

The Many Panics of 1837: People, Politics, and the Creation of a Transatlantic Financial Crisis

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In the last decade the history of American capitalism has monopolized the attention of US scholars and students alike. From the halls of Harvard to the front pages of the *New York Times*, the history of this financial system has become a hot topic. This is hardly surprising given the fallout from the 2008 subprime mortgage crisis and subsequent collapse of several major US banking houses. But this interest is derived from more than simply presentist concerns. Instead, the history of capitalism, which has long been central to the study of the Early Republic in the United States, has been revived because of several new methodological approaches that offer us a new way of thinking about capitalism's past, present and future. This approach might best be characterized as 'the history of cultural economy'.⁽¹⁾ This method interrogates economic concepts as cultural and linguistic constructions with great effect. It historicizes and de-naturalizes ideas that have long been immured in fixed and theoretical definitions, in particular capitalism itself. Such an approach not only provides us with new explanations and understandings of economic history but also a very different kind of usable past that, now more than ever, is of particular value.

Jessica Lepler's book on the Panics of 1837 is at the very forefront of this new methodological approach to the history of capitalism and her work is a testament to the great insights this new approach can yield. In this vibrant and often witty work, Lepler has reconstructed the events that led to the economic crisis of 1837 on both sides of the Atlantic. Her surprising, yet convincing conclusion, is that the suspension of specie payments by New York banks on 10 May 1837 was not the beginning of the crisis, but in many ways its end. Abandoning this traditional starting point she argues that it was at this point that financial certainty began to be restored to the nation and that such certainty enabled calm to prevail. Although hard times followed, the panicking had come to an end.

Letting go of this more traditional chronology, Lepler begins her investigation by reconstructing the financial system that shaped transatlantic trade in the 1830s. Exploring its slow, contingent and complex unraveling, she demonstrates that between 1836 and 1837 it was the ways in which merchants, bankers, agents and brokers lost faith in their own financial system that triggered multiple panics in London, New Orleans and New York. Yet these alone did not cause a single national panic. Instead, the idea of a Panic as

a distinct, national economic event only took shape through the politicization of these financial crises in April 1837. Thus the Panic as a single entity was created by politicians, bankers and print journalists, a creation that was so powerful, that it has distorted our understandings of Panics for well over 150 years. Ever since 1837, historians and economists have looked to policy and political personalities, or to trends and business cycles to try and explain what happened to the transatlantic economy in this moment. Lepler's work shows that we need look no further than the people who panicked to explain this crisis. It was the loss of confidence in their own financial system that ultimately unleashed the economic catastrophe of the 1830s onto the Britons and Americans of the era.

Such a clear and simple argument might be facile were it not for the phenomenal depth of research that underpins Lepler's thesis. From the start, she weaves together evidence from the ephemera of the antebellum credit economy, tracing the journeys of bank notes and foreign bills of exchange as well as tracking the pathways of gold and silver coin, from Mexico to China. Holding this whole system together was confidence: the belief that when the bill of exchange reached its end goal, often a bank in London, there would be sufficient funds in the named account to cover the promise made on this piece of paper. Confidence only came from knowing or trusting the name on the paper, if the bill was signed by an unknown man it would not be passed on. This reality made the financial circuit a highly precarious 'gamble' for its participants (p. 35). Every transaction was fraught with personal meaning.

Given the scale of these economic networks, Lepler's decision to examine the intricate movements of a single piece of paper might seem unnecessary, a focus on a cog rather than the whole machine. However, the recognition of the fragile, vulnerable and human nature of this financial system is crucial to her later arguments. As she goes on to demonstrate, it was not a single failure but multiple broken promises and individual responses to those failures that created the rot of financial uncertainty to spread in 1836. Uncertainty deepened into crisis because these financial disruptions were met with no concerted effort by political or financial authorities to combat the problem. Such a fragmented response, she argues, arose from the certainty, in the US especially, that individual morality defined a person's economic fate. Such an outlook meant that the American reaction to financial failure comprised of personal acts of frugality, forgiveness or in the worst cases 'absquatulation' – the common term for absconding to Texas (p. 137). As she shows, Americans panicked because they believed themselves to be guilty perpetrators of financial mismanagement, not innocent victims of a failing system.

This insight is the chief payoff of Lepler's 'cultural economy' approach. In an innovative chapter that explores how Americans imagined their financial and economic lives, we see a population that believed deeply in the idea that it was their own individual choices that made the economy function effectively. Drawing on evidence from sermons, novels, phrenology text books and domestic economy manuals, Lepler illuminates an economic outlook that emphasized personal responsibility for financial failure. As she shows, this meant that men and women did not look 'to politics or laws of political economy to address their distress' (p. 92). Instead, they imagined themselves to be entirely accountable for their economic status. Since poverty, hunger, debt and bankruptcy were all personal failings, Americans looked only to themselves for answers to these problems. The presence of morality in 19th-century economy is hardly surprising. However, her approach does demonstrate that in the initial stages of panic, Americans did not try and explain or even address these problems as national or even international issues. Instead, they sought to regulate their own affairs first, revealing a vision of capitalism that was not only local but personal. The concept of capitalism as a system had not really taken root. Indeed, Lepler points out that political economy as an epistemology was still in the process of taking shape. While Adam Smith might have had a wide audience by the 1830s, the concept of an invisible hand had not superseded the personal touch.

Perhaps the weakest part of her argument is the explanation for why Americans began to abandon this moral explanation for financial failure and look instead to the broader functioning of economic systems. Her answer as to why this shift took place lies in American incredulity that honest, reputable and Christian firms, in particular the evangelical Tappan Brothers, could go bust. Failures amongst the good and the godly, she argues, prompted Americans, especially those in New York to look for a 'single cause for a single panic' (p.

124). Given the nuanced arguments evident in other parts of this book, this shift seems rather flat. It also seems somewhat abrupt, perhaps because it does not acknowledge earlier work on the history of debt and bankruptcy. In particular, Bruce Mann's book makes a convincing case that the Bankruptcy Law of 1800 was a reflection of the fact that many Americans involved in business had already shifted their perspective in the wake of the Revolution, and imagined the inability to pay off debts as part of the cost of doing business in a new capitalist economy, rather than a moral and religious failure.⁽²⁾

Despite this, Lepler goes on to make a clear case for the ways in which bankers and politicians on both sides of the Atlantic grappled with these failures, creating the idea of a single Panic. In London, the anxious directors of the Bank of England attempted to push off responsibility for managing the crisis by consulting with the elite members of the British government. Their efforts to involve the government in their decisions largely failed, but their attempt nonetheless opened up the question of whether national commercial disasters should be dealt with by government rather than financial institutions. In the US, the more fragmented political economy, one that Lepler terms a 'financial confederacy' meant that elites sought answers through party politics (p. 23). While Whigs attempted to use the (now somewhat toothless) Bank of the United States to restore commercial confidence, and blamed Presidents Jackson and Van Buren for triggering the panics through their financial policies, the Democrats attempted to foist the blame for the credit squeeze onto bankers, merchants and speculators.

Refreshingly, this account demonstrates clearly that it was political agendas on both sides of the Atlantic that led to the idea that a Panic was caused by a particular policy or institution. Each side marshalled the necessary information to make their case, using the burgeoning print media to convince the public that their solutions to these multiple crises were the correct ones. Here again the benefits of the cultural economy approach are evident. By tracing the formation of these discursive creations, the process through which multiple panics are transformed into a single Panic are laid bare. The importance of narrative and emotion are all too clear. Moreover, in a delicious irony, Lepler also subtly gestures to the fact that nearly all the wealthiest bankers, merchants and brokers looked to government, or at least government backed institutions, to resolve the problem. The group that popular history has dubbed the archetypal beneficiaries of laissez-faire economics were in fact happy to turn to the state for solutions. The echoes of 2008 resonate loudest in this section.

There is a great deal else that this book has to offer. Lepler is deeply sensitive to the ways in which the history of the panics reveals another aspect of the growth and development of 'second slavery' in the Atlantic world. Not only were slaves some of the most important collateral for New Orleans merchants in the 1830s, but slaves felt the direct effects of financial collapse more acutely than any other group as they were sold off again and again to cover the debts of struggling planters in Louisiana and Mississippi. Similarly, Lepler demonstrates the ways in which the payment of reparations to British slave-owners in the wake of the 1833 Abolition of Slavery Act caused British banks to withdraw credit from the US in order to cover some of these payments. Weaving the history of slavery into the history of capitalism in this way helps to deepen our understandings of how these systems of exploitation depended on each other, without collapsing the distinctions between these two economic structures. Lepler's work also provides insight into the ways in which increasingly global and integrated economic systems did not erase local differences in political economy. Her discussion of the differences between London, New York and New Orleans in terms of local economies show how interconnectedness does not necessarily entail convergence. Although it was beyond the scope of this book, Lepler's arguments prompt questions regarding how far the ripple effects of these panics went. Having connected the Anglo-American economy to Mexico, China and Brazil in the early stages of the book, it would have been truly exciting to follow these pathways out to discover the nature of a global response to these economic catastrophes.

Yet it is clear that Lepler's final contribution is directed towards the more recent discussions on financial crises and capitalism in the 21st century. Her exhaustive analysis of the historiography of the Panic works hard to make the point that the history of these events has always been used to promote a political or economic agenda, rather than reflect what actually happened. Her argument that no governmental or

economic system could really have averted a crisis that was caused by a loss of confidence is both unsettling and yet also strangely empowering at this particular juncture. It is unsettling in that it has the capacity to turn us all into victims of our own collective irrational responses. We are all, as we once were before, at the mercy of our own vulnerable sense of economic security. Yet her argument also debunks the idea that panics are created by single causes. As she writes, ‘those who determine the representation of the crisis shape its meanings and more importantly its theoretical and political uses’ (p. 253).

Given the politics of fear and scaremongering that has accompanied the most recent economic crisis, this insight resonates. Austerity measures have won many supporters in Europe in part because of the way in which the economic catastrophes in Greece, Spain, Ireland and other nations have been represented to the public. Retrenchment is represented by many as the only sure way of regaining control. Lepler’s argument reminds us that such solutions should not be treated as objective fact or theoretical certainty. Rather they should be seen and evaluated as part of the cultural constructions (and ideological positioning) that encompass a response to the loss of confidence in the capitalist system of doing business. Restoring confidence and control, she might argue, is less about balancing the books and more about regaining our sense of equilibrium.

Notes

1. Roseanne Currarino, ‘Toward a history of cultural economy’, *Journal of the Civil War Era*, 2 (December 2012), 564–85.[Back to \(1\)](#)
2. Bruce H. Mann, *Republic of Debtors: Bankruptcy in the Age of American Independence* (Cambridge, MA, 2002).[Back to \(2\)](#)

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