissioners wrote: "The legitimate use of banks is not for the purpose of loaning capital, but for the purpose of furnishing a currency to be used instead of a specie...and it is even supposed by some persons of great experience and sagacity, that the use of capital should be prohibited entirely."³² The Commissioners did not entirely agree with this view, believing that capital helped to sustain the circulation safely, but they did follow Bronson's argument in saying that "Capital and currency are distinct things," and that long-term capital loans invited financial instability. The commercial-loan principle of short-term credit on real business transactions was advocated for banks; as for capital, the Commissioners thought "it would be far better to devise some other means" than the banks of putting it into the market. Silas M. Stilwell, a prominent state

legislator and author of the 1831 act abolishing imprisonment for debt in New York, wrote Bronson that in this report of the Bank Commission, "the views you have and do entertain, relative to the appropriate business of Banking are sustained--Indeed, I am a decided convert to your opinions."³³

The process which Bronson's cousin Alvin had told him was his sole hope of reforming banking--that only through "the thinking men" could his ideas make their "slow progress to public favour"--had laboriously begun. Eight years later, after Bronson's death, in the 1841 annual report of the Bank Commissioners (who were three different men from those of 1833), a wholehearted defense of the new ideas was made, when the report, as Redlich noted, "comment [ed] on Free Banking in terms of Isaac Bronson's philosophy."³⁴ But a great deal was to happen in New York between 1833 and 1838 to change men's views on banking policy.

In the summer of 1833, while plans for removing the deposits were progressing in Washington, a weighty portion of the New York business community made public its stand on the Bank question by coming out explicitly against the present Bank and in favor of a BUS in New York. (This action of course had nothing to do with Biddle's famous contraction, as it preceded the contraction by several months.)

In the early weeks of 1833 several meetings of "merchants and others" had taken place, presided over by the old merchant and banker Preserved Fish. A decision was reached to

deliberate on "a plan for a new National Bank"--that is, Bronson's plan--which had been circulating in the city for some time.³⁵ The committee appointed for this purpose included Bronson and his friend John Bolton as well as Daniel Jackson and George Griswold, both of whom were connected with city banks.

The committee's final report "introduced some amendments, and made some alterations in the original draft."³⁶ Bronson has been credited with being the author of the published plan that emerged from these deliberations. While the plan was fundamentally his in both substance and style, he bowed on some points to the opinions of others, as when the proposal for investing the entire capital outside the Bank was modified to leave \$15 million of the suggested \$37½ million in capital at the Bank's disposal.³⁷

In the published version Bronson did not take a special place; the plan was offered under the names of all four men on the committee. After a general meeting of businessmen voted to accept the committee's report, the proposal was printed, in one thousand copies, by a Wall Street stationer's firm as a 16-page pamphlet entitled Outline of a Plan for a National Bank, with Incidental Remarks on the Bank of the United States.

The most interesting aspect of the plan was the call for a decentralization of authority, which implicitly criticized Biddle's excessive personal power in the affairs of

the present BUS. In the Bank proposed by Bronson and his fellow New Yorkers, the federal government would appoint eight of the Bank's thirty directors, the states, all of which would have branch offices, would elect ten, and the private and corporate stockholders would elect the remaining twelve. One-fourth of these directors were to rotate out of office at each year's annual election. This board of directors would elect from its members a president and vice-president and an executive committee of five members, for one year only. Clearly with the example of the Biddle-Jackson clash in mind, Bronson advocated "rotation and not permanency of office," each year's new president to be either the previous year's vice-president or an executive committee member.³⁸

The real-bills doctrine was explicitly written into the New Yorkers' plan. No discounts could be made on notes with a maturity date of more than ninety days, nor could any renewal be granted "unless the essential interests of the Bank should require it," and then only after affirmative vote by three-fourths of the board of directors. Finally--and Philadelphians no doubt nodded their heads knowingly when they read this provision--the Bank was to be located in New York.³⁹

Throughout the pamphlet ran a criticism of Biddle, although it was restrained--Biddle's name never appeared--and carefully avoided any semblance to the type of rhetoric currently appearing in the Democratic press. But the tone

of disapprobation was clear, especially regarding Biddle's western expansion of credit in 1830-1831.⁴⁰

The Outline was avowedly a document of, by, and for businessmen. An oblique reference to Biddle's old literary reputation may or may not have been intended in a phrase beginning, "Men of letters being usually men of theory," but a definite set of values was revealed in the comment: "To have this subject, therefore, safely dealt with or properly judged of, an appeal must be made to the feelings and intelligence of the really practical men of business."⁴¹

A dislike of Biddle's large personal authority in the existing Bank was obvious. The Outline declared that it was important to choose the most competent person to serve as president of a National Bank, a person--here the coolness toward Biddle was evident--"whose opinions respecting money and its uses, have been practically and not theoretically formed."⁴² Yet even then, one individual could not adequately discharge the job's responsibilities single-handedly. Consequently, the proposed five-member executive committee was not to be a rubber stamp, but rather a group of men with "a knowledge of the real wants of a commercial and industrious people," men who would "animadvert without reserve" upon any proposals by the Bank's president "which were at all indicative of hasty, ill-judged, or imperfect views."⁴³ It was to assure this independence and a collective management rather than the autonomous power which

develops from long tenure of office, that the annual rotation of the Bank's leadership was stipulated.

On locating the Bank in New York the pamphlet was studied-ly brief and vague. The advantages to government and to the commerce of the country at large to be gained from a New York Bank were "too obvious to need elucidation." European experience had shown that a country's commercial center should also be its financial center. That New York City was America's "chief emporium of commerce" was an assertion, the New Yorkers said blandly, which "none will question."⁴⁴

Therefore the New Yorkers designed their plan to appeal to the men of the nation's commercial and financial communities, especially those of their own city, and to "practical" as opposed to "theoretical" men everywhere. Above all they kept it free of any hint of political partisanship.

The Democrats published the plan in its entirety in the Jacksonian Washington Globe.⁴⁵ No editorial comment of any sort was made; the plan quite clearly was alien to the party's objectives. The administration's order in September 1833 to remove the deposits was followed by Biddle's order in October to contract credit. Businessmen seeking their customary loans from the BUS were suddenly cut off; in less than two months the Bank reduced its loans by \$5,500,000.⁴⁶ The contraction continued until July 1834

and the resulting money pressure was severe, particularly in New York.

Recent studies by such economic historians as Peter Temin are reshaping our outlook on the economy during the Jacksonian years. Another revisionist, for example, argues that Biddle's contraction, contrary to what has so long been asserted, had little to do with the recession that lasted from the fall of 1833 until the summer of 1834.⁴⁷ Still, that historian acknowledges that "one finds definite 'panic' rates on commercial paper," and admits that interest rates in New York and Boston--that is, the highest rates of interest per month that borrowers were charged in the open market for short-term commercial credit--rose from six percent (May 1833) to eight percent (July) to ten percent (October) to twelve percent (November) to fifteen percent (December) to twenty-four percent (January 1834), and then, by January 1835, had fallen back down to five percent.⁴⁸

Whatever the real cause for the pressure and the recession, Biddle bore the brunt of the public's fury. The New York press thundered with outrage, and henceforth few New York capitalists would speak well in public of Nicholas Biddle.⁴⁹ Nevertheless, they believed that as long as the BUS existed it should hold the deposits, and petitions circulated in the city requesting the government to reverse its policy. In January 1834 a delegation of New Yorkers headed by James Gore King and including Hamilton went to

Washington for an interview with Jackson, carrying the petitions. Jackson told them: "Go to Nicholas Biddle. We have no money here, gentlemen."⁵⁰

In the meantime Hamilton privately submitted to Jackson a long, detailed plan calling for the government to establish offices of deposit to carry out its fiscal operations. Hamilton saw this as much superior to the deposit bank system which was then being established. Jackson was uninterested. He told Hamilton: "We have begun the experiment of testing the system of carrying on the fiscal operations of the Government through the agency of State Banks. For myself I am determined to test it....There is no real general distress. It is only with those who live by borrowing, trade on loans, and the gamblers in stocks. It would be a godsend to society if all such were put down."⁵¹

The Vice-President had become equally inflexible on the subject of the deposit bank system. Van Buren said darkly to King and Hamilton that "the time was not far distant when every man who advocated the Bank or the restoration of the deposits would be held in as great detestation as the members of the Hartford Convention."⁵²

By early 1834 Democratic leaders had adopted the argument, when encountering businessmen who advocated a new BUS in the midst of the recession, that any such proposal could have no other result than to help Nicholas Biddle's Bank obtain re-charter. Given the present state of affairs--

with the public showing great hostility to Biddle and continued faith in Jackson--this argument effectively precluded any serious public debate on a new Bank.

Bronson discovered this when he invited a number of businessmen to his Park Place house in January. Some of those attending wanted anything that would relieve the pressure, even a re-chartering of the present BUS, but most looked toward a Bank in New York. The desirability of a memorial to Congress on that subject was decided upon, a committee being appointed for the purpose.⁵³ One of those attending was a friend of Van Buren, and he wrote the Vice-President of the gathering at Bronson's, assuring him that John Bolton and other "friends of the Administration" had set the tone. The reply he received left no doubt as to where the Vice-President stood. "The application of which you speak," wrote Van Buren, "could serve no other purpose than to aid the existing Bank in the efforts it is making to obtain an extension of its charter....I think it proper to say to you that it could not receive either countenance or support from me." Van Buren's friend replied a few days later that the discussions had been postponed indefinitely.⁵⁴

A couple of months later Charles Butler, writing from Washington, reinforced the message. He had been talking to Senators and Congressmen, and he sent Bronson his decided personal opinion that no chance existed either for the

present BUS to be re-chartered or for any new one to be established, for "even if the opponents of the renewal of the charter of the existing institution, were in favor of an institution differently incorporated, they could not at this time bring it forward, without its securing beyond all doubt the renewal of the present Bk in its most odious form."⁵⁵ Thus the Democrats argued that they could not offer support for the New Yorkers' plan, since merely to open debate on the subject would create a breach through which friends of the existing Monster could drive their institution to triumphant re-charter.

Bronson was now in his mid-seventies, and the ravages of time, including a carriage accident a few years earlier which left him with a bad leg, occasionally forced him to use a wheel-chair, or "rolling chair" as it was sometimes called.⁵⁶ He was fortunate in having his three sons present in the city to help him with whatever tasks he summoned them to. All were now in their thirties and successful in their own right. Oliver was a doctor, Frederic a lawyer, and the middle son Arthur was on his way to real wealth with a wide variety of interests. These included land speculations Arthur was beginning to pursue on a large scale, due to a fortuitous western trip he had made with his good friend Charles Butler in 1833, on which they came upon an Illinois hamlet called Chicago at the precise time that land values in the area began to soar.⁵⁷

While Bronson's mental faculties remained sharp, it was clear to him and to his family that his active life, and probably his life itself (though his father had lived to ninety), was drawing to a close. Yet to the extent that his energy and his will permitted, he remained close to the continuing, deepening conflict.

3.

In the middle 1830s, pressures from different sources began to converge in New York for a reform that culminated in the Free Banking Act of 1838. Bray Hammond drew a harsh picture of the ultimate effects of free banking, consistent with his general thesis that rampant individualism in the Jacksonian period, under the banner of laissez-faire and hypocritically employing democratic rhetoric, destroyed America's monetary restraints.⁵⁸

It is true that free banking--the abolition of the restraining laws which restricted commercial banking to incorporated institutions--fitted the mood of the age and, after its beginnings in New York, spread quickly over the country, resulting in a large increase in the number of banks, many of which were unsound and quickly failed. It should however be kept in mind that most of the less stable banking occurred outside of New York state where free banking began, being most prevalent in developing western regions where the demand for capital was most urgent.

While abuses undeniably occurred due to free banking, something must account for the fact that so many of the financial elite of New York City--men not known for their advocacy of reckless inflationary banking--gave support to the reform. Though Hammond only obliquely alludes to this fact, it represents an important development in New York capitalists' attempts to deal with the new financial conditions of the 1830s, which in part had been created by Democratic politics.

In an earlier chapter we saw that the first of New York's restraining laws was passed in 1804 during the fight over the Merchants' Bank. Later acts reinforced the first one. The restraining laws required that banks of note issue and deposit receive charters of incorporation from the legislature. Many states had enacted such laws by the 1830s. Thus, to repeal these laws would make banking "free," that is, would drop the incorporation requirement, permitting bank "associations" to open for business without having to apply to legislatures for charters. It has been mentioned that Columbia professor John McVickar in 1827 advanced the first detailed public proposal for free banking when he applied his free trade principles to banking and coupled them with ideas given to him by Bronson which sought to rationalize the operations of banks. In 1829 Bronson, though not mentioning free banking, had published his theoretical exposition on enhancing security through bond-backed banknotes, with capital invested permanently

outside the banks. Bronson's primary concern was the stabilization of the banking function. Establishing "free" banking was secondary, although McVickar's and Lord's proposals perfectly suited his own free trade philosophy, and he supported the principle.

By the middle 1830s the new ideas were circulating widely. The first popular, political agitation for free banking came in the spring of 1834 from the New-York Evening Post, spokesman for the emerging locofoco position. The anomalies of the banking question are suggested by the fact that the editors of the newspaper, William Cullen Bryant and William Leggett, were representatives of the hard-money, antibank wing of the Democratic Party. Moreover, Bronson respected both men, especially for their strong free trade stand, and was not only a regular reader of the Evening Post but sometimes stopped by the paper's office to chat with the two "radicals."⁵⁹

Of course, men like Bryant and Leggett had no desire to see a new BUS established, and in that respect they were in disagreement with Bronson and his friends. However, on the subject of banking other than the BUS, the workingmen and small tradesmen who became locofocos voiced many of the same objections about New York banking, though advanced from quite different sources of grievance, as the capitalists of the city. The state's banking system--the Safety Fund, dominated by the Albany Regency--was proving very unsatisfactory to a great many people.

Workingmen tended to be strong antimonopolists, and banking had come to seem, in their view, the biggest breeder of monopoly. Many workingmen had welcomed the assault on the BUS as a hopeful prelude to a campaign against the state banks. But that second attack had not materialized, and the Safety Fund system represented "monopoly" on the state level. The Regency kept a tight supervision over the number of charters, yet the increasing demands for credit meant that the politicians had to be more flexible than the party's rigid hard-money supporters desired; for instance, the legislative session that ended in early 1834 chartered eight new banks. To antibank workingmen this seemed doubly wrong in that banks continued to increase in number, while at the same time corruption prevailed when one political party dispensed new charters mainly to "friends."

The antimonopolists were not anticapitalists. The workingmen wanted credit just as other people did and, like most others, wanted long-term credit which banks did not provide--or at least, did not provide to them, for laborers were not the usual recipients of banks' accommodation loans. William Gouge made this point forcefully when he argued that "the loans of the Banks are for 60 to 90 days, while months, and even years, are required for bringing the enterprises of the farmer and the mechanic to successful completion."⁶⁰

From these sources of discontent, several spokesmen of the workingmen were led to an acceptance of the idea of free banking which had been circulating in New York for the past few years. That the antimonopolists were misguided to think that free banking would solve their problems has been pointed out by historians who have found in their writings little real understanding of commercial banking.⁶¹ But once they seized the idea, the antimonopolists pressed it forward. The Evening Post in spring 1834 began an attack on its presumed friend, the Regency, by blasting "our whole rotten and oppressive banking system" and calling for free banking.⁶² The movement spread quickly, and a repeal of the restraining laws became the main tenet of the locofocos who came into existence the following year. Still, paper money anxieties continued; the call for repeal applied only to offices of discount and deposit, not of note issue. In Leggett's view, expressed in 1835, the restraining laws and the monopolistic corporations they protected should be replaced by a general law permitting joint-stock associations to engage in activities which were currently confined to chartered corporations.⁶³ An attempt that year to repeal the restraining laws was unsuccessful, but the movement was growing among people to whom the Democrats were forced to listen.

A convergence of reform proposals stemming from disparate motives was taking place. The demand by the working-

men and their spokesmen for "joint-stock associations" instead of chartered corporations was not inconsistent with the interests of Wall Street financiers. The capitalists did not object to the Safety Fund for the same reasons the workingmen did, but because they were competitors of the Regency. And the capitalists distrusted the deposit bank system--except for the few among them like George Newbold of the Bank of America who were tied to deposit banks--because of economic danger signals which by 1835-1836 were becoming clear.

Unlike the 1820s, when prices in general had drifted downward, the decade of the 1830s experienced a sharp inflationary movement. Prices rose twenty percent between the summer of 1830 and the end of 1833. Because of the brief recession that followed the removal of the deposits and Biddle's contraction, prices fell back down by spring 1834 to only five percent above their summer 1830 level. But from that trough, prices rose rapidly in the next three years, reaching a startling fifty percent increase by early 1837.⁶⁴ By 1835-1836 businessmen and the public in general had become genuinely alarmed. Many people located a major cause of the inflation in the deposit banks who, free from any effective control by the Treasury despite concerted administration efforts to keep the pets in line, had greatly expanded bank credit throughout the nation.

Before their turn to free banking, New York capitalists made one more serious effort to secure a National Bank in their city, in order to reimpose controls over national finances. Prudent men had dropped the term "Bank of the United States" from their vocabularies, at least in public. But "joint-stock association" was an honorable title. While the workingmen used that term in their demands for abolition of the present banking system, the capitalists now employed it for their own purposes. Once more Bronson, despite his age, was active among the organizers of a project for a company which, he wrote his Whig Congressman friend from Ohio, Elisha Whittlesey, would possess "as great or greater powers" than a National Bank, although naturally it would not go by that name. By early 1836 broad support had been found for it in the city.

Like the plan James Hamilton showed Jackson in 1834, their project called for a single private company to hold and disburse the public deposits. This seemed to the New Yorkers the only sane alternative to what they saw as the uncontrolled expansionism of the deposit bank system. The company would be governed by "articles of association." No act of incorporation would be requested, merely designation by Congress as the "fiscal agent" of the government, with power to open offices wherever the government desired, which would "exempt them from the operation of the restraining laws of the States."⁶⁵

Attention was paid to Jacksonian anti-BUS convictions. Such an institution as he proposed, Bronson said, would "like the custom house became a part of the fiscal machinery of the treasury," which would "remove that bug bear--constitutional scruples."⁶⁶ The projected company--connected with government as an arm of the Treasury--was fundamentally different from the Independent Treasury plan which Van Buren would later advance. Its intent, of course, was precisely opposite from any objective of divorcing government from banking. As Bronson wrote Whittlesey about the "fiscal agent" plan: "It is exactly the plan proposed by me in 1831 for the renewal of the Charter of the U.S. Bank." There had been, however, a disguise cloaked over it for necessity's sake. "I tell you," Bronson declared to his Whig friend, "such a company can be formed...and it is the only way, unless they incorporate another bank, by which they can gain control of the revenues of the nation."⁶⁷

He asked for Whittlesey's help in Washington in laying the groundwork for a discussion before the New Yorkers actually sent their proposition, though he did not want the plan to be revealed. Rather, it should be stated "Hypothetically...to Mr. Woodbury, Mr. Taney, Mr. Kendall, Mr. Benton of the Senate, or some leading man in the house....But let the communication be made but to one man, and let the spark catch from him, if it catches at all."⁶⁸

An acceptance of any such plan by the administration would have meant abandonment of the deposit bank system. The scheme never had a chance; Jackson had peremptorily rejected James Hamilton's somewhat similar plan. Whittlesey informed Bronson from Washington that the project had little hope at the present time, but encouraged him and his friends to go ahead.⁶⁹

Whittlesey did discuss the plan quietly in Washington, though evidently not with the Jacksonians Bronson had mentioned. Abbott Lawrence, the manufacturer and Whig Congressman from Massachusetts, was pleased with the plan but also doubted that it could be adopted. He did see some potential immediate usefulness in the provision of the New Yorkers' plan which stipulated that their company would pay interest on the government deposits held, which the pet banks did not do. A bill had been introduced by Whigs in the House to require the pets to pay interest on the deposits, and Lawrence thought Bronson's scheme might at least have the effect of influencing the administration to accede to the Whigs' maneuver.⁷⁰

Whittlesey also talked with John Calhoun, who sent Bronson a compliment and a gloomy economic forecast but no offer of substantive help. The South Carolinian, Whittlesey reported, "says he has reflected much on the subject, of your plan: but has not arrived at a satisfactory solution....He...predicted, what he thinks almost inevitable

in the space of six months--a most distressing time among business men. He commended your views generally, as sound and correct."⁷¹

Only a genuine apprehension about economic trends could have induced the New York capitalists to seriously put forward a project so politically unfeasible. Bronson now designated the deposit banks as "the enemy" and Jackson, sometimes, as "Caesar." He saw the pets as Democratic political engines and the agents of an irresponsible use of money, fulfilling his worst fears about the direction of American banking. Ironically, as he saw it, this baneful course of events was assisted by a President who presumably had an undying hatred for just that kind of banking. "If General Jackson," he wrote, "had been as poor a Tactician in fighting Battalions, as he has been in fighting Banks, New Orleans would probably have been where the Treasury is now--in the power of the enemy."⁷²

And yet it was hoped that Jackson would see where his own and the country's true interests lay.⁷³ For a time in the spring of 1836 Bronson continued to feel that the "fiscal agent" plan had a chance, not least because of the eminence of its promoters. He told Whittlesey: "Men of the greatest weight of character we have in this city, as well as of powerful capital are engaged in it."⁷⁴ This was an accurate description. The New Yorkers' memorial was addressed to Jackson personally in March 1836, proposing a joint-stock

company "to assume and perform the duties of 'Fiscal Agents' of the Government," and was signed by 93 men of both parties who represented the heart of the New York business elite. Joining Bronson, his sons, and his son-in-law James Murray in signing the memorial to the President were Prime, Ward, King, Hamilton, Bolton, Lord, McVickar, Philip Hone, John Ward, Charles Butler, Herman LeRoy, Daniel Jackson, William Bard, George Griswold, Peter Lorillard, Thomas Suffern, Archibald Gracie, William Beach Lawrence, Saul Alley, James Roosevelt, Peter Schermerhorn, Abraham Varick, and many other men of wealth and standing.⁷⁵ Some prominent men, for example Astor and Gallatin, were not on the list. But Bronson was correct in saying that the proposition was "sustained by the back-bone of the City."⁷⁶

The memorial went to Eli Woodbury, who was now Secretary of the Treasury, and Woodbury referred it, ironically, to Bronson's acquaintance Cambreleng, who had become chairman of the House Ways and Means Committee. Bronson had privately become very critical of the New York Democrat for his enthusiastic support of the pet banks.⁷⁷ But now he wrote Cambreleng appealing for support for the proposition, saying speed was urgent since it would take at least a year after passage of the law for the company to organize and begin operations. "Doubts are entertained," Bronson wrote, "whether, even the organization of such a Company, unless with special reference to such [Fiscal] Agency, would

not be a violation of the restraining Law of this State. I believe nothing short of a Revolution can repeal that Law."⁷⁸

From Cambreleng came an evasive reply saying that it was better to postpone the matter for a while; if the administration supported Bronson's plan "an outcry might at this time be raised about New York's monopolizing all the surplus of the government," which would snare the question in "the vortex of politics." There was an "approaching commercial storm" which would "satisfy the people that they must change their system."⁷⁹ Incensed, Bronson fired back: "Everybody knows already who knows anything that the system must be changed, and that the commercial storm will terminate in shipwreck if something is not timely done to allay its fury."⁸⁰ He knew for certain now that Cambreleng could not be depended upon.

We can see in what direction the New York capitalists were being led, and why. Simultaneously with their proposal for what amounted to a new BUS in disguise, they had begun pursuing another, parallel objective. Since Bronson and his associates had recognized that their plan had only a small chance of success, they had already turned to the next best expedient: a bank in New York, unconnected with the government.

Such a bank as they envisaged--very large, very powerful, backed by many of the richest men in the nation and

operated along the most secure and conservative lines--could at least impose a measure of control upon the New York money market, a market that was now being seriously buffeted. This was not an ideal solution--a new BUS in New York would be better--but it was a realistic objective.

Obstacles stood in the way of such a project in New York, just as they stood in the way of a national project, and in both cases those obstacles were Democratic Party financial policies. The difference was that in New York the obstacles were surmountable. The city capitalists knew that such a new bank in the metropolis, with all the wealth, influence, and political unreliability of its backers, did not have even a remote chance of receiving a charter in Albany. The Democrats in 1835-1836 still had a majority in both houses, and Regency banking interests kept a jealous eye on New York City; in Albany, "Wall Street" was a term of opprobrium.⁸¹ Men like Azariah Flagg oversaw each new charter dispensation with loyal Jacksonian scrutiny.

But a repeal of the restraining laws--in other words, the introduction of "free" banking--would reduce the Regency control over state banking, which would be most welcome on Wall Street. It was not only locofocos now who criticized "political influence" and "monopoly." Those New York City financiers who did not happen to be among the small group connected with the pet banks, and who had no commitment to the Democratic Party, but who did have an old dislike of

the Safety Fund, were also hostile, for their own reasons, toward the New York state banking system as it was presently structured.

Although Bray Hammond noted that conservative bankers frequently condemned the evils of banking in much the same manner that workingmen did, the conservatives appear but marginally in his narrative. When they do appear they are usually represented as largely static figures being operated upon by new ambitious enterprisers. To Hammond, New York's Free Banking Law "was the culmination of Jacksonian banking policy, which...began with the destruction of the federal Bank."⁸²

Hammond's contribution to an understanding of the Jacksonian period was so large that it inevitably influenced subsequent viewpoints toward early nineteenth century banking, including free banking. Hammond identified two impulses behind free banking: on one side the locofoco antibank spirit, on the other the "entrepreneurial demand" for more and more banks, more and more credit.⁸³ This picture is not invalid, but it is incomplete. Like all broad social and economic developments, free banking had many component parts. As was noted above, the locofocos were indeed led to free banking along a circuitous route whose starting point was a hostility to banks. And an "entrepreneurial demand" for more banks, among numerous men who gave little thought to general financial conditions, obviously existed. Nevertheless,

as with so much economic reform in American history, the movement for free banking ultimately had the support of men who were deeply concerned about stability, those very "aristocrats" whom Hammond pictures as besieged by "humbly born" but aggressive enterprisers.⁸⁴ The viewpoints of such men had decided influence on the Whig politicians who, after their party captured the New York legislature in the 1836 elections, gave majority support to the Free Banking Law.

Hammond's major thesis on the recklessness of the period led him to pass over lightly the developments which here are being emphasized. In a few marginal comments Hammond conceded that the effect of free banking in New York was not, after all, harmful. He admitted that "those who wished their banking to be conducted properly found nothing in the new act that would force their banks to be bad." At the end of a long discussion of the abuses brought on by free banking, he concluded: "Plainly the law itself was not at fault, for in New York it succeeded."⁸⁵ The fault, he said, lay in the belief that new areas, like Michigan, could safely sustain a huge increase of banks. But of course, when the New York capitalists gave support to free banking they were not thinking about Michigan.

What Hammond failed to acknowledge was that the New York elite did not merely watch events from the sidelines and manage to hold onto their power despite free banking.

Rather, they had been actively involved for several years in protecting their interests, primarily by seeking the establishment of some new institution which, in effect, would be a National Bank. Failing that, they joined in the attack on the restraining laws. (Some among them, like Lord and McVickar, had long advocated the repeal of those laws.) With repeal, the New Yorkers could establish, unhindered, a new bank, or banks, on their terms. The development must be seen in its entire political-financial context: the Wall Street-Regency rivalry and the deteriorating monetary conditions in the nation.

In the middle of April 1836, after the fiscal agent proposal had been sent to Jackson, Bronson wrote Whittlesey: "There are within a few days renewed & very formidable efforts making to procure the repeal of the restraining law of this state--There is today a strong letter signed by the Mayor and a great many other influential men address'd to the Governor urging its repeal. If we succeed we shall organize our Joint Stock company in a week without any reference to the proposition which has been made to the U.S. Govt."⁸⁶

At the end of April a delegation of city businessmen and politicians went to Albany to lobby for the repeal; Bronson was appointed an official member of the delegation.⁸⁷ Whether or not he made the journey is uncertain, although doubtful in view of his age and declining state of health. But he was adamant about the movement. He remembered well

his involvement in the Merchants' Bank struggle of three decades earlier which had led to the first restraining law in New York. In a draft of a proposed letter to Bryant's Evening Post he sounded very antimonopolist, in the spirit of the times, when he wrote that the legislature must "repeal your restraining act....The act was passed in 1804 on the petition of the Manhattan Company--a private company although chartered and seeking their own interest wholly...this edict, so to denominate it, grants virtually a monopoly altogether arbitrarily."⁸⁸ However, no repeal had been secured when the legislature adjourned.

By the fall of 1836, people in all parts of the country were extremely worried. The Distribution-Deposit Act of June, increasing the number of deposit banks, resulted in a great expansion of credit, especially in the west, a dramatic leap in land speculation, and a sharp inflation. Jackson tried to counter the inflation with executive order by issuing the Specie Circular in July; government agents were to accept only gold and silver in payment for public lands after December. The combination of a broad distribution of the funds formerly held in a small number of pet banks, together with the Specie Circular's requirement, resulted in an extreme pressure on banks' specie reserves.⁸⁹

From his home in Ohio where he had gone between sessions of Congress, Whittlesey reported to Bronson on western conditions and, as was characteristic of that age when an

economic crisis arose, became moralistic: "Millions of acres have been purchased without the payment of a dollar.... A burning desire to get rich at once, by a splendid dash, is one of the demoralizing evils of the day."⁹⁰

More interesting was Bronson's analytical observation to Whittlesey in January 1837, illustrating the emergent capitalist sensibility:

With respect to the fiscal, financial, & banking concerns of the country we have got along through the years, in a hop-skip-& jump sort of way; and in that way business will continue to be conducted under our present want of system, until the foreign exchanges call for the return of the specie we have been importing, to the countries from whence it came.--And what then? Why then our speculating, banking, & trading community will be in the condition of fish in a mill pond when the dam gives way.⁹¹

By now the Regency was forced to respond to the great pressure from various groups for a repeal of the restraining laws. Governor William Marcy's message of January 1837 advocated a partial repeal: allowing individuals and associations freely to accept deposits and make discounts, but not to issue banknotes.⁹² The New York capitalists, sensing this proposal would be passed by the legislature (as it was, on February 4), resumed work on their project.

"The expediency of reviving the Joint stock association, proposed last winter," Bronson wrote Whittlesey in January, "without issuing bank notes as currency, as therein proposed is now under discussion."⁹³ Arthur Bronson sent out invitations to eleven prominent capitalists for a meeting at his father's house at 24 Park Place. The meeting took place on

the evening of February 6. Nine of the eleven showed up to join Bronson and two of his sons, Arthur and Frederic: these were James Gore King (representing Samuel Ward and himself), Saul Alley (a former director of the BUS New York branch), John Ward, Charles Butler, William Beach Lawrence, Jonathan Goodline, John Rathbone, James Anderson, and Thaddeus Phelps. On a motion by King, a committee of five was appointed, with Bronson as chairman, to prepare articles of a joint stock association.⁹⁴

A week later on February 13, a second meeting was held in Bronson's house, attended by the above and a few other men, at which the committee submitted a draft of the articles of association for the American Joint Stock Banking Company.⁹⁵ The proposed company was but one more variation of Bronson's basic plan first put together in 1831, based on principles he had been trying to get implemented in law since the time of the Safety Fund debates in 1829. The capital was to be at \$40 million, in shares of \$100 each; nine-tenths of the capital was to be invested in bonds or notes, secured by mortgages on lands anywhere in America, although nine-tenths of the first \$10 million subscribed was to be invested in mortgages on New York land. The draft was discussed article by article and then given back to committee to add some amendments.⁹⁶

To assure that the most dependable of men would control the company, it was stipulated that as soon as \$5 million of

the \$40 million was subscribed, these earliest investors would then choose the company's directors. At a third meeting on February 20, a committee of six, headed by Bronson and including King, Lawrence, and John Ward, was appointed "to nominate one hundred persons, out of which number twenty four directors may be selected."⁹⁷

The list compiled by the committee--there were 299 names on it by the time they finished--represented the commercial and financial elite of New York City.⁹⁸ Democrats, Whigs, and independents were present. The list's interest for social history is probably broader than its immediate context here, reflecting as it does a fairly large but exclusive group whom a handful of wealthy experienced capitalists regarded as the best men of their time. Of course, outstanding bankers like George Newbold who happened to manage pet banks were not included; also, Gallatin was not on the list. But there seem to be few other prominent men missing. On the list were Astor, Bolton, Butler, Charles Davis, Archibald Gracie, James Hamilton, Philip Hone, James and William Kent, Lord and McVickar, James Murray, Prime, King, both Wards, the three Bronsons, and many more--in short, many of the same men who for several years had been working to establish a BUS of some kind in New York City.

However, the panic which hit the city in May was so severe that organization of the company was postponed; by the following year, with the enactment of free banking,

the situation was altered enough so that new plans were pursued, and the American Joint Stock Banking Company never became an actuality.

Bronson's views at this juncture are revealing of the capitalist approach to not only the BUS question but to a parallel, as yet unresolved problem. Redlich spoke of "a current of thought which can be traced throughout the nineteenth century; namely, that the national government in lieu of the individual states should assume control of bank currency," and said that this current was emerging clearly by the 1830s. Bronson reflected this direction of thought when he expressed the necessity that "Congress assert & exercise their constitutional right to regulate the commerce between the states, and the currency of the country." Bronson's friend Roger Minott Sherman of Connecticut was articulating the same idea at the time in his published Letters to Levi Woodbury. Meanwhile, Bronson wrote Secretary of the Treasury Woodbury in April 1837, still trying to enlist administration support for the fiscal agent plan.⁹⁹

In that same month Bronson told Whittlesey: "We are in a bad way....Merchants breaking by the dozen....I have daily intercourse with Van Buren's confidential correspondent. He Vanburen finds he is cornered, and for the first time in his life...has intrigued himself into difficulties, that he can't intrigue himself out of."¹⁰⁰

The blow fell in May when the banks of the nation suspended payments. In the summer, as if compelled to play out his role by reminding the country of 1814-1815, Bronson instituted a suit for specie redemption against the Manhattan Company; he had no better chance of winning this time than he had two decades earlier.¹⁰¹ This was his last public act that has been ascertained, though he lived for nine months more.

Jabez Hammond wrote Bronson three weeks after suspension that "it seems to me that now is the time when your plan ought to be submitted to the American government. The period has arrived when something must be done." Bronson was doubtless unimpressed, at this late date, by Hammond's praise of Van Buren. The Democrat and future historian wrote that "altho I was opposed to the Jackson glorification administration I entertain great personal respect for Mr. V. B. and indeed I may add friendship....I think he would be inclined to adopt some such plan as the one you propose--This ought to be done immediately."¹⁰²

It is improbable that Hammond's opinion was correct, since Van Buren, the new President, had already decided on the policy of an Independent Treasury. Bronson expressed his sardonic view of that project when he told Gulian Verplanck: "To separate Bank & State, is about as practicable, [as] to make the waters on one side of a stream, run in an opposite direction from the waters on the other."¹⁰³

In any case, Bronson no longer had the energy to pursue any more of his plans. He was now seventy-seven and growing steadily weaker. Other men defended, lobbied for, and carried to success the state's historic Free Banking Law in April of 1838; now the note issue function was also included under the powers granted by the general law.¹⁰⁴ The conditions, however, that must be met before any "person or association of persons" could establish a bank were the parts of the act that Bronson and other conservatives saw as the key. These conditions embodied principles that Bronson, McVickar, and Lord laid down between 1827 and 1829. The joint-stock associations that could be established under the act were permitted to issue notes equal to the paid-in capital; the capital would be invested in stocks of New York state or any other state approved by the comptroller, or in bonds and mortgages on real estate in New York. The notes to be issued by every bank would be stamped by the comptroller's office: "Secured by pledge of public stocks and real estate."¹⁰⁵

So the concept that the conservatives had promoted for a decade was put into law: banking would be a free trade, but the circulating medium which banks furnished would be secured outside the banks, with the capital of the banks being independent of their daily operations. In addition, the act contained a new principle which was not a contribution of Bronson and his friends: a specific ratio of specie

reserves was required; the act set the ratio at 12½ percent. Although this type of control later became primary, it was very new at the time, and in fact, in 1840 this part of the Free Banking Act was repealed.¹⁰⁶

Bronson was kept informed by friends as the bill worked its way through the legislature, and he sent a communication to Governor Marcy in support of the bill. Marcy, Olcott, Flagg, Edwin Croswell, and John Dix--the core of Regency leadership in the state--all declared that they now favored Bronson's ideas.¹⁰⁷

The confusion engendered by the Panic--the urgency to try anything reasonable that might restore confidence--and the large new Whig majority in the legislature (itself a result of voters' fright and disgust over the economic conditions of late 1836) made the reform possible. The rank and file Democrats largely opposed the act to the end. In the Assembly's final passage of the bill, 19 of 28 Democrats opposed the measure, while only 10 of 100 Whigs voted against it.¹⁰⁸ And the Free Banking Act, to all intents and purposes, did--just as most of its proponents intended--kill the Safety Fund system. No more special bank charters were granted by the legislature after 1838, and so the Safety Fund rapidly waned in importance, although the Fund was not finally terminated until 1866 with the expiration of the charter of the last bank that had been established under the old system.¹⁰⁹

In Raguet's Financial Register, which had superseded his Free Trade Advocate, the full text of the act was

published, along with a letter from Bronson to Raguet dated May 1, 1838, and Raguet's answer dated May 11. This was Bronson's last known letter; its date was eighteen days before his death. He wrote:

You will see by a recent act of our legislature...its willingness to allow practical men to establish an institution upon principles which may be made to answer the great end of regulating the exchanges, by restricting the issues of bank notes so as to keep the exchanges under perfect control. This being the only salutary use of any institution which can be formed under the provisions of this law...I should be happy to receive from you an expression of your opinion upon the probable influence of the General Banking Law of this state...and particularly your ideas of the principles on which an institution should be formed under this law, which might be made with unerring certainty to exert a controlling influence on the exchanges.¹¹⁰

Raguet's reply was in the same spirit; the benefit of the law was seen in the control potential it afforded. Raguet congratulated Bronson for his long effort which was now beginning to attain results. He gave a short description of correct banking principles, as he conceived them, and then of the usefulness of the new act he wrote:

Although the New York plan appears to me to be the greatest improvement in banking which has yet been introduced into our country, and which we are likely to see...it possesses imperfections, like every other that has been tried....I am bound to say, that in my humble judgment, the system does not possess in itself any certain guarantee against over issues of paper...I therefore entirely agree with you in the position, that without the agency of a powerful institution to keep the issues of the other banks within prudential bounds, the anticipated benefits of the new law cannot be fully realised.¹¹¹

Thus both men reacted to the Free Banking Law by evoking its potential for a control over the currency, to be estab-

lished by large, powerful institutions in the city. Bray Hammond is obviously correct in stating that the destruction of the BUS precluded this being done on a large and truly effectual scale. But the New Yorkers worked within the limits of the possible and certainly did not interpret the act, nor employ it, as an opening to reckless banking. Instead, they took the opportunity created by the new act to establish a bank that reflected their views.

Less than a month after free banking passed, a movement was underway in the city to found such an institution as Bronson and Raguet envisaged, and the movement was led by some of the leading figures who had worked with Bronson for years: Prime, Ward, King, and others in their circle. This institution, the Bank of Commerce, was designed for "the management of able and experienced and prudent men...one to be hemmed in and kept under control, yet with full utility, upon old fashioned principles." The Baring Brothers' American agent advised his superiors to buy stock in the new bank, for "this institution will be important in keeping the banks in order." It will be represented, he wrote, by "the safe and solid part of the city of New York and of the country at large....It will be a conservative money bank in which...the best men in the city of New York, have a large stake."¹¹² As Bray Hammond remarked: "The Bank of Commerce, New York, was for nearly a century to follow one of the most prominent and honored in the country." And Redlich likewise

praised "the first successful business organization on the basis of the new ideas, the Bank of Commerce, which for some time towered above all the other banks in the city of New York."¹¹³

It was precisely the type of bank that Bronson would have seen as justifying the new legislation, and had he been alive he would surely have been among its founders. But he was dead by the time the Bank of Commerce came into existence. In April, a month past his seventy-eighth birthday, Bronson was feeling ill, but his health had been poor for some time and there seemed no cause for undue alarm. His son-in-law the physician Marinus Willett, Caroline's husband, was in regular attendance on him. On April 29, eleven days after the Free Banking Law passed, Maria reported to her mother in Greenfield that she had visited her father at their Park Place house. "I think Papa's countenance is evidently changed for the better, he has more flesh on it, and was quite composed. I said to Dr. Willett... 'Papa's countenance looks evidently better?' 'Yes,' said Dr. Willett--he is better'--'No,' said Papa, putting his hand to his face--'it is because I am shaved'--but his whole look was cheerful for him."¹¹⁴

He was sinking rapidly, and was removed to Greenfield Hill. On May 19 he died there, of what a later biographical sketch called "a neuralgic affection of the heart." Raguet's journal carried a long obituary, whose author was probably

Roger Minott Sherman, which praised Bronson's character and outlined the main themes of his banking principles.¹¹⁵ The financier was buried in the family vault on Greenfield Hill.

Two years later Raguet wrote Bronson's youngest son Frederic: "A second edition of my Book on Banking is now in the hands of the Binder....In a note in the 2d edition, I have taken occasion to introduce the name of your lamented father, for whose opinion on finance I entertain'd the most exalted estimate, and to quote a few lines from an article he wrote in the Free Trade Advocate containing more pith than is usually found in ten times as many words."¹¹⁶

NOTES TO CHAPTER VII

1. Gatell, "Sober Second Thoughts;" Hammond, Banks and Politics, 329.

2. Ibid., 328-329.

3. An undated draft of this petition is in BP, Box 14, NYPL.

4. Redlich, Molding, I, 138-140.

5. Ibid., 138.

6. Other petitions are discussed in Hammond, Banks and Politics, 386-393.

7. Hammond, Banks and Politics, 387-405; Govan, Biddle, 174-200.

8. John M. McFaul, The Politics of Jacksonian Finance (Ithaca: Cornell University Press, 1972). Also see McFaul's Ph.D. dissertation of the same title, University of California, Berkeley, 1964, which, though substantially the same as the published work, has some informative material not included in the latter. For another recent study which argues that the existing BUS had broad support throughout the country, see Jean Wilburn, Biddle's Bank (New York: Columbia University Press, 1967).

9. Cambreleng to IB, Jan. 22, 30, 1832, BP, Box 83, NYPL.

10. Cambreleng to IB, Feb. 18, 1832, BPGC, Box 200.

11. Hamilton to IB, March 13, 1832, BP, Box 83, NYPL.

12. Charles Butler to IB, March 3, 1832, BP, Box 83, NYPL.

13. Condry Raguet to IB, March 14, 1832, BP, Box 83, NYPL.

14. Alvin Bronson to IB, March 29, 1832, BPGC, Box 200. The year is not entered on this letter but internal evidence shows that it was 1832.

15. Cambreleng to IB, May 25, June 14, Sept. 6, BPGC, Box 200.

16. IB to John Duer, n.d., BP, Box 6, NYPL. Though undated, the letter as shown by its context was clearly written either at the time the deposit bank project was being contemplated or had recently gone into effect.

17. "Isaac Bronson, Esq., to a member of congress...1832," Financial Register, II, 11.

18. IB to Martin Van Buren, n.d., BP, Box 6, NYPL. The context of this letter, and evidence in another letter (see Silas M. Stilwell to IB, Feb. 12, 1833, BP, Box 84) shows it almost certainly to have been written in 1833.

19. Hamilton, Reminiscences, 253.

20. Ibid., 252.

21. Carl B. Swisher, Roger B. Taney (New York: The Macmillan Co., 1935), 210-215.

22. Hamilton, Reminiscences, 253.

23. In BP, Box 14, is a manuscript of "Interrogatories &c from the Treasury & Answers," with some differences but substantially the same as those printed in James Hamilton's Reminiscences. Portions of the questions and answers were printed three years later in the Whig National Intelligencer of April 28, 1836.

24. Hamilton, Reminiscences, 255.

25. Ibid., 256.

26. Ibid., 257-258.

27. Elisha Whittlesey to Arthur Bronson, Sept. 27, 1837, enclosed in Arthur Bronson to IB, Oct. 3, 1837, BP, Box 6, NYPL.

28. Catterall, Second Bank, 291.

29. Peter Temin, The Jacksonian Economy (New York: W.W. Norton & Co., 1969).

30. A.J. Donelson to IB, June 14, 1833, BP, Box 84, NYPL. Cambreleng knew of the invitation and had already told Bronson's son Arthur that "there was little prospect of the Presidents stopping at Greenfield Hill." Cambreleng to IB, June 13, 1833, BPGC, Box 200.

31. Alvin Bronson to IB, March 25, 1832; Cambreleng to IB, May 3, 1832, BP, Box 83, NYPL.

32. Annual Report of the New York Bank Commissioners (January 31, 1833), 5.

33. Silas M. Stilwell to IB, Feb. 12, 1833, BP, Box 84, NYPL.

34. Redlich, Molding, I, 294. See Annual Report of the New York Bank Commissioners (January 25, 1841), 10-11.

35. Isaac Bronson, George Griswold, Daniel Jackson, and John Bolton, Outline of a Plan for a National Bank, with Incidental Remarks on the Bank of the United States (New York: Newcomb & Cropsey, 1833), 3.

36. Ibid.

37. Ibid., 7.

38. Ibid., 9-10.

39. Ibid., 10-12.

40. Ibid., 14.

41. Ibid., 5-6.

42. Ibid., 9-10.

43. Ibid., 10.

44. Ibid., 10-11.

45. [Washington] Globe, June 29, 1833.

46. Govan, Biddle, 247.

47. Jacob P. Meerman, "The Climax of the Bank War: Biddle's Contraction, 1833-34," Journal of Political Economy, LXXI (August 1963), 378-388.

48. Ibid., 384.

49. Although of course Biddle continued to have many supporters among businessmen, especially in Philadelphia.

50. James Parton, Life of Andrew Jackson (3 vols.; New York: Mason Brothers, 1860), III, 549-550.

51. Hamilton, Reminiscences, 269-270.

52. Quoted in Govan, Biddle, 253.

53. Thomas Suffern to Martin Van Buren, Jan. 12, 1834, Van Buren Papers, Lib. of Cong.

54. Van Buren to Suffern, Jan. 15, 1834; Suffern to Van Buren, Jan. 21, 1834, Van Buren Papers, Lib. of Cong.

55. Charles Butler to Arthur Bronson, March 21, 1834, BP, Box 100, NYPL.

56. Nathaniel Freeman to IB, May 20, 1837, BPGC, Box 200.

57. Extensive material on Arthur Bronson's expanding business affairs, particularly from 1833 on, is contained in the boxes of his correspondence and accounts in BP. Considerable information on his 1833 western trip can also be found in the Charles Butler Papers, Library of Congress.

Arthur Bronson was later a litigant in a landmark Supreme Court case, Bronson v. Kinzie (1843). At issue was the right of a state to interfere with mortgage claims. The decision, in favor of the creditor Arthur Bronson and upholding the sanctity of contracts, was delivered by Chief Justice Roger Taney, who a decade earlier had been a leader in the Jacksonian attack on the BUS. A constitutional historian has recently written: "For all his concern with community rights and social realities in the Charles River Bridge case, Taney relied on traditional vested rights views here. His opinion reflected the traditional public policy choice favored by Story in the bridge case, emphasizing security and protection for the risk-taking capital investor. Bronson v. Kinzie survived until the great depression nearly a century later." Stanley I. Kutler, Privilege and Creative Destruction (Philadelphia: J.B. Lippincott Company, 1971), 134-135. This case is also discussed in Swisher, Taney, 386-389. Swisher, who has high praise for Taney's role in the BUS fight, makes a rather critical assessment of Taney's opinion in Bronson v. Kinzie, and concludes: "If his conceptions were too old-fashioned for the promotion of social justice, he was not the first nor the last against whom this charge could legitimately be made. At any rate, the decision gave stability to contract rights, and it quieted the last of the fears that the court would eventually overthrow the major doctrines of Taney's predecessor."

58. This central theme of Hammond's Banks and Politics is presented mainly on pages 326-604 of that book.

59. IB to Elisha Whittlesey, Feb. 23, 1836, Elisha Whittlesey Papers, Western Reserve Historical Society.

60. Gouge, Short History of Paper Money, I, 35.

61. Walter Hugins, Jacksonian Democracy and the Working Class (Stanford: Stanford University Press, 1960), 197-198.

62. New-York Evening Post, May 8, 1834.

63. Hugins, Jacksonian Democracy and the Working Class, 188.

64. Temin, Jacksonian Economy, 68-69.

65. IB to Elisha Whittlesey, Feb. 26, 1836, BP, Box 6, NYPL.

66. Ibid.

67. Ibid.

68. Ibid.

69. Whittlesey to IB, Feb. 28, 1836, BP, Box 6, NYPL.

70. Whittlesey to IB, March 28, 1836, BP, Box 6, NYPL.

71. Whittlesey to IB, April 20, 1836, BP, Box 6, NYPL.

72. IB to Whittlesey, Feb. 23, 1836, Whittlesey Papers, Western Reserve Hist. Soc.

73. IB to Whittlesey, March 5, 1835, Whittlesey Papers, Western Reserve Hist. Soc.

74. IB to Whittlesey, Feb. 23, 1836, Whittlesey Papers, Western Reserve Hist. Soc.

75. Copy of memorial to the President of March 1836, BP, Box 14, NYPL.

76. IB to Whittlesey, March 17, 1836, Whittlesey Papers, Western Reserve Hist. Soc.

77. IB to Whittlesey, March 5, 1835, Whittlesey Papers, Western Reserve Hist. Soc.

78. IB to Cambreleng, May 10, 1836, BPGC, Box 200.

79. Cambreleng to IB, May 12, 1836, BPGC, Box 200.

80. IB to Cambreleng, May 19, 1836, BPGC, Box 200.
81. Gatell, "Sober Second Thoughts," 34.
82. Hammond, Banks and Politics, 598.
83. Ibid., 573-574.
84. Ibid., 328.
85. Ibid., 597, 604.
86. IB to Whittlesey, April 16, 1836, Whittlesey Papers, Western Reserve Hist. Soc.
87. Andrew C. Wheeler to IB, April 26, 1836, BP, Box 87, NYPL.
88. Undated manuscript, BP, Box 14, NYPL.
89. McFaul, Politics of Jacksonian Finance, 172-174.
90. Whittlesey to IB, Nov. 15, 1836, BP, Box 6, NYPL.
91. IB to Whittlesey, Jan. 5, 1837, Whittlesey Papers, Western Reserve Hist. Soc.
92. Redlich, Molding, I, 190.
93. IB to Whittlesey, Jan. 5, 1837, Whittlesey Papers, Western Reserve Hist. Soc.
94. "Minutes of Proceedings of meeting touching the Joint Stock Association 1837", minutes of Feb. 6 meeting, in Arthur Bronson's handwriting, BP, Box 14, NYPL.
95. Ibid., minutes of Feb. 13 meeting.
96. Ibid.
97. Ibid., minutes of Feb. 20 meeting.
98. "Gentlemen, Selected by the Committee appointed Monday Evening 20 Feby 1837, from whom Twenty four may be chosen Directors of 'The American Joint Stock Banking Company'," BP, Box 14, NYPL.
99. Redlich, Molding, II, 99; IB to Whittlesey, March 2, 1837, Whittlesey Papers, Western Reserve Hist. Soc.; IB to Levi Woodbury, April 20, 1837, BP, Box 6, NYPL; Franklin [R. M. Sherman], Letters to the Hon. Levi Woodbury, Secretary of the Treasury of the United States (New York: E.B. Clayton, 1837).

100. IB to Whittlesey, April 18, 1837, Whittlesey Papers, Western Reserve Hist. Soc.

101. IB to James S. Wadsworth, Aug. 7, 1837, BP, Box 6, NYPL.

102. Jabez Hammond to IB, May 29, 1837, BP, Box 88, NYPL.

103. IB to Gulian Verplanck, Feb. 19, 1838, Gulian Verplanck Papers, NYHS.

104. Condj Raguet printed this law in full in the Financial Register, II, 4-7.

105. Ibid., 4.

106. Redlich, Molding, I, 201; Hammond, Banks and Politics, 596.

107. Daniel Evans to IB, Dec. 27, 1837; Henry Penfield to IB, March 8, 15, 1838, BP, Box 88, NYPL.

108. John McFaul, "The Politics of Jacksonian Finance," unpublished Ph.D. dissertation, University of California, Berkeley, 1964, 227.

109. Chaddock, Safety-Fund, 272; Hammond, Banks and Politics, 561.

110. Financial Register, II, 7.

111. Ibid., 10.

112. Quoted in Hammond, Banks and Politics, 597-598.

113. Ibid., 598; Redlich, Molding, I, 202.

114. Maria Murray to Anna Bronson, April 29, 1838, type-script, Murray Papers, NYHS.

115. Henry Bronson, Waterbury, 374; Financial Register, II, 15-16.

116. Condj Raguet to Frederic Bronson, June 3, 1840, BP, Box 124, NYPL. Abraham Venit quoted this letter, but misread "pith" as "truth". Venit, "Isaac Bronson," 205.

CONCLUSIONS

This study is primarily concerned with the responses of a business conservative to social and economic change in the first half-century of the American republic. Isaac Bronson was representative in his world view of the group of northern capitalists who achieved political and economic power in the United States in the late 1780s and early 1790s. These men supported and profited from the Hamiltonian system established at that time. Of central importance to the enterprise of this group was the new field of banking, which was dominated by leading Federalist merchants in a few seaboard cities and served almost exclusively the mercantile class. As late as 1800 there were only 29 banks in the whole nation. In their operations bankers followed traditional precepts that had evolved out of merchant banking practice. Banking theory was very undeveloped in America; except for rare exceptions like Hamilton's writings, discussions of banking for some years to come would be unoriginal and essentially polemic in nature. The men of this northern capitalist group shared a common outlook. Their interests and their values were rooted in a relatively small-scale commercial world that was socially elitist and politically unified.

The comparative stability of this new order eroded rapidly. The Federalist Party lost control of the national government to a political opposition that defended the interests of farmers and newer merchants against those of the established commercial class. To business conservatives like Bronson the threat was deeper than differences of party. A dynamic enterprise was spreading beyond the confines of the old seaboard centers. Changes in banking seemed especially critical. Credit was indispensable to growth in a young economy with a scarcity of capital, but an uncontrolled expansion of credit had dangerous effects. Banks increased in number from 29 in 1800 to 88 by 1811. New practices were undermining traditional banking principles. The operations of banks seemed to conservative financiers to be the major cause of increasing instability in business affairs.

A series of crises from 1812 to 1819 was decisive in shaping conservatives' attitudes toward economic change in America. A war they opposed created havoc in national finance; this in turn was followed by a postwar depression. Banking was more and more seen as the source of troubles. After the charter of the Bank of the United States expired in 1811 a huge expansion of banks and banknote circulation took place; by 1816 the nation had 246 banks. In those years the war, besides crippling trade, caused financial stratagems which led to a suspension of specie payments. Conservatives did not interpret these events as the result of accident or

ill fortune, but as the products of a long calculated assault by Republicans on the northeastern commercial class. Political hostility toward Republicanism weighed heavily on the views and actions of Bronson and other Federalist businessmen. Viewing American society in terms of regional and class conflict, Bronson advocated a restoration of political influence to "the Merchantile interest" in order to thwart "the madmen of the South." For a time he believed that a new National Bank properly constituted was the key to restoring both financial stability and northern Federalist prominence in affairs of state. But in those years he also produced a more closely reasoned discussion of the current financial confusion which revealed his growing concern with banking reform. The Panic of 1819 and the depression which followed convinced him and numerous other men that American banking was deeply flawed.

During the 1820s serious proposals for banking reform were put forward independently by a number of men, of whom Bronson was one of the more prominent. The most original and significant aspect of this development was the technical expertise these writers displayed. With increasing refinement they presented analytical discussions of banking functions which conceived the problems as systemic and sought to develop rational techniques applicable to the entire banking system. In this respect they forecast the direction which banking and most other enterprises would take in the future.

Banking had long been a political battleground and would remain one for some time longer, but these men embodied newer tendencies in capitalist thought. Bronson no longer talked about a revival of Federalist mercantilism against the Republican landed gentry. In his view America had passed beyond the stage where the merchant-agrarian conflict was a true expression of social realities. Instead he investigated northern commercial capitalism and found in the acquisitive order to which he himself belonged the deepest sources of disturbance. He still grounded his arguments in the old principles of sound banking, as did most of the other reformers, but these men were refining and elaborating on the soundness tradition. They knew that reform must be consistent with the public's demands for an expanding opportunity and a continuing growth. Philosophically, the reformers like most Americans disliked strong government; they had no desire to hamper enterprise by severe regulations and controls. Yet they believed that growth must be accompanied by stability.

Bronson attempted in 1829 to have his proposals enacted into law, but failed. A New York banking reform, the Safety Fund Act, which passed that year did not go far enough in his opinion, and for both political and financial reasons he and most of Wall Street criticized the act. Another decade passed before a law containing the ideas of Bronson and other conservative reformers was passed in New York.

This was the Free Banking Act of 1838, wholly a product of the turmoil of financial politics in the 1830s. The Democratic Party's attack on the Second Bank of the United States and the creation of a decentralized deposit bank system was accompanied by an inflationary spiral that alarmed New York capitalists. These men were deeply worried by the failure of the administration to deal effectively with the spreading instability. They had been unable to get a hearing for their proposals for a new National Bank. At the same time they felt increasingly hampered in their efforts to cope with the crisis in New York state because the state Democratic Party, and Wall Street's rivals the Albany bankers, had a strong influence over the state banking system as represented by the Safety Fund. The passage of the Free Banking Act gave Wall Street bankers greater latitude to deal on their own terms with what they considered a dangerously uncontrolled financial situation. Celebrated by antimonopolists as an attack on corporate privilege, the act contained provisions long advocated by Bronson and other conservatives for a safer employment of capital and a more systematic management of banking operations. The act had a major influence on subsequent banking history; it provided the model for the National Bank Act of 1863 which structured the American banking system for the next fifty years.

This does not mean that Bronson, had he lived beyond 1838, would have been satisfied that stability had been

attained. Throughout the 1840s and 1850s conservative businessmen like conservatives in general continued to worry about the excesses of American society. They perceived a continuing breakdown of traditional controls in government, the economy, religion, the family, and elsewhere. Yet while economic change did broaden the base of opportunity, it also strengthened the northern capitalist order. This had always been Bronson's objective. In criticizing aspects of the enterprise of his day, he had wanted only to bring better system and organization to what he considered an unbalanced business environment. In an age of dynamic growth that broke down social barriers and economic restraints of an earlier period, he tried to perpetuate older principles of sound enterprise. He helped provide continuity between the past and the present by refining the older principles with modern techniques of rational analysis, and in so doing showed a feature of capitalist thought that would be increasingly prominent in the future.

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