

BONDS OF WAR: THE EVOLUTION OF WORLD FINANCIAL MARKETS
IN THE CIVIL WAR ERA

by

DAVID KELLEY THOMSON

Under the Direction of Stephen Berry

ABSTRACT

“Bonds of War: The Evolution of World Financial Markets in the Civil War Era,” analyzes the distinctive role of Union bonds in global finance and state formation during the mid nineteenth century. Specifically I am interested in the American Civil War “as sold” by a quirky set of Union financiers spearheaded by Jay Cooke and his subcontractors who canvassed far and wide to sell a particular version of “America” to investors at home and abroad. Equally important to my study is the host of characters—crossing gender, racial, and national boundaries—whose confidence in the imperiled American Union paved the way for a global Gilded Age in which increasingly complex, broadly-distributed financial instruments projected both American power and a new ‘gospel’ of wealth. Civil War bonds enabled a new era of speculative finance to emerge that we are still contending with today. U.S. securities during the period were a global commodity. In ways we’ve never appreciated, high volume sales crossed the Atlantic to buyers in England, France, the German states, Switzerland, Belgium, Russia, Ireland, the Italian States, and the Netherlands, ensuring that the citizens of foreign countries had a vested interest in the Union. Despite the successful efforts to sell bonds domestically,

international sales were critical to the success of the Union cause. International sales represented a critical recognition abroad of the soundness of the federal government, buoying confidence at home. Bonds even made their way to hundreds of Cuban investors—revealing the interest held by individuals in a slave economy who still knew a good investment when they saw one—hypocrisy be damned. As crucial as the Civil War was to global finance, it was in the immediate aftermath during Reconstruction that a new financial order emerged.

INDEX WORDS: American Civil War, Abraham Lincoln, Salmon Chase, Capitalism, Jay Cooke, Union, War Bonds, New York City, England, Germany, Netherlands, France, Belgium, United States.

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DAVID KELLEY THOMSON

Bachelor of Arts, Bowdoin College, 2008

A Dissertation Submitted to the Graduate Faculty of The University of Georgia in Partial
Fulfillment of the Requirements for the Degree

DOCTOR OF PHILOSOPHY

ATHENS, GEORGIA

2016

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DAVID KELLEY THOMSON

Major Professor:	Stephen Berry
Committee:	Stephen Mihm
	Daniel Rood
	Julia Ott

Electronic Version Approved:

Suzanne Barbour
Dean of the Graduate School
The University of Georgia
May 2016

“When the history of this war comes to be written, no part of it will attract more attention or command more admiration than the chapters which relate to finance.”

Harper’s Weekly, May 10, 1863

“If it succeeds the bonds are good, if it fails they are worthless, that is the war.”

Thomas Haines Dudley

To Mom, Dad, Pat, and Ellen

ACKNOWLEDGMENTS

While this work stresses the power of debt during the bloodiest conflict in American history, I must also take time to thank those who I owe a great debt towards for their faith in me throughout the duration of this project. The debt that I owe many can never be fully repaid, but it is my hope that I can begin the process here. What follows is a list of the many teachers, friends, and colleagues through the past few years that have helped make this project a reality.

This project would not have been possible if not for the financial resources made available to me by various institutions to research this project. First and foremost, the University of Georgia's history department, and especially the travel funds endowed by Greg and Amanda Gregory were instrumental in facilitating the research for this project—especially that research conducted abroad. I truly believe this story cannot be told without the European narrative incorporated, and to move beyond mere newspaper articles and online source materials, it requires access to the archives in Europe. The Gregorys helped to facilitate travel to London, Paris, Amsterdam, Brussels, and Frankfurt to research the reach of American Civil War bonds. To them, I owe a tremendous debt of gratitude. I also want to thank the history department at UGA for signing off on said travel and for having faith in me to conduct this research. Thanks are also in order to the University of Georgia graduate school that helped facilitate travel to England as part of a doctoral exchange with the University of Liverpool.

In addition to this travel, I am indebted to numerous institutions for their travel grants and residential fellowships that enabled prolonged stays in locations that were of tremendous importance to my research. These include the Library Company of Philadelphia, The Huntington Library, Harvard Business School, The Rothschild Archive, New York Public Library, Gilder Lehrman Institute of American History, The Harvard Center for History and Economics, and Indiana University. On many occasions, specific archivists were of great assistance to this project. I'd especially like to thank Melanie Aspey, Justin Cavernelis-Frost, Sylvia Goldhammer, Geert Leloup, Steve Smith, and Bart Schuurman. Others overseas that were indispensable to this project include Joost Jonker, Guus Veenendaal, Daniel Frankignoul, and Martin Mueller. There are countless other archivists and individuals at the various archives within the United States and abroad who were of great assistance. To these individuals above and those I have neglected to mention, I offer my sincere thanks for assisting me with this project.

While they did not directly influence this project, I must recognize the individuals who in the past helped foster a love of history at a young age. My high school history teacher, Mr. Eugene Beliveau, well and truly made history come alive for me, and I'll never forget the opportunities he put before me, such as teaching a Civil War lecture to a group of high school students as a fifteen year old sophomore. Mr. Beliveau introduced thousands of students to history during his tenure and those who were able to take a course with him were able to benefit from one of the best lecturers I ever had the privilege to hear. I must also acknowledge the work of Professors Patrick Rael and Jill Pearlman during my undergraduate years at Bowdoin College. Patrick was my adviser during my time at Bowdoin and supervised my work on Otis Howard that resulted in my initial publication. Patrick always pressed me

to become a better writer and instilled that desire in me from the time I set foot on the campus the fall of my first year at Bowdoin. While I know there is still some ways to go to reach Patrick's level of proficiency, I hope he will take this offer of gratitude from a former student who he provided so much to in a four-year period. Additionally, I must also thank Jill Pearlman for the work she did in pushing my abilities as a writer and for opening the world of urban history to me. Jill's courses at Bowdoin are some of my fondest memories and a shining example of the benefits of a liberal arts education. For Patrick and Jill, I must offer my sincerest thanks for their willingness to put up with an over-anxious undergraduate and push him to develop better writing skills, better argumentation skills, and confidence in his own abilities.

The world of academia is strange at times, but it does nevertheless foster an atmosphere that I am proud to call "home" and enabled me to forge friendships that move beyond professional responsibilities. That said, I am greatly indebted to many individuals who have provided commentary, encouragement, or push back on this project all in an effort to make it better. Many thanks to Bill Blair, Brian Luskey, Martha Hodes, Jason Phillips, Julie Mujic, Ryan Keating, Megan Kate Nelson, Sven Beckert, Nicolas Barreyre, Scott Nelson, Seth Rockman, Andrew Popp, Steve Soper, Jake Short, John Inscoe, Jim Cobb, Gautham Rao, Chris Kobrak, Marc Flandreau, Dan Sutherland, Mira Wilkins, Michael Caires, Robert Wright, Michael Parrish, Gary Gallagher, Elizabeth Varon, Jonathan Levy, Franklin Noll, Kathryn Boodry, Brian Craig Miller, Pete Carmichael, Don Doyle, Anne Sarah Rubin, Jim Broomall, Shauna Devine, Rachel Shelden, Carrie Janney, Aaron Sheehan-Dean, and Jim Downs. These individuals have helped to make the graduate school journey possible on many levels and for that I am forever grateful for their assistance.

I'd also like to extend a warm thanks to my dissertation committee of Stephen

Mihm, Daniel Rood, Julia Ott, and my adviser Stephen Berry. It has been a privilege to work with a quartet of such knowledgeable historians. All four have helped in various ways to refine the dissertation as it evolved over the past several years by offering strong commentary, feedback, and probing analysis of what I am trying to accomplish. The end result is a stronger final product, although all errors are of my making. It is my hope that they have learned something in this process about the subject matter as a small repayment for all the assistance they have offered to me. I earnestly look forward to calling these individuals colleagues as I move forward with my professional career.

Contrary to what many non-historians may believe, the history profession is not a solitary endeavor and relies on the support of friends and colleagues who offer words of wisdom, encouragement, and advice during periods where it is needed the most. I am grateful to David Sokolow, Oliver Radwan, Maxwell Palmer, Kathleen Shea-Porter, Elisabeth Conroy, Brandon Mazer, Bernardo Guzman, Hilary Lewis, Bennett Lewis, Griffen Stabler, Robin Warner, Amy Rosania, Rashni Grant, Kaitlyn Hennigan, Alex LoPalito, and Kate Lebeaux for all they have done the past few years to help encourage me in the completion of this work. I must also thank fellow history doctoral students Robby Poister, Trae Welborn, and Angela Elder for their support during my time at the University of Georgia. It is a debt that I hope to repay at some point during their promising academic careers.

Finally, I must thank my family for the support they have offered. I must offer thanks to my extended Thomson and Kelley families who endured many holiday conversations about this project and my general passion for the Civil War, only to ask for updates during the next visit. To my brother Pat, I must thank him for his hospitality (and air mattress) on numerous research trips and understanding of his “weird” brother’s passion

for the Civil War, even if it is not as wonderful as the world of economics. To my sister Ellen, I am grateful for her love and support throughout this entire process, especially the many car rides to battlefields and historic sites when we were younger—something she endured with virtually no complaint. To my mother and father, Coralee and Jeffrey, I cannot properly articulate in words what their love and support has meant to me. For introducing me to history at such a young age and encouraging my pursuit of this hobby, I offer my sincerest thanks. For their patience and understanding as this hobby became a passion and future career I can never express enough gratitude. I will never be able to compensate them for the debts (monetary and otherwise) that I owe and continue to accumulate as I pursue my studies of the American Civil War. However, it is my hope that the dedication of this work to my entire family can be but a small gesture of my sincerest thanks for their partnership on this journey.

TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENTS	VI
LIST OF TABLES	XII
LIST OF FIGURES	XIII
INTRODUCTION.....	1
CHAPTER	
1 Antebellum War Finance	25
2 Early War Finance	52
3 5-20 and 10-40 Bond Issues, 1862-1864	98
4 International Bond Sales During the War	157
5 “Like a Cord Through the Whole Country”: The 7-30 Drive.....	196
6 Civil War Debt During Reconstruction and Beyond	237
7 Epilogue	295
REFERENCES	303

LIST OF TABLES

	Page
Table 1: Continental Currency Emissions	28
Table 2: Mexican War Long-Term Bond Issues.....	50
Table 3: New York Banks, their Operating Capital, and their Subscriptions to the Initial \$50 Million installment.....	77
Table 4: 5-20 Primary Sales by Sub-Treasury Region	132
Table 5: Public Loan Transactions of the US Treasury, 1865-1869.....	258
Table 6: Estimate of Foreign Ownership of Civil War Debt (1869)	265

LIST OF FIGURES

	Page
Figure 1: Map of 10-40 Sales by National Bank Locations.....	148
Figure 2: Quantity of 10-40 purchases by National Bank by Dollar Amount.....	148
Figure 3: Foreign Union Bond Sales 1861-1865	157
Figure 4: Locations of Sales of Bonds through the London Treasury Office, 1871-1872	284

INTRODUCTION

On Friday evening September 12, 2008, an unprecedented meeting took place at the New York Federal Reserve in downtown Manhattan. At stake was the future of the investment bank Lehman Brothers. One of the biggest names on Wall Street, the firm's stock value had declined 93 percent since the end of January as part of larger market concerns.

Overleveraged in vulnerable mortgage-backed securities and at the mercy of short sellers, Lehman's shares had plummeted precipitously during the summer following the fire sale of Bear Stearns that spring. Later efforts to sell the company failed when the chief executive, Dick Fuld, maintained too high a valuation of the firm even as the real estate chasm opened beneath it. The President of the New York Fed, Timothy Geithner, and Secretary of the Treasury Hank Paulson (himself a former CEO of Goldman Sachs), called the emergency meeting on the 12th after the market had closed to address the state of Lehman Brothers, and the market more generally—for if Lehman Brothers went, other firms would not be far behind as part of a financial shockwave through the system. Along with Geithner and Paulson, Christopher Cox-chairman of the Securities and Exchange Commission, attended. From the Street, Lloyd Blankfein of Goldman Sachs, Jamie Dimon of JP Morgan, John Mack of Morgan Stanley, and Vikram Pandit of Citi proved the nexus of the group. Representatives of Merrill, Credit Suisse, and Deutsche Bank were also present. Working groups broke out that evening and spilled over into the weekend to access Lehman's balance sheets, liquidity, and, most importantly, the liability of their real estate assets. A bailout for

Lehman Brothers was never in the offering that week and attempts to buy out the company by Bank of America and Barclays over the course of the weekend fell through. In the early morning hours of September 15, 2008, Lehman Brothers filed for bankruptcy. Lehman would become one of several financial casualties of the global crisis of 2008, and it remains the single largest bankruptcy in American history.¹

¹ That's the history of Lehman as we remember it today. Indeed, it's easy to forget that the firm went back over 150 years, with its roots in the antebellum South. In fact, Lehman had been under existential threat before and survived, as the Civil War and Reconstruction threatened to capsize the small brokerage firm deep in the heart of Dixie. The German immigrants Henry, Emmanuel and Mayer Lehman founded Lehman Brothers in 1850 at 17 Court Square in downtown Montgomery, Ala. Originally a general store (specializing in "dry goods, clothing, groceries, hardware, boots, shoes, hats, caps, bonnets, cutlery, flowers combs etc. etc. etc."), the brothers' firm expanded into a cotton brokerage firm during the 1850s as the crop's value began to soar in Britain and France. Despite the death of the eldest brother Henry in 1855, Lehman Brothers continued to flourish in the prewar cotton boom, and as cotton became king, so too did New York City as the commodity's clearing house. A New York office quickly became a necessity for the Lehmans, and Emmanuel shifted his operations to New York City full time in 1858. As Southern states seceded in the winter of 1860-61, Montgomery became not only the Alabama state capital but also the capital of the infant Confederacy, and the Confederate cabinet set up temporary shop within shouting distance of Lehman Brothers. The Lehmans were slave owners, deeply invested in cotton, and it seemed to them that the end was nigh. "Alles ist beendet!" ("All is finished!") lamented Emmanuel Lehman in his daily ledger in the New York office early in the war. But through a combination of savvy, slipperiness and dumb luck, the brothers survived. The war and subsequent blockade mandated a change in approach. An alliance with a Georgia native named John Wesley Durr, forming Lehman, Durr & Co., injected needed capital. Emmanuel made the most of the cotton that did make its way to New York through the blockade, though it could not meet the demand across the Atlantic and throughout the North. He also opted to pursue an allegedly more stable mode of profit: selling Confederate securities. Traveling to London, he scoured the city shilling bonds — very much in demand in the war's infancy, significantly more so than their Northern counterparts. (Emmanuel's efforts in London resulted in an awkward encounter of exchanged pleasantries and suppressed hostilities with Joseph Seligman, a Northern financier selling Northern bonds abroad.) But Emmanuel's sales met with dwindling success as the threat of Confederate repudiation cast an ever-looming shadow of doubt over rebel securities. As the war entered its final months, the Lehmans' embattled firm attempted to cement their claim as one of the most loyal banking houses in the Confederacy and in the process score one of the largest sales of cotton in the wartime South. Mayer worked with Alabama's governor, Thomas Hill Watts, to put together a good faith gesture to their northern adversaries: Mayer, acting as an agent of the state of Alabama, would take \$500,000 worth of cotton purchased by the state of Alabama — from his firm no less — and travel with it to New York City. The cotton would

When we tell the history of the collapse of 2008, we tell it as the story of the gutting of Glass Steagall, the capture of the ratings agencies, and the power of financial instruments of mass destruction—mortgage backed securities, collateralized debt obligations, and credit default swaps—that ultimately brought the entire world financial system to the brink of collapse, necessitating a government bailout. But a deeper history of the collapse goes all the way back to the origins of the American investment bank in the years of the American Civil War. All of the major American banks in that Fed boardroom during that fateful meeting in September 2008 (with the exception of Merrill) either were founded during the American Civil War, or grew to prominence as a result of the war and war bonds. JP Morgan, Citi, Goldman Sachs, and Lehman Brothers all had a stake in the war and post-war period as far

then be sold to local merchants and the proceeds would be spun off for the purchase of clothing, blankets and medicine for Alabama's sons currently languishing in Northern prisoner of war camps. Mayer and the Rev. Isaac Taylor Tichenor (Mayer's assistant, who provided a sacred and moral window dressing to this otherwise highly capitalistic venture) traveled to Virginia with the hope of meeting Gen. Ulysses S. Grant personally, or at the very least a representative of the Union who would be amenable to the arrangement. An initial meeting with Confederate President Jefferson Davis met with approval for the "humanitarian crusade." Lehman and Tichenor then wrote a lengthy note to the Union commander, appealing to his senses as a "gallant soldier" who "must feel for those brave men who by the fortunes of war are held as prisoners." Their efforts to cross Union lines under a flag of truce were denied, however, and no response came from Grant — even after repeated attempts. Finally, Lehman and Tichenor returned to Montgomery, empty-handed. The Lehmans were out hundreds of thousands of dollars in potential capital and had wasted a great deal of energy on their "benevolent" actions on behalf of the state. Things got worse. As the war drew to a close and Union forces closed in on Montgomery, Confederate soldiers set fire to all the cotton Lehman and Durr had stored up during the blockade. Such a devastating blow would probably have killed Lehman Brothers if not for the intrepid work of Mrs. John Wesley Durr, who had the presence of mind to hide the firms' cash reserve (in the form of gold) under her skirts, assuming that even Union soldiers would not stoop so low as to search there. The gamble paid off, and the funds proved instrumental in Lehman's rebirth in the post-war period. For more see, *A Centennial: Lehman Brothers 1850-1950* and Roland Flade, *The Lehmans: From Rimpark to the New World a Family History*. For more general examinations of the 2008 financial crisis, see Nouriel Roubini and Stephen Mihm, *Crisis Economics: A Crash Course in the Future of Finance* (New York: Penguin Press, 2010) and Andrew Ross Sorkin, *Too Big To Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System—and Themselves* (New York: Penguin Books, 2010).

as northern war bonds were concerned. To tell the story of American Civil War finance is to some degree to tell the story of the rise of the American investment bank, with technological and cultural identities developed in these embryonic years that have repercussions to the present day.

It is a story too with repercussions for our understanding of the Civil War itself. “The Yankees did not whip us on the field. We were whipped in the Treasury Department,” quipped one perceptive Confederate after Appomattox. While military historians will continue to argue that Grant and Sherman and Sheridan surely had something to do with it, I will contend that the war’s “financial soldiers”—especially the employees of the large financial house of Jay Cooke & Company, their subcontracting agencies, and the thousands of traveling agents who canvassed far and wide to sell U.S. securities—“won” the war for Union. Through exhaustive marketing campaigns tailored to a wide class of investors, these financiers and their salesmen instilled what proved to be a self-fulfilling faith in Union victory. In selling confidence, they created confidence, not merely in Union armies but in a Union ‘way of life.’ Such confidence in the imperiled American Union paved the way for a global Gilded Age in which increasingly complex, broadly-distributed financial instruments projected both American power and a new ‘gospel’ of wealth. The results were profound. The marketing of Union bonds on such a widespread, democratic basis constituted a dramatic evolution of financial markets within the United States. This world of speculation in bonds and greenbacks would lay the groundwork for modern American finance.²

On the eve of the war, federal finances were in complete disarray. The tariff reduction of 1857 and the Panic of the same year had led the federal government to run a

² Quote from Ellis Paxson Oberholtzer, *Jay Cooke: Financier of the Civil War* 2 vols (Philadelphia: George W. Jacobs and Co., 1907), 1:574.

deficit for four years. In addition, Southern ports' unwillingness to forward import duties to the Treasury Department in Washington as the war approached and the fact that secession appeared inevitable further complicated the financial picture. When the war began, recently appointed Secretary of the Treasury Salmon Chase continued the antebellum practice of funding wars through loans—largely bankrolled by Northern financial institutions in Boston, New York, and Philadelphia. In the summer of 1861, Congress authorized \$250 million in loans to meet the growing military expenses of the North. Of this \$250 million, \$100 million would consist of a popular loan—bonds purchased by Northern banks initially, that would then sell them to the Northern populace at large. Not surprisingly, military reversals in 1861 and the uncertainty of the future of the Union made many northern banks reticent to invest in the popular loan. This issue was complicated by the fact that most Americans had little idea what constituted securities, and had never seen themselves as “investors.” By the end of the year, the nation had reached a fiscal crisis, to the point that in December 1861, the banks suspended specie payments.³

Congress moved swiftly into the breach, passing the Legal Tender Act by February 1862. The bill authorized the printing of \$150 million in United States notes (known as greenbacks) and made these notes lawful currency. Additionally, the Legal Tender Act permitted \$500 million in six percent interest bearing bonds. The bonds were callable in five years although they did not mature for twenty (hence their name “five-twenties”) and could be purchased with the newly circulating currency. However, the weight of Congress behind

³ For more on the late antebellum financial situation see, Melinda Lawson, *Patriot Fires: Forging a New American Nationalism in the Civil War North* (Lawrence: University Press of Kansas, 2002), 42-43; For a detailed look at the initial \$250 million dollar authorization by Congress and the commercial bank response, see Bray Hammond, *Sovereignty and an Empty Purse: Banks and Politics in the Civil War* (Princeton: Princeton University Press, 1970), 37-58, 71-86.

the measures did little to assuage the concerns of prominent bankers—particularly in the vital financial hub of New York City. Union victory was far from certain and doubts loomed with regard to a possible repudiation of the debt. These bankers simply would not commit any further money to “the cause.” By the summer of 1862, Secretary of the Treasury Salmon P. Chase was desperate to find someone who could step in and make the bond drive a success.

The United States was not a total tyro at war finance. Robert Morris became famous during the American Revolution for spearheading \$2.5 million in loans from wealthy elites. The American Revolution was also financed with foreign loans from the French and the Dutch. During the War of 1812, \$36 million in treasury notes were issued over the course of the war in five separate issues. During the Mexican War, bond sales amounted to slightly less than \$43 million although these sales were large attributed to wealthy financiers (especially Philadelphia based Drexel & Co. and Washington based Corcoran & Riggs) and not amongst the general populace. Thus, while war financing was not a new endeavor for the Federal government, antebellum sales with targeted buyers largely based on a bidding system paled in comparison to the scope of operations during the American Civil War.⁴

In reality, after a short depression caused merely by uncertainty—one might even argue a basic lack of confidence among northerners—the northern economy recovered and actually thrived during the war. The absence of fractious, stalling Southerners in Congress

⁴ For more on American Revolution financing see, William Hogeland, *Founding Finance: How Debt, Speculation, Foreclosures, Protests, and Crackdowns Made Us a Nation* (Austin: University of Texas Press, 2012), 72-94 and Robert E. Wright and David Cowen, *Financial Founding Fathers: The Men Who Made America Rich*. Chicago: University of Chicago Press, 2006; For more on financing during the War of 1812 see, Donald Kagin, “Treasury Notes of the War of 1812,” *The Numismatist* February 2013, 34-39; For more on Mexican War financing see, James Cummings, *Towards Modern Public Finance: The American War with Mexico, 1846-1848* (London: Pickering & Chatto, 2009.) There is a wonderful chart on page 160 detailing the various bond issues.

allowed Republicans to finally pass the Whig economic package, including the Homestead Act, the Land-Grant College Act (a.k.a. Morrill Act), and the Pacific Railroad Act. The federal government also began moving toward a more nationally controlled currency system (the greenback) and the creation of banks with national characteristics. It was not yet the Federal Reserve, but it was a step in that direction. Moreover, new tariffs on all imported goods and the first income tax helped bring money into the federal coffers. Even so, the American Civil War was expensive, costing the federal government some \$3.2 billion—largely for the paying and supplying of a standing army of some one million men at various points during the war. That said, nearly three quarters of the government funding was raised from the sale of Union bonds.⁵

My interest in these bond drives is two-fold. First, I am interested in how, precisely, these bonds were marketed and sold, how the bond market evolved domestically and overseas, and with what long-term consequences for American and world financial systems. Second, I am interested in uncovering what the bond drives suggest about the version of the war the Union public was willing to buy and buy into. Following tremendous difficulty on the part of the Treasury to raise capital in the wake of the Union defeat at Bull Run in July 1861, Philadelphia financier Jay Cooke received exclusive rights from Secretary of the Treasury Salmon Chase to sell the \$500 million six percent bond issue of March 1862. This subscription met with wild success and was followed up with the 1865 “Seven-Thirties”

⁵ The exact amount of money raised through bond sales is a bit tough to nail down, although it was at least \$2.28 billion based on the larger bond drives. More time spent with the dozens of bond ledgers at the National Archives could perhaps offer a more precise number. This could also be extended to determine a more precise number of subscribers. Recent estimates have placed taxation in the wartime North to account for some 20% of overall revenue. For more on taxation in the North during the war see Gustavo A. Flores-Macias and Sarah E. Kreps, “Political Parties at War: A Study of American War Finance, 1789-2010,” *American Political Science Review* 107 (November 2013): 833-848.

issue of \$800 million. Because these bond issues were critical to Union finance, Jay Cooke's Philadelphia bank is often at the center of my study. However, this is not a biography of Cooke. Rather it extends further to the thousands of smaller agents and subagents who canvassed the North and western territories to market these bonds on behalf of Cooke and other subcontractors ultimately to over half a million subscribers by war's end.

While I will argue there are several factors that played to Cooke's advantage, it is undeniable that Cooke understood that what mattered most was confidence—like an evangelist spreading the gospel of capitalism and Union, Cooke mostly trafficked in faith. How else can one truly explain Cooke's abilities to convince some three million individuals that cut across racial and gendered boundaries to subscribe over two billion dollars (1865 dollars) to the various loan subscriptions in a manner that exuded confidence to a skeptical populace (less than 1% of whom had invested in the antebellum period). Perhaps New York City financier Joseph Seligman put it best; "Now I confess that altho' I know the U.S. to possess unparalleled resources, I sometimes doubt whether any people in any nation can successfully go on for years adding 1000s of millions to their National debt. If such a nation however does exist, there is no doubt but that the U.S are that nation." This was confidence made manifest as a market, and Cooke was the apostle of that experience. As historian Stephen Mihm has noted, "confidence was the engine of economic growth, the mysterious sentiment that permitted a country poor in specie but rich in promises to create something from nothing." Confidence, I will argue, became a sort of emotional commodity, ultimately proving a more durable basis for the Civil War economy than the antebellum one of cotton and slaves.⁶

⁶ Joseph Seligman Journal, Seligman Family Papers, New-York Historical Society, New York, New York; Stephen Mihm, *A Nation of Counterfeiters: Capitalists, Con Men, and the Making*

More than any other commodity, the sales of northern Civil War bonds during the war and Reconstruction periods offers a window into an evolving financial world. In the confluence of governmental legislation, Wall Street action, and Main Street investment, the war ushered in the new financial age in which investment shifted gradually away from financial elites to everyday investors. While the war began as one relying on the time old tradition of war finance via financial elites, the changing circumstances and scope of the war brought forward a new way to finance—calling on everyday citizens that spanned the entire country dedicating their funds to the cause. This ushered in a new form of American financial democracy unlike anything seen before. Furthermore, the war also fostered a new world of American investment banking, where firms came to focus solely on specific investments such as government bonds and later railroad stock while also underwriting major bond and rail issues. This was a demonstrable shift away from a joint merchant/broker world. This was a marked deviation from the antebellum world of American merchant finance where bonds and stocks were merely part of a larger portfolio of work that relied on trade of goods. Such actions paved the way for more widespread investment moving beyond the war as well. While by the 1880s bonds and stocks of firms became increasingly concentrated in the hands of a select few, the appetite for speculation led to the explosion of “bucket shops” and other areas where those of lesser means could still “invest” albeit through a different angle. Beyond that, the world of popular fiction and

of the United States (Cambridge: Harvard University Press, 2007), 10. This is not to imply that cotton and slaves were not fundamental to the antebellum United States. As recent historians have demonstrated, North and South increasingly worked hand in hand when it came to the commodity of cotton and in the process created a booming industry by the eve of the Civil War. For recent discussions see Sven Beckert, *Empire of Cotton: A Global History* (New York: Knopf, 2014) and Edward Baptist, *The Half Has Never Been Told: Slavery and the Making of American Capitalism* (New York: Basic Books, 2014). For a recent detailed review of these two works, see Dan Rood, “Beckert is Liverpool, Baptist is New Orleans: Geography Returns to the History of Capitalism,” *Journal of the Early Republic* 36 (Spring 2016): 151-167.

even things like Wall Street board games reveal the financial hold that gripped the populace at large as a result of Civil War finance. Modern American finance—from highbrow financiers to everyday speculators—grew out of government issued bonds and greenbacks. The world of finance and speculation that emerged in Reconstruction and carried forward into the latter part of the nineteenth century foreshadowed the popular investments of World War I and corporate stock ownership of the 1920s. Make no mistake: modern American finance grew out of the Civil War.

As such, the sale of northern bonds and evolution of finance more broadly during this period centers around four key ideas. First, bond sales were not restricted domestically. The marketing of such securities also crossed the Atlantic to buyers in England, France, Belgium, Ireland, Russia, Malta, Switzerland, Spain, the Netherlands, the Italian states, and the German states and helped to ensure that foreign countries had a vested interest in the Union's success. These bonds also gained traction in the Caribbean as many prominent members of the Cuban elite purchased bonds. International sales accounted for at least \$400 million of overall sales and had tremendous influence in turn over domestic markets and performance on northern exchanges. Secondly, bonds found their way into the Confederate heartland, as they were sold in virtually all Confederate states as Union forces advanced into these areas during the course of the war. These purchases are of importance because they offered Unionists a chance to demonstrate their loyalty and wavering Confederates a chance to hedge against their own cause. From the small farmer in Maine to the New Orleans Unionist, Union bonds offered an outlet for support of the government and in the process reconstituted how individuals related to the war, the federal government, and the new

economy. That being said, it is my intention to try and determine just how democratic these bond sales truly were.⁷

Third, this is also a dissertation about marketing. Newspapers served as the primary point of advertisement for salesmen, and Cooke & Co. carefully published lists of subscriber names and quantities from various regions as measures of loyalty and a stimulus to patriotic competition. Ministers too thundered to their congregations that they should invest in the holy cause of Union, in the form of treasury securities. Indeed, minister George Ide spoke at length of the northerners “Christian Duty” to buy war bonds. Other prominent northern financiers organized societies in cities such as Boston, New York, and Philadelphia for the purpose of promoting the Union cause and its capitalist institutions. The Loyal Publication Societies that sprang up in northern urban centers produced volumes such as “The Maintenance of Union: A National Economic Necessity,” to reinforce the importance of the capitalist system amongst the entire northern population. Bond purchases were an embodiment of and essential to the success of that capitalist system. Cooke’s message was clear— Union victory was not just unleashing freedom but unleashing the American economy itself.

Finally, the various bond drives funded the daily operations of the war at its most basic level. But more than that, they were both cause and effect of a new economic order.

⁷ The estimation of at least \$400 million in international sales is based off of the generally accepted 1865 estimate of New York and Leipzig firm Knauth, Nachod, and Kuhne that claimed that Union bonds held in Europe to be numbered at some \$320 million. This number has generally been accepted by scholars but some research of my own has pointed to this number potentially being a bit low. When coupled with at least \$35 million of bond sales for Cuban investors, a number of at least \$355 million is certainly reasonable. For more on international bond sale figures see, Oberholtzer, *Jay Cooke*, 1:513-15, Wilkins, *The History of Foreign Investment in the United States to 1914* (Cambridge: Harvard University Press, 1989), 104, Platt, *Foreign Finance in Continental Europe and the United States 1815-1870, Quantities, Origins, Functions and Distribution* (New York: Routledge, 1984), 151.

The traveling agents that came knocking on doors and tent flaps, the advertisements plastered across the country's newspapers, all effectively spread a new gospel: one of the key rights of citizenship was the right to invest in a modern economy rooted not merely in commodities but in confidence; we invest, more than anything else, in the nebulously awesome "future of America." The bond drives gave all Americans an opportunity to literally 'buy into' the Union cause, their country, and themselves. And buy they did, opening a new chapter in American financial history—one that extended the sale of financial instruments and securitized debt to the public at large.

Of course a discussion of the economics of the Civil War era inevitably draws comparisons to Charles and Mary Beard. Refined by Louis Hacker in the 1940s, this "Beard-Hacker" thesis subsequently impacted a generation of historians moving forward. For above all else, the Beard-Hacker Thesis emphasized the war's greatest achievement being the triumph of industrial capitalism. While the Beardian thesis is problematic in its failure to address how drastically the South changed following the war—something that many historians have subsequently addressed, this project nevertheless still places a focus on powers of economics and finance as a driving force in understanding the revolution within the Civil War era.⁸

Union bonds and bond marketing have received little attention in Civil War historiography. There has been a pair of notable biographies on financier Jay Cooke. Ellis Oberholtzer's *Jay Cooke: Financier of the Civil War* (1907) and Henrietta Larson's *Jay Cooke:*

⁸ For a detailed examination of the Beard-Hacker thesis, see Richard Ransom, "Fact and Counterfact: The Second American Revolution Revisited," *Civil War History* 45 (March 1999,) 28-60 and Philip Paludan, "What Did the Winners Win? The Social and Economic History of the North During the Civil War," in James McPherson and William Cooper eds., *Writing the Civil War: The Quest to Understand* (Columbia: University of South Carolina Press, 1998), 174-200.

Private Banker (1936) are two of the most thorough examinations of Jay Cooke's Civil War career. They are both dated, however, and are largely narrative treatments of the life of Cooke and his interactions with high-ranking Washington officials and financial men of influence, particularly Secretary of the Treasury Chase (and later Secretaries Fessenden and McCulloch), Assistant Secretary George Harrington, Assistant Treasurers John Cisco and John Stewart, and Cooke's brother, Henry Cooke—who worked on behalf of the company in the nation's capital. There are also some source issues with these works—especially Oberholtzer, where it is nigh on impossible to determine where the material is drawn from. Melinda Lawson's *Patriot Fires: Forging a New American Nationalism in the Civil War North* (2002) began to unpack the complexities of the bond drive and the thousands of individuals aside from Cooke who played an instrumental role in raising the revenue that paid for three-quarters of the war. Despite such efforts, Lawson's focus on Cooke constituted a single chapter of her work and does not delve into the topic in nearly sufficient depth. The importance of marketing and the widespread nature of the purchasers on a global scale is something that is not addressed enough.

Bray Hammond's *Sovereignty and An Empty Purse: Banks and Politics in the Civil War* (1970) does not place a significant emphasis on bonds and more on the banks and monetary policy. Even the recent scholarship in quantitative economic history such as work by William O. Brown Jr., Richard Burdekin, and Marc Weidenmier has restricted itself primarily to the Confederate Erlanger Loan. Finally, Jay Sexton's *Debtor Diplomacy: Finance and American Foreign Relations in the Civil War* (2005) does make the transatlantic connection with bond markets during the war, but it does not make the full connection regarding bonds and potential citizenship for future immigrants. In addition, Sexton misses several opportunities to more fully explore the complexities of bond sales abroad—particularly as it pertained to

the Rothschilds, the Cookes, and Seligmans on the continent more broadly, and the power of rumor and speculation to dictate market actions in London, Paris, and Frankfurt—especially in the post-war period. A recent dissertation (August 2014) by Michael Caires at the University of Virginia provides some wonderful context for larger Civil War finances as it pertained to greenback politics and the National Banking Acts during the Civil War, but Caires still does not place much emphasis on bond markets and bond marketing during this crucial period—despite the important role of National Banks in these sales.

As part of a new historiographical trend to “win back the war,” social historians began to move beyond the generals and various battles to discuss a real history of the conflict for those who fought and those who experienced the war not as part of various armies, but as part of the vital home front that helped sustain the war machine and the semblance of a normal life amidst the chaos. As it pertained to the Northern experience, scholars placed special emphasis on the role of northern women and the struggles they faced on the home front. Examinations of women who worked in factories and bore the burden of loved ones serving with the army while trying to raise a family became a crucial lens through which to view the larger impact of the Civil War. Additionally, scholars have expanded the gendered studies of the conflict to go beyond the female experience, to incorporate struggles over masculinity and contradictory notions of manhood that plagued soldiers in the Union Army just as much as other worries on the war front. Yet despite all these sizable efforts to improve our understanding of the social experience of the war, bond sales represents a crucial cog in the war machine that is desperately in need of further analysis.⁹

⁹ Maris Vinovskis’ article “Have Social Historians Lost the Civil War? Some Preliminary Demographic Speculations” provided a call to arms for social historians more than twenty

Likewise, this examination also fills a vital role in nineteenth century history of capitalism studies. Recent works such as Stephen Mihm's *A Nation of Counterfeiters* and Jane Kamensky's *The Exchange Artist* have demonstrated the wild nature of 19th century finance. Jonathan Levy posits that individual freedom became intimately connected to a new form of dependence—that of the personal assumption of risk and the offsetting of such risk onto others. Panics such as those of 1837, 1857, and 1873, only reinforced the fragilities of the American capitalist system and the imperative of risk management. Edward Baptist's recent work *The Half Has Never Been Told: Slavery and the Making of American Capitalism* (2014) continues a recent trend among historians of capitalism to more aptly demonstrate how slavery—as a capitalist system—worked in concert with many northern interests. Sven Beckert's *Empire of Cotton* (2014) reinforces the fact that we are still learning about the larger components of 19th century finance and their truly global reach.

That said, war bonds in American history (broadly construed) are receiving a revitalization in the historiography as evidenced by Max Edling's *A Hercules in the Cradle: War, Money, and the American State, 1783-1867* (2014). Edling's work claims to demonstrate that the rise of the 19th century nation-state was predicated upon a sustained and clearly organized public debt. An entire chapter of the book is dedicated to the Civil War. In addition, 20th Century war bond drives in the United States have received attention of late, including from Julia Ott who recently published *When Wall Street Met Main Street: The Quest for an Investors' Democracy* (2011). Ott shows how owning stock moved from the margins of society to

years ago. Vinovskis called upon social historians to undertake extensive research in the non-military aspects of the Civil War. Citing recent community studies that failed to take into account the Civil War, Vinovskis urged fellow social historians to examine this widely neglected component of American history. The plethora of social scholarship that began in the early 1990s can be seen, perhaps, as a response to Vinovskis' call. For more information see, Maris Vinovskis, "Have Social Historians Lost the Civil War? Some Preliminary Demographic Speculations," *The Journal of American History* 76 no. 1 (June 1989): 34-58.

become a defining characteristic of American citizenship. The transition from proprietary democracy (property ownership as a defining trait of democratic citizenship) to shareholder democracy (stock ownership defining the American ideal) did not occur overnight, according to Ott, but rather reflected an evolving ideal that emerged out of the turn of the century Populist and Progressive movements. Dr. Ott's thorough examination of war bond sales during World War I will indeed prove vital to an understanding of sales during the Civil War. Though bonds and bond marketing generally are receiving long overdue attention, the Civil War era is still a noticeable gap in this literature. This oversight is remarkable considering the stakes of the Civil War bond campaign to the success of the Union cause. This dissertation, then, will fill a deep void within the historiography of Civil War finance and the history of capitalism.¹⁰

The first chapter of the dissertation provides readers with insight into antebellum U.S. finances, beginning with a brief comparative overview of wartime finance—specifically war bond sales— from the Revolutionary War through the Mexican War—as well as a broader discussion of state and corporate (namely railroad) bond issues in the antebellum period. This topical foundation is essential to understanding how (and why) the Civil War represented such a deviation in the approach to wartime finance. This antebellum wartime finance, especially during the Mexican War, would ultimately be turned around (in large part) by the efforts of Jay Cooke. This chapter will therefore introduce Cooke to the reader and demonstrate some of his early actions to advance the United States cause, while also laying

¹⁰ Looking at the Revolutionary and Early Republic Eras' analysis of bonds and finance during this period is covered in depth by numerous works by Robert Wright including *The First American Wall Street: Chestnut Street, Philadelphia, and the Birth of American Finance* (2005), *Financial Founding Fathers: The Men Who Made America Rich* (2006), and *One Nation Under Debt: Hamilton, Jefferson, and the History of What we Owe* (2008).

the groundwork for his future financial endeavors on behalf of the United States government.

Chapter two goes into some depth regarding the early financial activities of the North through the year 1861. From a financial standpoint, the war at its outset was approached in the same way as prior American conflicts, which meant that the new Secretary of the Treasury Salmon Chase immediately encountered a nightmare of a financial situation upon his ascension to the role in the spring of 1861. His efforts to closely coordinate with Wall Street elites and their colleagues in Boston and Philadelphia backfired tremendously and led to the suspension of specie payments in December 1861. Despite this setback, the financial situation in the first year of the conflict also afforded the opportunity for the little known financier Jay Cooke to enter the stage and promote the sale of state (and later federal) bonds via the use of the Main Street populace. Cooke's success in the early months of the conflict would prove important for his future work. More importantly, the actions undertaken by Cooke revealed the alliance of the government, Main Street investors, and Wall Street financiers to effectively fund the war beginning to take shape.

Chapter three will explore in depth the 5-20 Loan Campaign of 1862. In October 1862, Secretary of the Treasury Chase formally granted Jay Cooke the exclusive private agency for the federal government's \$500 million "five-twenty" loan—a scheme that had been part of the Legal Tender Act of March 1862. Once more, these bonds were available with payment plans and in small denominations—as low as fifty dollars—so that it afforded an opportunity for "every Capitalist, be he large or small, or Merchant, Mechanic, Farmer" to "invest at once his spare funds." Finally, such bonds earned six percent interest and could be purchased with the controversial "greenbacks"—an enticing factor for prospective buyers (although interest was paid in gold.) To market the loan, Cooke received a commission of

one-half of one percent of the proceeds for the first \$10 million, and three-eighths percent thereafter.¹¹

The notion that the bond drive should be public in nature traced its origins to earlier nineteenth century French loans. Following the disasters associated with speculative bubbles in France and England in the 1720s, it took until the mid nineteenth century for European nations to once more explore state “stocks” as a possible investment strategy. French Emperor Napoleon III became well known for his ventures in state finance to underwrite the Crimean War. The loans of 1854-55 met with wild success for the French government and were successfully followed by the 1859 loan in which France raised \$100 million in a single day. Jay Cooke had created an extensive scrapbook collection of foreign press coverage of these French successes and he relayed this information to Chase.¹²

The power of the 5-20 campaign was predicated on the fact that success for such a loan of this scale on American soil was without precedent and required Cooke & Co. to create from scratch an elaborate national network of agents, subagents, subcontractors, salesman, and clerks. The operational center of this new empire was Jay Cooke & Co. on South Third Street in Philadelphia, but the critical political and lobbying work was conducted at Cooke’s Washington house, located across the street from the treasury building and headed by Henry Cooke. In addition, Jay Cooke & Co. incorporated regional subcontractors to assist in the sales of the five-twenty loan. These various bankers became responsible for their individual markets and in turn sold a significant amount of government

¹¹ Jay Cooke’s circular to his agents, November 7, 1862, Jay Cooke Papers, Historical Society of Pennsylvania (HSP), Philadelphia, Pennsylvania.

¹² Henrietta Larson, *Jay Cooke: Private Banker* (Cambridge: Harvard University Press, 1936), 121. Larson alludes to this scrapbook being housed in the United States Treasury. That said, speaking on the matter with Franklin Noll who works at the Treasury, to his knowledge these scrap books are not held by the Treasury to the present day.

securities to the public—and even amongst themselves. Thus, this chapter will examine the 5-20 Campaign in depth and introduce some of the pivotal actors in this drama. There will also be opportunities to examine in greater detail the buyers. Within this chapter there will be case studies with regards to bond sales. Taking data from a subset of the sales and then breaking down the sales by gender, region, and socioeconomic background could perhaps offer a representative idea of how sales worked across the United States. There are some dangers to such an example and the source material of bond ledgers located at the National Archives can only tell so much, but it offers a very intriguing point of departure. Those selected were predicated on the fact that ample information was available not only in the records of the Bureau of the Public Debt, but also within the census records for given locations. Thus, these samples are skewed towards certain regions of the country, but nevertheless offer some insight into purchasers. Such an undertaking also has great digital implications (mapping and otherwise) that I hope to investigate during the next iteration of this project.¹³

Perhaps most importantly, this chapter will begin to introduce the reader to the agents who began to work for Cooke beginning with the 5-20 Campaign. Out West, an underdeveloped financial infrastructure required Cooke to utilize traveling agents and subagents as the primary means by which the bonds were sold. These carefully selected

¹³ This was not the first attempt at the public financing of an American War. There was a War of 1812 \$16 million popular loan offered that did not sell. Additionally, there were also efforts made at a popular loan during the Mexican War that also failed to generate widespread investment by the general public. One investor of note, however, was the American agent of N.M. Rothschild & Son, August Belmont, Larson, *Jay Cooke*, 24, For more on public credit and the Mexican War see, James Cummings, *Towards Modern Public Finance: The American War with Mexico, 1846-1848* (London: Pickering & Chatto, 2009.); Larson, 123-24, 166, 168; H.E. Fisk, “Fisk & Hatch, Bankers and Dealers in Government Securities, 1862-1865,” *Journal of Economic and Business History* vol. 2 (1930), 707. For more on the service of Clews & Co. during the Civil War, see Henry Clews, *Fifty Years in Wall Street* (New York: Arno Press, 1973), 39-94.

young men combed the Northwest selling a “precious” commodity. Cooke matched individuals to regions and wrote encouraging letters to these men while they were out on the trail.¹⁴

The efforts of Jay Cooke & Company are all the more remarkable when we remember that he was selling a new paradigm: one in which value was placed not in something quantifiable such as cotton, gold, (or slaves for that matter) but in confidence—in the belief that the Union would endure, flourish, and eventually compensate those who had placed their fiscal trust in their nation. This marked a demonstrative shift from antebellum society where most conspicuous investment could be traced back to cotton and slaves. Cooke was selling something else—he was selling the future, a future in which the Union continued to thrive; he was selling a self-fulfilling prophecy, so long as it lasted; he was selling America’s confidence in itself back to itself in an endless cycle. In doing so Cooke altered the relationship of individuals to the state and individuals to investment, and he opened wide a new market and a new network for the sale of financial instruments and collateralized debt among everyday members of the northern populace.

While more than eighty percent of bond sales occurred domestically, the marketing of such securities did cross the Atlantic to critical markets in England, France, Ireland, Spain, Belgium, the German and Italian states, and the Netherlands. Addressing the bond sales abroad during the war, chapter four argues that such purchases ensured that the citizens of foreign countries had a vested interest in the Union’s success via their purchased acts of confidence in the imperiled Union. Most important, these purchases and the accompanying rumor and speculation that crossed the Atlantic back to the North had a tremendous impact

¹⁴ Larson, *Jay Cooke*, 124-25, 241. One western bank of note that Cooke did enlist was the California based Wells Fargo & Co.

on market performances in New York, Boston, and Philadelphia. This transatlantic binary led to a drastic impact on local purchases through the rest of the Union from various subagents.

This fourth chapter explores the international scope of these bonds and the powerful reach not only of Jay Cooke & Company (the government's sole contractor) but other influential financiers from Clark, Dodge & Co., Fisk & Hatch, Philip Speyer & Co., J.W. Seligman & Co. as well as European financial firms Rothschild & Son, Knauth, Narhod & Kuhne, R.J. Kimbal, Baring Brothers, Insinger, Cazenove and Co., Becker and Fuld, Hope and Co., Wedewe Borski, De Nederlandsche Bank, Seligman and Stettheimer, Lazard Speyer-Ellisson, Philip Micholaus Schmidt, Karl Pollitz, and M.A. Gruenbaum and Ballin. Bond sales also made their way into the Caribbean as New York City financier Moses Taylor acted as a key facilitator for some \$35 million in bond sales to residents of Cuba. Canada, also, invested extensively—the sales often handled by American expatriates. This chapter on international bond sales also explores how the American capitalist gospel was spread abroad, how confidence in America grew and changed over the period, and how rumor and propaganda often had determinative influences on the international stage.

French Consul John Bigelow is a case in point. His close work with *Le Temps* financial writer André Cochut reveals the extent to which the right language at the right time to the right people could exert enormous power over the Parisian exchange and through it the fate of the Union cause. Another illustrative case of the power of rumor reverberated throughout the European continent in the fall of 1863 following the claim that a German bank in Darmstadt was facilitating a direct loan to the Union government—something that ultimately did not materialize but had a dramatic impact on boosting prices on the European continent. While international sales comprised approximately 15-20% of the total \$2.3 billion

during the war, they are essential to understanding how and why the bond trade actually worked. International sales offer us some valuable insight into trading mechanisms during the Civil War era as off-market sales in dark pool arrangements increasingly came to define international sales. When coupled with the use of telegrams to install a 19th century high frequency trading equivalent, it offers a powerful point of departure (initially) from US sales that ultimately come to incorporate such technology.

Chapter five will address the \$800 million Seven-Thirty Campaign, which constituted the largest bond drive of the entire Civil War. As such, this chapter will explore the Seven-Thirty Campaign in detail and examine the many elements of a campaign that brought new markets into maturity. Following the conclusion of the five twenty drive, Cooke was not enlisted as an exclusive agent for subsequent sales by Chase. This was a point of contention with Cooke and one that he took as a personal affront. This practice continued with the acrimonious departure of Chase from his position as Secretary of Treasury and his replacement by Maine Senator William Pitt Fessenden. When Fessenden enacted the seven thirty campaign (originally three year treasury notes of 7.3% interest, with the option of 5/20 conversion), he relied on the National Banks to sell the bond issue. It was his hope that the banks would see the benefit to the loan scheme so aptly demonstrated by Cooke without forcing Fessenden to resort, and thereby deeply enrich, one individual.¹⁵

After continued lagging sales of the seven-thirties, however, Secretary Fessenden finally employed Cooke as general subscription agent in January 1865. From his position, Cooke received a commission of three-fourths of one percent on the first \$50 million and

¹⁵ For some of the examples stemming for this issue see, Salmon Chase to Jay Cooke, March 22, 1862, Salmon Chase to Jay Cooke April 26, 1862, Henry Cooke to Jay Cooke, May 13, 1862, Henry Cooke to Jay Cooke, November 12, 1862, Salmon Chase to Jay Cooke, April 23, 1862, Salmon Chase to Jay Cooke, July 29, 1863, all of these letters reside in the Jay Cooke Papers, HSP; *Congressional Globe*, December 22, 1862, 167.

five-eighths for the subsequent \$50 million. Further negotiations were to be had for the remaining \$700 million in bonds. Most tellingly, the agreement permitted the Secretary of the Treasury to suspend Jay Cooke's appointment at any time should he deem it necessary. Despite this apparent attack on Cooke's credibility, he worked extensively to promote the new seven-thirty campaign to reach its goal of \$2 million in daily sales. Much of Cooke's work would now be conducted through national banks that were enlisted as agents.¹⁶

As the chapter will demonstrate, the seven-thirty publicity campaign benefitted from the familiarity that the press held with Cooke and his work on the five-twenty issue. The success of Union arms in the spring of 1865 led to rapid sales of the bonds and led Congress on March 3rd to authorize an additional \$600 million of bonds for sale. Following Lee's surrender on April 9, 1865, sales skyrocketed. Between April 9th and the end of July \$530 million of the bonds were sold to conclude the sale of the seven-thirty at \$830 million.¹⁷

Finally chapter six addresses the post-war period of finance on a domestic and international level. Domestically, the challenges of the Civil War debt would prove to be a political football in the immediate post-war period as Democrats and Republicans jostled for control within Congress to dictate fiscal policy. But beyond the importance of domestic issues, the veritable explosion of international investment would prove a lasting legacy of the conflict and the rise of American investment banking. Partnerships built during the war,

¹⁶ As for why sales lagged following the success of the five twenties, there's no clear-cut answer. However, there are certainly a few avenues of speculation. First and foremost, the war outlook from the Union standpoint in summer of 1864 was less than encouraging while larger issues surrounding fears over gold speculation may have also factored into play. Undoubtedly one element that hampered future sales was the decision on the part of Chase to follow up the five-twenty sales with a 10-40 drive that only yielded 5% interest. These dreaded 10-40's were remarkably difficult to offload, especially amongst northeastern financial elites, and may have impacted future sales. For more on the lagging bond sales in the aftermath of the success of the 5-20s, see Lawson, *Jay Cooke*, 161.

¹⁷ *Constitutional Union*, February 15, 1865, Larson, *Jay Cooke*, 169-72.

either silent or formalized, carried over into the Reconstruction era as elaborate financial networks were built to sell the American debt abroad—especially in the markets of Holland and Germany. The opening of European branches for American firms in the post-war period marked the beginning of a new chapter in American investment banking. Something enabled by the war itself.

CHAPTER 1: ANTEBELLUM WAR FINANCE

On a cold, dark, blustery Christmas Eve, the banker Ebenezer Scrooge settled down for his holiday slumber. Frustrated by the fact that his workers (most notably trusty clerk Bob Cratchit) would require Christmas day off with pay per social custom, Scrooge struggled to fall to sleep. Shortly thereafter, his former business partner, Jacob Marley, warned Scrooge that he would soon be visited by three ghosts— of Christmas Past, Present, and Future. Most of us know the story of Charles Dickens’s *A Christmas Carol*, published in December 1843 and set in nineteenth century London. Ebenezer Scrooge, through the visits of the three ghosts, comes to appreciate the true meaning of Christmas and the value of family, friendship, and love. While this Christmas tale has been adapted to film versions several times over, those who have not read the text itself may not realize the financial reference made by Dickens between Marley’s visit and the Ghost of Christmas Past. Prior to the visit of the Ghost of Christmas Past, Scrooge had a dream, a nightmare in fact, in which he had slept through a entire day thereby rendering his investments so worthless to be but a mere “United States security.” Charles Dickens, someone who had visited the United States shortly before writing *A Christmas Carol* and well aware of recent defaults by numerous states, chose his sole reference to the United States in this work to reveal the general sentiment of many investors in the antebellum period. Many in the United States and abroad met United States debt at the state and federal level with great skepticism. This was especially true of Dickens’s British audience, where many British investors found themselves

with numerous American investments in default by the early 1840s. Yet even in this period of great skepticism, the United States utilized the various wars fought from its inception through the Mexican-American War to refine its approach to financing wars, and by extension, the faith and confidence of others in the debt of the United States. The evolution in wartime finance to gradually incorporate longer-term securities came to serve as a blueprint for early war finance during the Civil War as well as open several doors for the evolution of Civil War finance itself.¹⁸

To be sure, the Civil War did not represent the first foray into bonds and wartime finance for the treasury. Early Civil War finance represented a culmination of the evolution of war finance techniques from the Revolution to the US-Mexican conflict, and Civil War finance czar, Jay Cooke, cut his teeth in the financing of the Mexican War. But above all else, antebellum finance revealed a world wherein war finance was still relegated to large financial institutions and wealthy individuals primarily sequestered in the northeast and remained (with minor exceptions) a largely domestic operation based on a closed system of submitted bids. Such methods ultimately proved successful enough to fund antebellum military operations of varying degrees—but often only by a thread. Described by Jane Flaherty, such an approach known as “Dutch Finance,” referred to the United States borrowing money for the extraordinary measures of war and using taxation to cover regular government expenditures. As accurately noted by Flaherty, “the private capital of a few wealthy individuals would be tapped to help bolster public credit.... By controlling the market on these securities, these men made a handsome profit for themselves on commissions, favourable interest rates, and by purchasing the bonds below the market price that they

¹⁸ Charles Dickens, *A Christmas Carol in Prose, Being a Ghost-Story of Christmas* (London: Chapman & Hall, 1843), 17.

would subsequently establish.” Nevertheless, examining these wars, however briefly, is valuable in seeing how vast a deviation Civil War finance ultimately became, from a matter of scale, to one of geography, and finally one of demographics.¹⁹

The American War for Independence represented the first foray into war finance for the fledgling nation, and in many regards in scope and sophistication it mirrored the infant struggles of the United States. For in reality, the American Revolution and the financing of the war can best be described on the one hand by the widespread introduction of a fiat currency of “continentals” that led to severe inflation as the war progressed. On the other hand, the war also represented a small-scale introduction of war bonds (known at the time as “loan certificates”). Totalling some \$6 million in specie—a rather modest sum compared to later American wars prior to the Civil War even when adjusting for inflation—it nevertheless represented an important first step in American war finance. The first attempt at war finance was not without its growing pains and reflected the challenges of financing a war for a nation that did not have a credit history at a national level. As a result of a lack of credit history, coupled with a governmental body that could not tax, the revolution represented a challenging attempt at war finance. Despite this, the financing—chiefly led by Robert Morris—marked the beginning of American war finance and provided a small blue print for future finance in the nineteenth century.

The immediate solution for war finance at the outset of the conflict was the issuance of fiat currency. Currency centered around “continentals” came to define the early war period. As the war progressed and spiraled to become a struggle far exceeding the expectations of both sides, the currency introduced likewise spiraled out of control, leading to rampant inflation. As Table 1.1 demonstrates, what began as a small trickle of currency

¹⁹ Jane Flaherty, *The Revenue Imperative* (London: Pickering & Chatto, 2009,) 24.

rapidly spiraled out of control by the late 1770s. The Continental Congress, being incapable of levying any sort of tax, and the states unwillingness to do so in light of the very reason the war was being fought in the first place (a push back against central, abusive government) led to this rapid escalation in currency finance—serving only to severely devalue the currency. In January 1777, one needed \$1.25 in currency to purchase \$1 in specie. At the same point two years later, it required \$8 and by January 1781, one needed \$100 in continentals to buy \$1 of specie. Requests to the states to produce funds met with mixed results as they themselves found it difficult to fund such a war while refusing to increase taxes.²⁰

Table 1: Continental Currency Emissions²¹

1775: \$6,000,000

1776: \$19,000,000

1777: \$13,000,000

1778: \$63,400,000

1779: \$124,800,000

Total: \$226,200,000

While the early years of the conflict came to be defined by currency finance, as early as October 1776, the Continental Congress began issuing war bonds. The first issue of \$5 million worth of bonds at 4% interest met with very little interest. The interest rate was too

²⁰ James Ferguson, *The Power of the Purse: A History of American Public Finance, 1776-1790* (Chapel Hill: University of North Carolina Press, 1961), 30-33. Ferguson also incorporates a table detailing the rampant depreciation of continentals up to April 1781, when \$167.50 in continentals purchased \$1 of specie.

²¹ Totals garnered from Ferguson, *Power of the Purse*, 30.

low for a new nation with no guarantees they would not default in the event of a defeat at the hands of the British. By February 1777, Congress had raised the interest rate to 6%. By March 1778, Congress had agreed that the interest could not be paid out in colonial currency because of inflationary issues, and therefore they would need to be paid out in bills of exchange using a \$2 million livre loan granted by France as security against the loan. Such an act quickly fell out of favor, however, and was withdrawn within six months because of a lack of interest within the country for the loan on those terms—with the notable exceptions of speculators such as Robert Morris.²²

Between 1778 and 1781 some \$60 million in currency was subscribed to the loan, but because interest had been reverted to a currency payment, the value of the bonds was increasingly negligible as the months progressed. Furthermore, the majority of the holders were merchants and suppliers of the armies who were increasingly paid in this format—far fewer subscribers as seen in future conflicts. Some foreign merchants also purchased the bonds or were paid in these forms—one quotation from November 1779, notes that while currency was 75 to 1 when it came to specie, bonds were found at 24 to 1. The American Revolution represented a first on many levels for the United States. This extended to war finance as well. Just because bonds were issued does not mean they were widely regarded, however. It would take another conflict with the British and the changing culture of long-term debt to significantly alter the nation's war finances.²³

²² Ferguson, *Power of the Purse*, 35-37.

²³ Ferguson, *Power of the Purse*, 39-40. In addition to bonds, the Revolutionary War was also defined by a series of foreign loans brokered by various American agents. France, Spain, and Holland all came to be crucial financial partners to the new nation as it fought a war against their European brethren. For more on the Dutch contributions, see Guus Veenendaal, *Slow Train to Paradise: How Dutch Investment Built American Railroads* (Stanford: Stanford University Press, 1996), 9-13. For more on Revolutionary War Era finance see Robert Wright, *Hamilton Unbound: Finance and the Creation of the American Republic* (Westport, CT: Greenwood Press,

The War of 1812 is increasingly glossed over in the traditional American history survey course. While the burning of Washington D.C. and Andrew Jackson's famous victory at New Orleans are covered to varying degrees, the war is often times viewed as a mere afterthought—a war in which the United States did not “win,” but rather merely outlasted the British interest in a conflict several thousand miles away that proved a sideshow to Great Britain's more significant and simultaneous war with Napoleon's France (and her allies). While the war's long-term political impact can certainly be a topic of debate, undoubtedly the financing of the conflict represented the most important of the three major wars of the antebellum period. While creating a debt equal in size to that from the American Revolution, the financing of the War of 1812 under Albert Gallatin (and to a lesser degree his successor Augustus Dallas) represented the United States' first foray into conventional long-term bond issues. Totaling some \$73 million in total bonds (and a total of \$37 million in Treasury notes, although never more than \$17.1 million in circulation at any time), the effort to sell these in the United States to help finance the war with Britain signaled a major shift in American war financing. A sharp contrast to the Continental fiat currency days of the Revolution, the implementation of these bond issues—admittedly to varying degrees of effectiveness—nevertheless represented a strong shift to adopt more traditional efforts of war finance modeled the British. In doing so, the United States would come to embrace being a nation of debt, despite the successful pay off of all debt in 1834. By avoiding a rash pay off of debt in the post war period through high taxation, the United States came to act in a similar

2002) and *The First Wall Street: Chestnut Street, Philadelphia and the Birth of American Finance* (Chicago: University of Chicago Press, 2005). For a very quick overview of war finance in the antebellum period, see Flaherty, *The Revenue Imperative*, 24-30. Another book on Revolutionary War finance worth examining is C.L. Ver Steeg, *Robert Morris: Revolutionary Financier* (Philadelphia: University of Pennsylvania Press, 1954).

manner to her European sister states that shouldered a national debt as part and parcel of being a country.²⁴

At the time of the War of 1812, Albert Gallatin was at the helm of United States finances. A firm opponent of war (on its financial grounds), Gallatin nevertheless undertook his work with gusto. Of greatest concern to Gallatin was raising funds through taxation—threading the ever-difficult line of taxation tolerable to the general populace without evoking the popular uprisings of the 1780s. Additionally, Gallatin also had to contend with strategies regarding the payment of the War of 1812 debt before the country had even really advertised any sort of loan. In true Jeffersonian fashion, there was a deep distrust of a long-standing public debt. Efforts made in the previous fifteen years prior to the War of 1812 to halve the public debt proved that the United States could repay its debt, but that the weight of a war debt from the coming conflict would add, in Gallatin’s mind, a further fifteen years to ridding the entirety of the American public debt. This goal that “neither a perpetual and increasing public debt nor a permanent system of ever-progressing taxation shall be entailed on the nation,” drove the actions of Gallatin and his Treasury Department. Thus, Gallatin found himself navigating challenging waters in the build up to a war with Britain, one that he did not want, but nevertheless needed to properly finance so as to ensure success. The fact that the war also came to be widely despised by Federalist centric New England where the

²⁴ Max Edling, *A Hercules in the Cradle: War, Money, and the American State, 1783-1867* (Chicago: University of Chicago Press, 2014), 141. During the European wars of the early nineteenth century, Britain also sold financial instruments to fund their conflicts—chiefly three percent British consols. As was often the case in war time, these bonds sold at a significant depreciation averaging a price of £61 between 1812 and 1815. In peacetime in the latter part of the eighteenth century, the same securities were hovering between £90 and £106 6s. For more on British debt see J.J. Geillier, *The History of the National Debt, from the Revolution of 1688 to the Beginning of the Year 1800* (London, 1800).

overwhelming majority of available capital resided only further complicated the issue for the Secretary.²⁵

Aside from a small amount of direct bank loans, Treasury notes and bond issues came to fund the War of 1812. While nearly \$37 million in Treasury notes were issued by the United States during the course of the war, no more than \$17.1 million ever were outstanding at any point during the war. The financial instruments known as Treasury notes—bearing interest and redeemable after a year—were largely used to pay government contractors and suppliers but were not used to serve as currency. That said, the number of Treasury notes in circulation did increase following the suspension of specie payments in 1814 that subsequently resulted in a fairly stringent money market. Treasury notes at times found their way into circulation as a sort of currency, although that was never the intention of their usage and every effort was made to avoid the rampant inflation tied to the Revolutionary War with the introduction of continentals. State bank notes remained the dominant form of currency during the war and every effort was made to monitor the amount of notes in circulation.²⁶

Despite the usage of Treasury notes, the War of 1812 ultimately relied on long-term interest bearing bonds. In total, the government issued some \$73 million in bonds. While the bonds did not sell at face value at any point during the war (and the legislation did not mandate this to be the case), this still represented a significant increase in long term securities issues compared to the American Revolution. In the wake of a failed renewal of the Bank of the United States in 1811, Gallatin realized he needed to find a market for the securities in the country. An initial loan of \$11 million for March 1812 led to various

²⁵ Albert Gallatin to Thomas Jefferson, March 10, 1812, *WAG*, 1:517; Edling, *Hercules in the Cradle*, 124-25.

²⁶ Edling, *Hercules in the Cradle*, 126-27.

advertisements in newspapers calling on investors to subscribe at a variety of banks throughout the entire country. Subscribers could put down an initial payment, followed by an additional seven monthly payments for the balance of their investment.²⁷

Various newspapers got in on the investments and the partisan rancor of the press revealed two sides of the same coin. For pro-administration newspapers, there was a call to equate investment with patriotism. “Patriotism calls for the fulfillment of the loan,” declared one such pro-administration paper. However, the disappointment of the initial issue (some \$6 million of the \$11 million loan was actually subscribed) meant that anti-administration forces could relish in the relative failure of the Madison administration and the unwillingness of financiers to back the President and his policies. Banks had procured \$4 million of the initial issue, while the other \$2 million fell to private individuals. Following the initial setback of a mere \$6 million commitment in the six week subscription window, Gallatin reopened the books on the \$11 million loan but to little effect.²⁸

Congress, perhaps hoping for better luck on a new issue, passed legislation in February 1813 for a \$16 million issue. Once again the issue struggled and when it closed a month later, only \$4 million of the issue had been subscribed. The *New York Gazette* quipped after this second failure “To Borrow---not to tax—the government was print: The People, not Subscribing, left it quite alone.” With the status quo clearly not working, Gallatin opted to open to bid the loan to the general populace. Of course, the “general populace” was well open to interpretation as the minimum investment still remained \$100,000. The call nevertheless went out to any “person or persons, body or bodies corporate, who may offer,

²⁷ Edling, *Hercules in the Cradle*, 127-128.

²⁸ Edling, *Hercules in the Cradle*, 128-30. In one of Gallatin’s many efforts to place a positive spin on an otherwise dismal initial loan issue, he correctly pointed out that the \$2 million subscribed by private individuals matched the entire loan issue of the American Revolution.

for themselves or others.” The new approach met with success as the first American syndicate comprised of John Jacob Astor, Stephen Girard, and David Parish comprised a sizable portion of the “list of friends” who subscribed for \$9 million. The successful “friends” procured the \$16 million loan issue at 88 cents on the dollar for six percent loans with a twelve-year maturity. Owing to the discount, the true yield on the bonds more accurately reflected a 6.8% yield.²⁹

A third loan of \$7.5 million passed just four months after completion of the \$16 million loan was also subsequently filled. A fourth loan of \$10 million also met with success—albeit at the now established rate of quotation of 88 dominating all American government issues. The fact that Gallatin had traveled to London to negotiate a peace between the United States and Britain led many to feel optimistic that not many issues might remain.³⁰

That said, the surrender of Napoleon in April 1814, and the subsequent redoubling of British efforts in the war in North America culminated in the capture and burning of Washington on August 25, 1814, wreaked havoc on American financial markets and the sale of a \$10 million loan issue. The panic led to United States bonds selling at 80—meaning a true yield on twelve-year bonds of some 14%. By the fall of 1814, the government had defaulted on loan interest payments to the tune of \$1.9 million and subscriptions were withdrawn. Despite the efforts of newly appointed Secretary of the Treasury August Dallas to pass a new round of taxation through Congress there remained great doubts over the United States finances, especially without any sort of national bank. The fact that bonds were quoted in Philadelphia at 77 revealed the great uncertainty surrounding United States

²⁹ Ibid., 129-30.

³⁰ Ibid., 130.

bonds and a general unwillingness on the part of the government to try and put forward a new issue. The United States was in arrears on several issues and running out of money fast. The government looked longingly across the Atlantic for good news to emerge from Britain regarding a treaty to end the conflict that was quickly spiraling out of control financially.³¹

The Treaty of Ghent signed in December 1814 and relayed to the United States in early 1815 enabled the United States to end the war without furthering down a road of financial uncertainty. Bond prices climbed on the treaty news in February 1815, by sixteen percent in a single week. On May 31, 1815, the government press proclaimed “Tis done. The long agony is over. Public credit is restored.”³²

The end of the War of 1812 inevitably brought forward the question of debt repayment. As previously demonstrated, the repayment of Revolutionary War debt in conjunction with the establishment of public credit and assumption of state debts led to a highly contested, highly taxed, period for the Early Republic. In the wake of the War of 1812, the United States sought to avoid such a reprisal at all costs. The Treasury notes issued during the war were the first debt obligation tackled. On October 1, 1815, \$16.2 million in Treasury notes was outstanding. By the same time in 1817, that outstanding total had been reduced to \$635,963. The repayment of war bonds was another matter entirely owing to their size and the fact that legislation had been devised as such that the bonds could not be settled earlier than the fall of 1824. As a result of this the United States avoided high taxes following the war, and instead focused on maintaining high customs duties to fill government coffers. Because the tariff remained decidedly apolitical for the better part of a decade following the war, the United States found itself in a great position to pay off the

³¹ Ibid., 131-32.

³² Quoted in Ibid., 135. N. 48

War of 1812 debt during the administrations of John Quincy Adams and Andrew Jackson. By new years day 1831, only half a million dollars remained on the War of 1812 debt. Not only was this debt paid off, but by 1834 the United States did not have any public debt. For Gallatin, this presented a United States to the entire world—one of an “unprecedented spectacle” of a government “virtually without any debt.”³³

The War of 1812 represented a shift in American war finance from its Revolutionary War days. Gone for the time being was the reliance on fiat currency and high taxation to pay off said debt. In its stead emerged a more traditional, more European system of war finance reliant on long-term bond issues with a relatively high interest rate compared to European counterparts. Long-term indebtedness (the definition of long term certainly being relative) became a defining element of United States war finance and the operations of the treasury moving forward. Unlike the Revolutionary War, however, Congress and the Treasury resisted a desire to rapidly pay off a debt through a system of high taxation that had disastrous consequences in the 1780s. Rather, the efforts to embrace a long-term debt as part and parcel of being a Republican nation would now become the norm for all future war financing. The zeroing of the public debt in 1834 was a signal accomplishment of American finances at the time—and one not to be repeated. That said, following several decades of relative peace, the United States would once more be thrust into war on the North American continent and contend with financing a new war, not necessarily larger in scope, but with a new found appreciation for war finance centered on long term indebtedness and an effort to sell to “the people.”

Between the War of 1812 and the Mexican War, the United States and the world were riddled by the Panic of 1837 and the subsequent financial implications. With Andrew

³³ Ibid., *Hercules in the Cradle*, 141-42.

Jackson killing the 2nd Bank of the United States attention shifted to lingering state debt. Creditors anxiously looked at several states with debt obligations that may not be met. By the early 1840s, eight states (and one future state in Florida) had defaulted on interest payments and once more made no effort whatsoever to placate investors—especially those in Britain. Furthermore, there were no attempts made to warn investors of the imminent defaults, nor an attempt or belief on the part of Southern state governments to believe they owed anything to their investors. Chief among those who believed the British investors knew the risk involved and that they should not expect anything in return was Senator Jefferson Davis of Mississippi. His statements on the fact that default was acceptable proved to be tremendous fodder for Northern activists during the Civil War against Davis—the future President of the Confederacy.³⁴

The Mexican War forced the United States into a conflict the likes of which it had never seen. A border dispute between Texas and Mexico prompted United States forces to invade Mexico, thereby taking on the Mexican republic in the name of United States expansion. While a war known largely for the training it afforded to junior army officers who would later play a large role in the Civil War, it nevertheless also demonstrated a new wave of war finance. The administration of James Polk opted to pay for the war largely via bonds as opposed to taxation—a tried and true method of financing European wars that had met with mixed results in the Revolutionary War and the War of 1812. George Beckwith, the chairman of the American Peace Society, famously commented “The War system with its debts and its current expenses, has become a mammoth incubus on the bosom of all Christendom.” Whereas many European powers—especially the British—were known for

³⁴ Jay Sexton, *Debtor Diplomacy: Finance and American Foreign relations in the Civil War Era, 1837-1873* (Oxford: Oxford University Press, 2003), 26-27.

their extensive war debts (one calculation put British war expenses of a single year as equivalent to eighteen years of peace financing), *The American Almanac and Repository of Useful Knowledge for the Year 1847* stated, “the normal condition of Great Britain is one of indebtedness, that of the United States is freedom of debt.” Nevertheless, the issuance of long-term securities had met with success during the War of 1812—albeit at a discount on par. By the time of the Mexican War in the wake of the Panic of 1837 and the default of several states on their interest obligations, the United States entered a precarious position with investors at home and abroad.³⁵

But the war would transform American finance, as the Treasury gradually came to appreciate the benefit of long-term bonds over short term Treasury notes, and the government would be on such a strong financial footing that for the first time in its war finance history it would be able to sell bonds and notes not only at par, but at a sizable premium to willing and interested parties. That being the case, the Mexican War offers a war financed on a smaller scale compared to the War of 1812, but with experience and experimentation for those ultimately employed by Jay Cooke and his network during the Civil War. This should come as no surprise, as the Mexican War afforded the junior banker Jay Cooke the opportunity to cut his teeth in federal bonds to fund a war, an experience that would pay dividends some fifteen years later when he would be called upon to save the Union’s finances.³⁶

As the war emerged, Congress and the Treasury worked to finance the military operations. Secretary of the Treasury, Robert J. Walker, worked closely with Congress for

³⁵ “Letter to General Taylor on peace from George Beckwith, Secretary of the American Peace Society,” *Boston Emancipator and Republican*, December 22, 1848. Edling, *Hercules in the Cradle*, 150-52.

³⁶ Edling, *Hercules in the Cradle*, 150-52.

the 1846 Loan Act to ensure flexibility in the funding of the war loan in either short-term Treasury notes or longer term bonds. The bill set an interest ceiling at six percent and since many assumed the war would be a brief one, preference was to be had for Treasury notes that could be repaid in a year or two's time once the government once again ran a surplus. The hope to finance the war largely through Treasury notes, however, quickly fell apart. Walker's personal negotiations in New York City, Boston, and Philadelphia for a Treasury note sale proved relatively fruitless and subsequent attempts to advertise the sales in prominent northeastern city newspapers likewise proved empty. Walker and the Treasury were thus forced to return to financing approaches from the War of 1812- high interest rate long-term bonds. Walker put out an issue in various newspapers for a 6% loan of some \$5 million with maturity dates of ten years. Walker asked those interested to submit sealed bid to the Treasury including the quantity they wished to purchase and the respective price any interested parties were willing to pay. Originally published in the *Washington Union*, on October 30, 1846, Walker asked papers in Boston, Philadelphia, Washington, New York, and Charleston to also print the advertisement. Financial houses and others interested had two weeks to submit their bids to the Treasury in Washington.³⁷

When Walker opened the bids two weeks later, he found that the sum had actually been oversubscribed. The Secretary ultimately issued \$5,146,000 in 6% loans ranging from at par to a five percent premium. Thirteen firms subscribed for over \$50,000 in bonds. New York based John Ward & Co. subscribed for the largest portion of the loan at \$1.45 million (negotiated at par.) The Washington bank of Corcoran & Riggs subscribed for \$350,000 of the loan. Corcoran & Riggs made this initial investment in the loan and it acted as a

³⁷ Edling, *Hercules in the Cradle*, 154-55. The failed endeavors of Walker in 1846 to personally sell financial instruments to northeastern bankers, eerily resembled the same failed missions of Secretary of the Treasury Salmon Chase in 1861 in the exact same cities.

precursor to a much larger investment in subsequent loans for the Mexican War. Both Ward & Co. as well as Corcoran & Riggs represented some half dozen banking firms who made the initial purchase as part of a plan for quick resale of the bonds. While slightly more than half of the thirteen subscribers emanated from New York, Washington, and Philadelphia, several of the other large subscribers included the Banks of Charleston and Hamburg (South Carolina) for a total of \$385,000 between the two banks as well as James White, based out of Belfast, Maine who also served as treasurer of the Pine Tree state (\$150,000). Despite pleas to the contrary, the 1846 loan was only comprised of registered bonds—that is bonds that had to be formally registered with the United States treasury and any subsequent resale of the bonds likewise communicated to the treasury—thereby stifling the secondary market. While most firms preferred coupon bonds (perforated coupons that could be redeemed at seven locations in the country) because of their enabling of a more fluid secondary market, the registered bond caveat did not prove a major stumbling block for the issue. All the firms and individuals responsible for the \$5.146 million deposited their required sums with the Treasury within the allotted thirty-day window.³⁸

Despite the initial success of the 1846 loan, the Treasury Report of 1846 estimated that an additional \$23 million would be needed in war costs through June 1848. While the United States government directed more of the overall burden towards the conquered territories of Mexico with taxation and export duties, efforts at increasing import duties on coffee and tea as well as larger taxes within the United States met with resistance in the House of Representatives. As a result of the general unwillingness of Whig opposition to

³⁸ “Letters Sent, November 1846 to March 1849, E-449, 1-29, Record Group (RG) 53, Bureau of the Public Debt, National Archives and Records Administration (NARA) II, College Park, Maryland; James Cummings, *Towards Modern Finance*: (London: Pickering & Chatto, 2007), 60-62.

permit a tax increase, legislation was soon passed that, when combined with the 1846 loan, enabled the United States to sell an additional \$23 million in Treasury notes with the option to convert them into long term twenty year bonds.³⁹

The Loan Act of January 28, 1847, featured several new elements that differed from its predecessor. Most notably, the legislation facilitated a conversion option, either by the holders or the government, on the notes into long-term bonds (an option picked up by most holders.) Furthermore, the issue also brought Corcoran & Riggs to the center of the drive, as the Washington based firm took on nearly 90% of the issue themselves when all bids were ultimately tallied. Efforts to raise additional revenue through an import duty on tea and coffee failed miserably—including significant backlash from Polk’s own Democratic Party. As a result, the loan bill became one of even greater necessity. Finally, the loan was also rolled out in three different issues so as to slowly bring additional funds into the United States coffers, thus ensuring a steady monetary supply as well.⁴⁰

³⁹ “Report on the Finances,” December 9, 1846, Cong. Globe, 29th Cong., 2d sess., appendix, 9; Cong. Globe, 29th Cong., 2d sess., 225-31, 247-51, 256-62, 267; An Act Authorizing the Issue of Treasury Notes, a Loan, and for Other Purposes, January 28, 1847, ch. 5, *US Statutes at Large*, 9:118-22. Edling, *Hercules in the Cradle*, 155-60.

⁴⁰ Cummings, *Towards Modern Finance*, 81-82. William Corcoran was the son of a Washington merchant. After a failed business venture, he coordinated his father’s Washington real estate investments and worked at two other banks slowly accumulating capital. In 1837 Corcoran opened his own brokerage business in Washington and joined forces with George Washington Riggs in 1840 to form Corcoran & Riggs. The firm thrived in the early 1840s as it came to handle assets for clients throughout the United States, as well as developing close business relationships with George Peabody and Baring Brothers, both based out of London. The bank even handled personal business for President James Polk who at several different points invested in the Mexican War loans. Polk wavered on the ethics of investing in said loans and often sold his holdings back to the bank rather quickly. That said, Polk seemed to ultimately embrace the investment potential as he held \$500 in treasury notes by the end of 1847, an investment that ballooned to \$6,500 additional worth of notes and bonds by early June 1848. Corcoran & Riggs also handled the financial affairs of several other prominent Washington politicians and rising stars, including Henry Clay, James Buchanan, Daniel Webster, Stephen Douglas, and a little known Whig Congressmen named Abraham Lincoln.

The bill permitted the Treasury to issue one or two year Treasury notes totaling \$23 million. In addition, the language of the bill permitted the Treasury (with official permission from the President) to issue twenty-year bonds at a maximum of six percent interest for any portion of the \$23 million issue so desired. The bill incorporated language wherein the conversion option could also be extended to any remaining unsold Treasury notes from the July 1846 loan (totaling somewhere in the neighborhood of \$5.37 million). The maturity date on bonds would be December 1, 1867, and public land sales would be used as collateral for the principal and interests of bonds only. After very brief debate and minor amendment both houses of Congress passed the legislation—the most consequent amendment being that any Treasury notes (but not bonds) could not be sold below par—and President Polk signed the bill into law on January 28, 1847. Secretary Walker quickly sold the remaining 1846 notes before receiving sealed bids for the new issue. Corcoran & Riggs and Morgan & Company agreed on a joint venture of \$2.4 million, thus becoming the largest investors as part of the February contract in Treasury notes. Any investors as part of the \$18 million issue of February had to submit their bids by April 10.⁴¹

⁴¹ Cummings, *Towards Modern Finance*, 69-70, 73-77. Unlike the 1846 loan, the 1847 loan also took place during a period of great economic vibrancy for the American economy as a whole. Despite the war with Mexico, a myriad of factors in Europe including the Irish Potato Famine, repeal of British corn laws, and additional crop failures on continental Europe meant that American foodstuffs were in great demand across the Atlantic Ocean. All told, some \$10 million in specie was imported in the first quarter of 1847—a number that exceeded \$22 million in specie imports by the end of June. *The Economist* predicted in April 1847, that the United States was actually the most prosperous nation in the world from a specie standpoint because of the vibrancy of their foodstuff exports. For more see, Cummings, *Towards Modern Finance*, 71. The treasury notes of 1846 were sold at 5.4% interest and went to speculators hoping to convert them into longer term 6% interest bonds. Familiar firms such as Corcoran & Riggs purchased these notes (\$195,000 worth) as well as other firms and members of Congress, most notably Congressman Washington Hunt (W-NY), and William A. Woodworth (D-NY) procuring \$200,000 and \$250,000 in the 1846 notes respectively. Over thirty members of Congress procured the new 6% notes ranging in investments from \$1,000 to \$5,000, Cummings, *Towards Modern Finance*, 76-77.

On April 12, 1847, Walker and several Treasury officials opened the sealed bids. Widespread efforts to combine among different financial houses on the bids were wildly unsuccessful. In fact, several financial firms bid for the entirety or large percentages of the loan. These various firms, based out of Boston, Washington, and New York predictably followed the map of war finance to date. Because legislation prohibited the issue from being sold below par (at least as long as they were initially issued as notes) it led to bids well above par. Slightly over \$21 million in bids were placed at 100.125 or above for the particular issue. Corcoran & Riggs received the entirety of their bid—\$14.7 million. After Corcoran & Riggs, there was a severe drop to other large-scale investors including John Thompson (\$500,000) and the Bank of North America (Philadelphia, \$200,000), and the Bank of the Metropolis (Washington, \$100,000). Corcoran & Riggs therefore found themselves in an incredibly favorable position on the secondary market to sell significant amounts to firms in Boston, Philadelphia, and New York who had been completely shut out of the market. Corcoran & Riggs glut of notes at several points became liabilities in the summer of 1847, as they were forced to borrow money to carry the inventory of unsold notes and promises made with regards of delivery of funds to the Treasury.⁴²

Despite the success of the \$18 million issue, the federal government still needed additional funds and in lieu of any sort of additional legislation from Congress, Robert Walker used authority granted under the act of January 1847 to issue an additional \$5 million in Treasury notes in February 1848. Once again the notes (duration of one to two years) had the convertibility option. Corcoran & Riggs was a sizable investor in the remaining issue, although a joint venture with the illustrious Rothschilds proved to be finally successful.

⁴² Report of the Secretary of the Treasury, 1847, 107-10. Cummings, *Towards Modern Finance*, 79-80, 85.

Another successful bidder of note was Philadelphia based E.W. Clark who procured \$350,000 of the February 1848 note issue in conjunction with broker Charles Macalester. While E.W. Clark & Co became a successful investor and aggressive actor on the financial markets, the senior partner was not the leading actor. Rather, the new junior partner, a man named Jay Cooke, would take on the responsibility of selling the issue. Cooke took the \$350,000 and successfully sold them for a total of \$432,450 in deposits—thus enabling a handsome return for the firm. Such an aggressive pursuit of sales on the part of Cooke foreshadowed his central role in financing the American Civil War some fifteen years later. Nevertheless, like the Mexican War served as a training ground for so many military officers for later service in the Civil War, so too did the war serve the same purpose for many in the financial sector. All told the 1847 loan totaled \$26,122,100 when it formally closed on November 30, 1848. Nearly the entirety of the issue would ultimately be converted into long term bonds—totaling close to \$24.7 million.⁴³

Despite the success of the 1847 Loan as well as military prospects for the United States that the war would soon be over, an additional loan would indeed be required to continue to fund the army. In the stead of any sort of taxation, the loan was a necessity and the House of Representatives began to debate the issue in February 1848. Quickly passed by the House later in the month, but not by the Senate until the end of March, it authorized the government to issue \$16 million in six percent bonds—not Treasury notes—a deviation from earlier loans. Timed to coincide with the ratification of the Treaty of Guadalupe Hidalgo, the loan was widely received owing to the fact that it would be the last loan issue of the war. Total offers for the loan nearly doubled the authorized \$16 million, as a result, the

⁴³ Cummings, *Towards Modern Finance*, 89-91. For more on Cooke's role in this process, see Henrietta Larson, *Jay Cooke, Private Banker* (Cambridge: Harvard University Press, 1936), 68-71.

Treasury was able to sell the loan at a three percent premium without any sort of oversubscribing.⁴⁴

The 1848 loan was partly set apart because of the interest of the loan in European markets. The American market was awash with 1846 and 1847 loan bonds and notes, making the European market an opportune one. With the Rothschilds' interest in the final installment of the 1847 loan, other London houses quickly took note. London based Baring Brothers and George Peabody proved to be key partners of the loan. William Corcoran made British investment a condition of his \$14 million issue owing to the demands of the United States government for an advance (covering the indemnity payment for the Treaty of Guadalupe Hidalgo.) Corcoran remarked in a letter to Secretary of the Treasury Walker "If a portion of this Loan could be placed in London, the effect on the market would be felt at once. Confidence would be resorted... You may rely upon it, there is no other mode to accomplish your wishes." The interest on the part of Barings was largely drawn from the social and political upheaval on the European continent come 1848. The great uncertainty of the continental European market led many investors who had previously been wary of American securities investments to look across the Atlantic for potential investment opportunities. Many European nations saw their credit suffer in the wake of the Revolutions of 1848 and even the threat of revolution. As detailed by Jay Sexton, French bonds lost sixty percent of their value while Austrian state securities fell by half. The impact even made its way across the English Channel to Britain, where British consols lost one quarter of their value in the spring of 1848 as a result of larger economic jitters. Such great uncertainty in European markets resulted in *The Economist* noting because of "the shocks recently given to the public funds of the several nations of Europe, many persons are now looking to the

⁴⁴ Edling, *Hercules in the Cradle*, 163-64.

American stocks as a means of profitable investment.” Despite the fact that many American states had recently defaulted on their loans (as previously noted), the federal government looked like a worthwhile investment. William Corcoran therefore traveled to Britain in the summer of 1848 in an effort to sell the 1848 loan.⁴⁵

While the 1848 loan was exclusively a bond issue, many of the previous conditions remained. Once again, interested parties would submit sealed bids to the treasury—bids that, in theory, were as low as \$50 would be entertained according to the statement from the Treasury. Furthermore, the bonds would not be redeemable before July 1, 1868, and all bids would need to be par and above. That said, some small changes were made beyond the bond only nature of the issue. To ensure that funds did not drift eastward to northeastern cities as they had in the past, successful bidders were required to submit payment at the nearest depository. Furthermore, while the bids were opened on June 17, 1848, 20% payments were required of the bidders in July, August, September, October, and November. For the first time, there were also coupon bonds for sale—to entice foreign investment. That said, only bonds of \$1,000 and above would be eligible in coupon form.⁴⁶

Once again, Corcoran & Riggs would serve as a focal point for organizing bond sales. This time, however, Corcoran & Riggs would draw on international partners from the start. The firm, along with Elisha Riggs and George Peabody, agreed to split \$750,000 worth of sales. All told nearly \$1.4 million of the 1848 loan was earmarked to various foreign commitments via Corcoran. Corcoran’s \$10 million list in total included other firms such as Wislow & Perkins, Bank of Commerce (New York), Cammann & Whitehouse, George

⁴⁵ Edling, *Hercules in the Cradle*, 164 (n. 43+44); William Corcoran to Robert Walker, August 4, 1848, Corcoran Papers, Library of Congress, Washington D.C; *The Economist*, May 5, 1849, 490. Sexton, *Debtor Diplomacy*, 54-55.

⁴⁶ Cummings, *Towards Modern Finance*, 134.

Newbold, and others. Barings offloaded their portion of the loan as quickly as they could—by August 22, 1848 they had offloaded their portion through successful work by their American agent Thomas Ward on the challenging bill of exchange markets. Many of the sales made their way not only to British, but also French clients.⁴⁷

Despite the initial success of the bond issue domestically and abroad, purchases slowly began to dry up as railroad securities and state bonds threatened to tie up any available capital and the tight money market in the United States was not viewed as the land of promise that it had been even a year earlier. William Corcoran became convinced that the capital was firmly held abroad and committed to traveling to England in an effort to sell the bonds. William Corcoran, accompanied by John Davis, a former Governor of Massachusetts with close ties to Barings and enticed by a stipend of \$5,000 plus expenses, arrived in the summer of 1848 endeavoring to drum up interest in American securities. Corcoran and Davis also called on the assistance of Abbot Lawrence, a Massachusetts businessman, to implore upon his British associates to invest in the cause of United States bonds. While Lawrence wrote repeatedly to various British financiers emphasizing the relative safety of American bonds to their European counterparts, others similarly implored their superiors to do the same. Corcoran and Davis came to receive the official blessing of the United States

⁴⁷ Cummings, *Modern Finance*, 134-38. International bill of exchange business was indeed the very essence of international finance during this time period. All bills were quoted in pounds sterling—further complicating the issue. As one historian has noted, “The price of bills of exchange depended on the demand for specie in a particular location. Such demand usually arose from international settlements arising from trade imbalances and the flow of investments.” The quotations reflected the relative value of the dollar as well as the pound in addition to the gold content per dollar. Congress on several occasions set official exchange rates between the dollar and pound. In 1834, for instance, the rate was set at \$4.8665 per pound, reduced in 1842 to \$4.84. Often times British and American firms did not abide by the Congressional exchanges and settled on \$4.44 per pound—an exchange set in the eighteenth century. Based on these various rates, bills of exchange typically hovered in the 109 to 110 range, with any significant variation in this price leading to the physical transport of specie. For more see Cummings, *Modern Finance*, 138-149.

government and received authorization to negotiate up to \$5 million in bond sales in Europe. Walker reached out directly to George Bancroft, American minister to London, to notify him of the situation and request him to render all assistance he could to aid Corcoran and Davis in their endeavor.⁴⁸

For Corcoran and others with ties to London, the hope remained that Baring Brothers would prove a natural partner. Thomas Ward and James King acting as American agents for the British house did everything in their power to persuade the British house to buy in. Abbott Lawrence believed the loan would sell \$10 million worth in Europe alone as more and more individuals shied away from continental securities in the wake of the various revolutions engulfing so many European countries. That being said, the partners of Barings were less than enthusiastic. Joshua Bates, an American expatriate but partner at the British house wrote to Thomas Ward criticizing the prospect of sales and indeed the mission itself. “There never was anything so absurd,” Bates scoffed, “as Mr. Corcoran and Governor Davis coming over to dispose of U.S. 6 per cent bonds.” For Bates and other members of Barings, there were serious debts especially over Corcoran’s rapid rise in wealth—a stark contrast to the century of financial tradition for Barings—as well as other prominent firms from Rothschilds to the Dutch firm of Hope & Co.⁴⁹

William Corcoran set his initial sights on his partner and fellow American George Peabody. After failing to convince Peabody to purchase \$3 million worth of bonds for his own firm, Corcoran worked in tandem with Peabody to pitch an issue to other financial houses in London (and Paris for that matter, as Corcoran did travel to the city to try and sell the bonds.) The tense negotiations in the City of London finally met with success as

⁴⁸ Sexton, *Debtor Diplomacy*, 55-56; Cummings, *Towards Modern Finance*, 142.

⁴⁹ Cummings, *Towards Modern Finance*, 142, 144.

Corcoran successfully sold \$3 million worth of the loan amongst half a dozen firms. Barings (\$750,000) was one of the chief facilitators of the arrangement but other London houses included George Peabody (\$500,000), Morrison & Dillon (\$500,000), Overend Gurney (\$500,000), Denison & Company (\$500,000), and Samuel Lloyd & Co. (\$250,000). The British houses paid in three monthly installments on fixed bills of exchange. While the British market took some time to catch on Barings met with success in their pursuit of offloading the bonds in France and Holland, while Peabody used his extensive brokerage network in the German states to great effect.⁵⁰

August Belmont, the American agent for the financial behemoth of Rothschilds in London wrote his superiors in March 1848 with regards to American securities. Belmont noted that U.S. bonds:

Now may be considered the safest of any government...I should think that it would be a very desirable thing for yourselves to invest a portion of your fortune in the securities of a country, which experience has shown not to be subject to the revolutions, the growing radicalism of Europe, threatening to involve more or less every country of southern and western Europe...[the United States] resources are so vast and inexhaustible that no event can happen during our generation at least which could in any way endanger securities.⁵¹

The end of the war brought with it a sale of \$49 million in bonds and \$33 million in treasury notes (see table 2). The Mexican War increased the national debt from approximately \$15.5 million in 1846 to \$63 million by 1849. The obligations tied to the Mexican War loans totaled \$48,661,073. The Pierce administration subsequently reduced by \$26.8 million via bond redemptions the Mexican War debt. That said, the Panic of 1857 and subsequent sectional tensions made future liquidation impossible on a sizable scale and thus

⁵⁰ Cummings, *Towards Modern Finance*, 144-48.

⁵¹ August Belmont to N.M. Rothschild and Sons, March 20, 1848, T 54/275, Rothschild Archive, London, England. Quoted in Sexton, *Debtor Diplomacy*, 56.

at the onset of the Civil War, slightly under \$18.5 million of the Mexican War debt remained. Some of the debt would be redeemed in the late 1860s following the bond's maturation, but the size of the Mexican War debt soon became lost in the shuffle of the massive debt tied to the Civil War.⁵²

Table 2: Mexican War Long-Term Bond Issues⁵³

Issue	Amount Authorized	Amount Issued
July 22, 1846	\$10 million	\$4,990,149.45
January 28, 1847	\$23 million	\$28,230,350
March 31, 1848	\$16 million	\$16,000,000
Total	\$49 million	\$49,229,499.45

As James Polk submitted the Treaty of Guadalupe Hidalgo to Congress for ratification, he emphasized the importance of paying of the national debt. For a national debt was “against sound policy and the genius of our institutions of the Treasury will enable the Government to pay it off.” Similarly Polk spoke in his final annual address about the importance of paying off the national debt. For the United States, it was “our true policy, and in harmony with the genius of a great Republic, possessing vast resources and wealth, wholly exempt from public indebtedness. This would add still more to our strength, and give us a still more commanding position among the nations of the earth.” While Polk spoke optimistically that such results could be easily attained and the United States could once more zero the national debt as it had done in the 1830s, the realities of the ever-growing

⁵² Edling, *Hercules in the Cradle*, 165-66; Cummings, *Towards Modern Finance*, 159-160.

⁵³ Rafael Bayley, *History of the National Loans of the United States from July 4, 1776 to June 30, 1880, in Report on Valuation, Taxation, and Public Indebtedness in the United States, as Returned at the Tenth Census (June 1, 1880)* (Washington: Government Printing Office, 1884), 364-67, 437-42.

issue of slavery boiling over into Civil War made such a hope a far-fetched dream. Never again would the national debt be discussed in millions of dollars by the time of the Civil War—as an unprecedented military action in an incomparable scale would lead to efforts of public finance, that while drawing on past wars, nevertheless represented a wholly new experience in war finance.⁵⁴

The financing of the various antebellum wars for the United States reflected the changing nature of the cost of war, but also the methods used to finance said wars. As America evolved from an infant nation-state with no national credit to an established power on the other side of the Atlantic, the ability of the country to solicit funds from the general populace—and eventually foreign investors on a large scale—reflected the changing power of America from a financial standpoint. But it also demonstrated the changing nature of war finance—long-term bond issues were becoming increasingly common—and while lip service was being paid to a democratic issue of these bonds, they still found their way largely to northeastern banks and financial elites even by the time of the Mexican War. But a great sea change was occurring, and the man responsible for the drastic change during the Civil War in Jay Cooke was learning the trade on the fly as he worked as a junior partner for E.W. Clark. But in order for Cooke to truly transform American finance domestically and for it to take off as it did internationally, a Civil War would need to occur, and the federal government would have to hit rock bottom financially before a radical shift in thought would truly transpire.

⁵⁴ Quote Edling, *Hercules in the Cradle*, 176. N. 63 for details

CHAPTER 2: EARLY WAR FINANCE

"So the case stands, and under all the passion of the parties and the cries of battle lie the two chief moving causes of the struggle. Union means so many millions a year lost to the South; secession means the loss of the same millions to the North. The love of money is the root of this, as of many other evils. The quarrel between the North and South is, as it stands, solely a fiscal quarrel."

Charles Dickens (1861)⁵⁵

As Confederate forces fired upon Fort Sumter in April 1861, the rhetoric of war had become a full blown reality. Decades of sectional tension regarding the issue of slavery boiled over in the spring of 1861 into an all out war. Abraham Lincoln's subsequent call for 75,000 soldiers to put down the southern insurrection pushed several more upper South states to secede. The prospects of a Civil War left the Lincoln administration with many questions moving forward on a social, political, legal, and military level. Aside from the logistical and political questions associated with secession and war came the very real issue of funding such a conflict. For once again, the United States government would have to go to the well of the northeastern elites to shoulder the financial burden of waging a war—not for independence or imperial expansion, but to quell an insurrection. While most hoped and assumed for a brief conflict in the early months of 1861, the reality was a conflict that would result in some 750,000 deaths and over a million men forever scarred (saying nothing of those they left behind.) Aside from the casualties of the war came the very real cost—in the region of billions of dollars (1865 dollars)—that would need to be funded by a state who viewed

⁵⁵ *All The Year Round*, December 28, 1861.

national taxation and deficit spending as anathema to the founding principles of a democratic republic.⁵⁶

From a war finance standpoint, no one realized in the war's early months what lay ahead. Many approached the Civil War as part and parcel of all prior military conflicts for the United States. That is, the war would be funded through traditional means that had helped successfully finance all previous American wars. The primary source of funding for the wars would come from northeastern elites in New York, and to lesser degrees Boston and Philadelphia. These loans from various banks and financiers would form the backbone of the Union's financing for 1861. Yet the troubles that emerged with such an approach revealed the limits of loyalty and confidence on the part of financiers on Wall Street in the midst of a Civil War. Most of these northern financiers held financial interests deeply entwined with the Confederate states' cotton. In the wake of the defeat at Bull Run in July 1861, it became clear to Secretary of the Treasury Salmon Chase and the Lincoln administration that the war would require heretofore-unseen levels of funding. The failures and doubts on the part of financiers to cover all costs would spur a new method of public war financing on a monumental scale. While Wall Street financiers and their Boston, Philadelphia, and Washington counterparts had been relied upon to finance earlier American wars (as demonstrated in the previous chapter), the Civil War represented a new dynamic. The vast advancements made in agriculture, transportation, manufacturing, and communication (even in the fifteen years since the end of the Mexican War) made possible the fielding of truly vast armies. These armies would have severe ramifications on the overall death tolls and range of battles, but also the overall costs. The sheer scope of funds required

⁵⁶ This most recent estimation of 750,000 wartime deaths (an upward revision from the long held number of 620,000) was put forward by J. David Hacker, "A Census-Based Account of the Civil War Dead," *Civil War History* 57, no. 4, (December 2011): 306-347.

by the government and the limitations on the part of many New York banks to contribute meant that the war's finances would require a new approach. In its place would emerge widespread democratic funding of the war shouldered by the people of the Union at large.

This movement towards a widespread democratic financing of the war would be slow in coming, but as it gained traction in the winter of 1861-1862, it revealed the foundation for a new way to finance wars, one that relied on the people writ large drawing from vast swaths of the northern public. These sales became heavily reliant on social networks—long established and new alike—to facilitate the transactions necessary in order to fund Union military operations on a grand scale. It was only after great reticence on the part of established financial networks among northern financiers, however, that calls for serious reform emerged. Larger democratic markets supported by small-scale individuals filled this financial void and came to define Civil War bond sales. Widespread Main Street support proved to be the backbone of the northern financial machine for the duration of the war. Such an act on the part of the general populace, however, would rely on a close coordination between the federal government and (increasingly) Wall Street financiers to legitimize and underwrite the operation.⁵⁷

Such acts during the Civil War marked a redefinition of civic nationalism, as those previously denied rights and privileges came to be included in a new national identity defined not by religion, race, gender, ethnicity, language, or political ideals, but by investment. In undertaking such acts, the United States government raised the largest sum by democratic

⁵⁷ I take “small savings individuals” from Vincent Carosso, *Investment Banking in America: A History* (Cambridge: Harvard University Press, 1970), 13-20. Carosso's work demonstrates not only the transformative nature of Cooke's bond drives from a marketing and investor standpoint, but also goes on to show how they subsequently impacted the formation of a plethora of investment banks that had cut their teeth in government securities during the Civil War and later rose to prominence in the Gilded Age—many of these firms in one form or another still exist in New York City today.

means in the totality of the nineteenth century—a feat that would not be surpassed until the war bond drives of World War I. From Bangor, Maine, to Derry, New Hampshire to Cazenovia, New York, to St. Paul, Minnesota, Detroit, Michigan, Davenport, Iowa, and beyond the war truly became one that encompassed the entire northern populace and drew on a wide range of groups on the margins of society, from immigrants, to women, African Americans to Native Americans, and pacifists. All came to buy into the notion of citizen ownership of the war's cause. In order for the war's finances to become more democratic in nature, however, the vast difficulties of war finance in 1861 for the Union would need to reveal the necessity of such an undertaking and the challenges that lay ahead.⁵⁸

The state of the treasury had taken a sharp turn for the worse during the course of the Buchanan administration. At President James Buchanan's inaugural address he proclaimed, "no nation has ever before been embarrassed from too large a surplus in the Treasury." On the surface, evidence would support Buchanan's assertions. On July 1, 1857,

⁵⁸ For a detailed examination of the democratic war bond drives of World War I see Julia Ott, *When Wall Street Met Main Street: The Quest for an Investors' Democracy* (Cambridge: Harvard University Press, 2011), 55-74. On the notions of investors on the margins supporting the war and new notions of civic nationalism, see especially p. 56, 58. According to Ott, during the four Liberty Loans and Victory Loan campaigns of World War I (running from June 1917 to May 1919) Americans purchased \$21.4 billion of bonds encompassing an estimated 20 million subscribers (representing some 20% of the population and 82% of American households. This was a significant uptick from the Spanish-American War where some 320,000 individuals purchased Federal bonds. By comparison the Civil War witnessed a large number of purchasers. An estimation of three million purchasers of government securities came from a statement made by Senator John Sherman on the floor of the House of Representatives in March 1864. While such a statement was made well before the \$830 million 7-30 issue, Sherman's intimate knowledge of the bond sales owing to his relationship with the Cooke brothers is beyond doubt, Sherman's estimation from *Congressional Globe*, March 11, 1864, 1046. Other historians such as Melinda Lawson have promoted the figure of 500,000 individuals purchasing bonds. Matthew Gallman, on the other hand, has suggested a figure of one million. James Macdonald put forward a number of 2 to 3 million. That being said, these estimations do not have any apparent source material to support their assertions. Only a remarkably detailed assessment of the over 500 volumes of the Bureau of the Public Debt at the National Archives can bring forward a figure that would be somewhat accurate, although very open to debate—one of the pitfalls of non-registered bonds.

the national debt stood at approximately \$29 million with a cash balance in the Treasury of north of \$17 million. From 1857 to 1860 the Buchanan administration requested and received approval for several different loan issues from Congress to meet basic operating expenses. That being said, Buchanan's administration did a noble job in torpedoing the financial prospects of the United States. The Panic of 1857 and the looming specter of a sectional crisis initiated a sharp decline in financial prospects for the federal government. Issues over tariff policy and an increasing reliance on treasury notes to fund the government resulted in a national debt by July 1, 1860, of nearly \$65 million with only \$3.6 million in cash reserves—a remarkable gain of \$50 million in financial liabilities for the country in a time of peace. The fallout from the election of 1860 resulted in several issues of treasury notes in June and December 1860 failing to sell in full and it reached the point in January, 1861, that New York financiers stepped in to purchase enough treasuries and public lands so that the government could make an interest payment on the public debt. Treasury Secretary Howell Cobb's address to Congress in December 1860, revealed a deep concern on the part of the Treasury to garner enough curiosity in the loans to even meet interest payments. Such words did not satisfy Republican critics. On the Senate floor, Republican Zachariah Chandler of Michigan responded to Cobb's address by exclaiming in a diatribe directed at Democrats, "had there not been traitors in your Cabinet and imbeciles in your presidential chair—your credit to-day would have stood as high as it ever stood." A series of securities issues (including one tied to the Morrill Tariff) allowed the incoming administration to put out some \$40 million in treasury notes. In addition, Southern ports' unwillingness to forward import duties to the Treasury Department in Washington as the war approached and the fact

that secession appeared inevitable and then occurred further complicated the financial picture.⁵⁹

Subsequent Secretary of the Treasury John Dix shared little hope in regaining public confidence in the midst of the secession crisis. In February 1861, Dix declared to Congress that only “superadding to the plighted faith of the federal government that of the individual states” would bring New York bankers back into the fold—and even then there was a limit to how far the men of Wall Street would extend their faith to the federal government owing to their close southern cotton ties. One newspaper reacting to Dix’s financial plans claimed, “money lenders entertain so little confidence in the future of the United States that in order to secure loans for the use of the government its bonds must be endorsed *by the individual states*.” The end of Buchanan’s tenure marked a clear decline in financial prospects for the country (or what remained of it) and left Abraham Lincoln the task of righting the economic ship of a country lost at sea and well on its way to armed conflict.⁶⁰

⁵⁹ Ellis Paxson Oberholzer, *Jay Cooke: Financier of the Civil War* 2 vols. (Philadelphia: George W. Jacobs & Co., 1907), 1:121-23, 125-26. Secretary Cobb attempted a \$10 million loan in September 1860. The entire loan was successfully subscribed, but Lincoln’s election in November preceded the deadline for the submission of the funds by the banks. Some banks as a result were reticent to commitment their funds and some backed out entirely. In the end, Cobb only successfully obtained \$7 million of the original \$10 million. See “Report of the Secretary of the Treasury on the State of the Finances, House of Representatives,” *Ex. Doc., No. 2*, 36th Congress, 2nd Session., 8-9; *Congressional Globe*, 37th Congress, 2nd Session., 1018. Quoted in Michael Caires, “The Greenback Union: The Politics and Law of American Money in the Civil War Era,” PhD Dissertation, University of Virginia, 2014, 26. For more on the late antebellum financial situation see, Melinda Lawson, *Patriot Fires: Forging a New American Nationalism in the Civil War North* (Lawrence: University Press of Kansas, 2002), 42-43; For a detailed look at the initial \$150 million dollar authorization by Congress and the commercial bank response, see Bray Hammond, *Sovereignty and an Empty Purse: Banks and Politics in the Civil War* (Princeton: Princeton University Press, 1970), 37-58, 71-86. For more on the currency struggles of the United States from the Revolution until the Civil War, see Stephen Mihm, *A Nation of Counterfeiters: Capitalists, Con-Men, and the Making of the United States* (Cambridge: Harvard University Press, 2007.)

⁶⁰ For more on the state of the Treasury Department upon Dix’s assumption of the Secretary position, see Bray Hammond, *Sovereignty and an Empty Purse: Banks and Politics in the Civil War*

In March 1861 upon Lincoln's inauguration, Salmon Chase took office as Secretary of the Treasury. Unlike many previous treasury secretaries, Chase did not come from a monetary background but had a national profile as an anti-slavery lawyer defending fugitive slaves in Ohio, and then as a leader of the Free-Soil and Republican parties. Chase had served as the governor of Ohio and had recently been elected as a Senator to represent the Buckeye state. Many found Chase a difficult individual to contend with. His most prominent biographer described him as "a majestic figure with an air of conscious superiority that many found repellant." One of Chase's colleagues even said "He [Chase] thinks there is a fourth person in the Trinity." Despite these statements, Chase (at least privately) questioned his appointment to office. Confident "his education and habits had not fitted him to the duties of the place," he hoped that the President would relieve him of his post. What Chase could not comprehend was the larger political games at work that lay behind his appointment to the cabinet post, and the need for Lincoln to appease various factions of the Republican Party in the process. Chase's position as an Ohio man who had been a choice of some at the convention in Chicago for the 1860 Republican presidential nomination meant that Chase (like fellow rival William Seward) found his way into Lincoln's cabinet and could thereby be closely watched. Perhaps prominent Philadelphia financier Jay Cooke said it best when he uttered, "I see Chase is in the Treasury, and now what is to be done?"⁶¹

(Princeton: Princeton University Press, 1970), 32. An Act Authorizing a Loan, February 8, 1861, ch. 29 12 Stat. 129 (1861); An Act to provide for the Payment of Outstanding Treasury Notes, to authorize a Loan, to regulate and fix the Duties on Imports, and for other Purposes, March 2, 1861, ch. 68, 12 Stat. 178 (1861); *Newark Advocate*, February 22, 1861; *Newark Advocate*, February 22, 1861, Caires, "Greenback Union", 27, n. 10.

⁶¹ Caires, "Greenback Union," 28. As Caires points out, one of the most detailed accounts of the politics behind the Treasury is Arthur Lee, "The Development of an Economic Policy in the Early Republican Party," PhD Dissertation, Syracuse University, 1953; Jay Cooke to Henry Cooke, March 1, 1861, Jay Cooke Papers, Historical Society of Pennsylvania (HSP), Philadelphia, Pennsylvania. Also quoted in Heather Cox Richardson, *The Greatest Nation of the*

Chase inherited a treasury in dire straits. The federal government faced a \$65 million shortfall with several treasury notes issued in the wake of the Panic of 1857 coming due. The situation was amplified by the fact that the federal government relied almost entirely on customs duties for its revenue. With the refusal of southern (and later Confederate) ports to pass along customs duties and with the Confederate government proposing lowering or eliminating an import duty to appease foreign trading partners and potential allies, the federal government needed to address the issue to stay afloat fiscally. Chase presented the financial situation to Lincoln in a letter shortly after the president's inauguration in March 1861. The ports of Boston, Baltimore, New York, and Philadelphia had produced \$1.5 million in import duties for the two weeks beginning March 1, 1861, and Chase projected total receipts for these ports would amount to \$11 million in total by July 1. Cotton was indeed king and the fact that this chief export did not run through northern ports on its way to European ports such as Liverpool, Greenock, Amsterdam, Malaga, and Le Havre deeply impacted federal coffers. There still remained the matter of some \$41 million in loans that Congress originally authorized in 1860 but had yet to place on the market. Conversely, Chase estimated the government's expenditures prior to April 1, 1861, would run to as much as \$3 million. The situation was very clear—the federal government did not have enough funds to meet basic operating expenses, not to mention any possible rise in expenses related to an all out war.⁶²

Earth: Republican Economic Policies during the Civil War (Cambridge: Harvard University Press, 1997), 31. Quotes about Chase found in Max Edling, *Hercules in the Cradle: War, Money, and the American State, 1783-1867* (Chicago: University of Chicago Press, 2014), 185.

⁶² Heather Cox Richardson, *The Greatest Nation of the Earth: Republican Economic Policies during the Civil War* (Cambridge: Harvard University Press, 1997), 31-32. Salmon Chase to Abraham Lincoln, March 1861, Salmon Chase Papers, HSP. For more on Civil War finance in a broad context, see Paul Studenski and Herman E. Krooss, *Financial History of the United States* (New York: McGraw-Hill Book Co., 1952.)

But where would the revenue come from? National taxation of income was nonexistent and the lack of a national banking system since the days of Andrew Jackson made any attempt to swiftly transfer money cumbersome. But perhaps the biggest hindrance at this point in time pertained to a deep aversion to national indebtedness. The American populace worried that the rise of a substantive national debt akin to the British would inevitably lead to taxation born on the backs of poor while the wealthy would profit on egregiously high interest rates for any bond issues. “An encumbrance upon the national estate” that was “anti-republican” in nature, according to one newspaper, would never gain traction amongst the general populace. Such a line of thinking inevitably led to Chase pushing for lower interest rates on bond issues to appease the bulk of the citizenry—while also prohibiting the image of a wealthy class of war profiteers. That said, pursuing such economic policy inevitably led to more difficulty in raising the funds through traditional financiers in New York, Boston, and Philadelphia.⁶³

Operating under these constraints, Chase had little choice but to raise funds in March 1861 through the sale of government bonds and treasury notes directly to financiers through a bidding process as seen in prior wars. These bankers, however, were not part of a larger conglomerate—as such Chase often found traveling to cities to meet with large groups of bankers to be the easiest means by which he could reach out to these influential men who held millions in gold specie—gold the government desperately needed. While these financiers would absorb the bonds initially, they would then sell them to investors in a more convoluted and profitable secondary market. With this thought process in mind, Chase traveled to New York in March 1861 and offered to the bankers of that city an \$8 million

⁶³ *New York Daily Tribune*, December 26, 1861, *Boston Daily Evening Transcript*, September 20, 1861, “Debt Banking in England,” *Chicago Tribune*, January 4, 1862. Quoted in Richardson, *Greatest Nation*, 32-33.

loan at six percent interest. A relatively meager sum, but at this point the cannons pointing at Fort Sumter still remained quiet and anyone who thought a war was to come believed it would be brief.⁶⁴

While Wall Street had advanced in the previous decades and recovered from panics in 1837 and 1857, it still remained a shell of what it would become by 1870. Nevertheless, the scene in 1861 was still relatively chaotic as one author depicted life on the Street:

The tide of humanity that pours down Broadway, is dashed against the bulwarks of Wall Street, and whirled to the eastward, between the mighty walls of granite and sandstone, which line that renowned thoroughfare. Through two mouths, New Street and Broad Street, it is sucked into that seething, whirling, roaring maelstrom—the stock-market. Speaking in the language of the common-place, these two streets are merely avenues in the lower part of the city for the passage of men and loaded wagons, and for the transaction of business; but these streets also form the environs of the Stock Exchange, which as from the focus of a gigantic parabolic reflector, throws a light, more or less lurid, over the whole financial community.⁶⁵

Chase had already begun as early as March 1861 to use treasury notes to pay government contractors. Such an act garnered some support within the northern press. The Boston *Daily Advertiser* suggested that such a “national loan” would help mobilize popular support amongst a large swath of the people without relying solely on the power and influence of bankers in New York, Boston, and Philadelphia. Likewise the *New York Times* similarly supported the treasury note indicating its dual power to pay the debt as well as act as “a sound, reliable currency, and its shape may be that of an investment as well as a currency.” While these articles and letters emphasized the duality of treasury notes to cover debts as well as to act as a de facto national currency, they realized that a long term fix on

⁶⁴ Salmon Chase to John Dix, March 12, 1861, Chase Papers, HSP. Quoted in Richardson, *Greatest Nation*, 33. For more detailed accounts of the negotiations, see Hammond, *Sovereignty and an Empty Purse*.

⁶⁵ William Worthington Fowler, *Ten Years on Wall Street; or Revelations of Inside Life and Experience on 'Change* (Hartford, CT: Worthington, Dustin & Co, 1870), 46.

the part of Congress would indeed be necessary to resolve the fundamental fiscal issues at hand for the federal government.⁶⁶

Despite contentiousness amongst various wings of the Republican Party, northern financiers initially demonstrated sympathy and unity with the federal government. On April 2, 1861, Chase opened \$30 million worth of bids for treasury notes he had received for the \$8 million in notes ranging between ninety to par. Chase wrote encouragingly to the president regarding the “decided improvement in finances” and the press also shared in the optimistic mood. The *Philadelphia Inquirer* detailed that the bids were “the subject of much congratulation, not only among the money Kings of Wall street, but by people elsewhere, who were gratified to see the Government credit thus handsomely sustained.” Despite the optimism that permeated the financial world, press, and treasury, alike, Chase made a fatal error in believing that the initial faith of bankers would translate into a blind following on their part of any and all monetary policy and future war financing. As such, Chase only accepted \$3 million of the loan all for offers at 94 cents to the dollar and above. Chase erred mightily, however, as the various financiers of the northeast, but especially New York, believed the Secretary’s actions constituted a slap in the face of those who had originally acted in good faith by leaping to the patriotic defense of their country. For many financiers, the efforts on the part of Chase to cap the bids at \$3 million and only at 94 cents and above was arbitrary and boarded on collusion as one bank received over half the bids. Rumors ran amuck through Wall Street, State Street, and Chestnut Street that some financiers would be reticent to ever trust Chase again. Such a position was untenable for the federal government,

⁶⁶ Quoted in Caires, “Greenback Union,” 56-57.

for financial support from the private sector was the *sine qua non* for fiscal survival of the Union.⁶⁷

When the war began, anxieties ran high over whether or not the government could meet their debt obligations as well as fund a standing army in the field. Others contended that the war would pull men out of the “real” economy and trap them in armies of physical and fiscal destruction. Indeed, one Republican bemoaned “all this immense Army add nothing by their labor to the wealth of the economy. What a mighty drain this war is upon the productive energies and resources of the country.” But with this attendant anxiety came a great patriotic sentiment amongst the northern populace rallying behind the grand cause of Union. It was in this environment Chase once more went back to the wishing well of New York financiers in an attempt to elicit their financial support. Yet, Chase also made a concerted effort to offer only \$14 million in bonds that, by law, could only be negotiated at par. This caused great concern among northern bankers. Chase’s assurances that any difference between secondary market price and par would be offset by “patriotism” did not dissuade the concerns of New York’s financial elite. The New York Chamber of Commerce refused to accept such terms. Similar efforts to elicit investors in Philadelphia, Boston, and Providence were likewise met with demurred indifference to the matter.⁶⁸

By early May it became apparent to Chase that his belief in patriotism trumping self-interest amongst New York financiers was ill-guided at best. In an effort to gain back some trust with the financial elite, Chase followed up with a bid for \$9 million in bonds with no par restriction. The banks purchased \$7.5 million in bonds and another \$1.5 million in

⁶⁷ Philadelphia *Inquirer*, April 3 1861. Salmon Chase to Abraham Lincoln, April 2, 1861, Chase Papers, HSP; Salmon Chase to Abraham Lincoln, April 4, 1861, Chase Papers, HSP. Philadelphia *Inquirer*, April 3 1861. Quoted in Richardson, *Greatest Nation*, 35-36.

⁶⁸ Spaulding, *Congressional Globe*, 37th Congress, 3rd Session, 116. Quoted in Richardson, *Greatest Nation*, 38-39.

treasury notes. Yet such acts on the part of Chase came too little too late as by August 1 the government projected it would be running an \$11 million deficit. The financial situation had reached a crisis point and it required a special session of Congress in July 1861 in order to tackle the financing of the war—a war that to this point was one without significant battlefield engagements. Chase’s report to Congress on July 4, 1861, called for a clear plan of war finance, consisting (among other measures), of a foreign loan and a popular loan. “It needs no argument,” Chase declared, “to work the conviction that, under the existing laws, little or nothing of the required sum can be realized. The magnitude of the occasion requires other measures.” Chase continued:

As the contest in which the Government is now engaged is a contest for national existence and the sovereignty of the people, it is eminently proper that the appeal for the means of prosecuting it with energy to a speedy and successful issue should be made, in the first instance at least, to the people themselves. And it is highly desirable, in order that the circle of contribution may be widely extended, to make the burden press as lightly as practicable upon each individual contributor, and, if possible, to transmute the burden into a benefit. To attain these desirable objects the Secretary submits to Congress the expediency of opening subscriptions for a national loan of not less than \$100,000,000 to be issued in the form of Treasury notes, or exchequer bills, bearing a yearly interest of seven and three tenths per centum, to be paid half yearly, and redeemable at the pleasure of the United States after three years from date.

Chase finished his segment regarding domestic bond sales by emphasizing the power of a democratic loan amongst the people. “The Secretary cannot doubt that for a loan so beneficial and so advantageous, secured, both as to interest and principal, by adequate provisions of revenue, an appeal to the people will be answered with promptitude and liberality.” Chase also spoke at length about the importance of an international dimension of the loan as well—up to one hundred million dollars. In total, Chase’s speech to Congress provided a blueprint in which Congress could move forward in trying to fund the basic needs of the government. Chase’s initial proposal to Congress was predicated on the

assumption that governmental operating costs would be the remarkably specific sum of \$318,519,581.87 for the next year. Only \$80 million of those funds could be raised via duties on goods and thus \$240 million in loans would be required to complete this short conflict with their southern brethren who could quickly be subdued.⁶⁹

The press likewise endorsed the notion of a popular loan supported by the people. The *Philadelphia Inquirer* argued that to tap the “great mass of the people of the country” would serve the country well. Another newspaper editor noted that a popular loan was “probably the happiest and shrewdest mode of strengthening and consolidating a government that ever was adopted.” By the summer of 1861, even the manager of the New York Clearing House for Wall Street Banks, George Lyman, wrote to Chase urging an investment strategy predicated on small-scale investing from the northern populace. “Let... the government debt be distributed among them [the general populace] in small amounts,” Lyman beseeched, “they will show the world that a government dependent upon the people may be as strong and as rich in resources as it is free.” Indeed, it was no coincidence that some of the earliest bond issues contained the image of Alexander Hamilton, a man who believed that many citizens of the United States should be linked to a common investment in

⁶⁹ “Report of the Secretary of the Treasury, 4 July 1861,” *S.Doc. No. 2*, 37th Congress., 1st Session, 6,8,13-14. Chase commented further on how to make the bonds accessible to small scale individuals by permitting them to buy on margin: “To secure the widest possible circle of contribution, the Secretary proposes, in addition to the inducements just mentioned, that books be opened at the office of the Treasury of the United States in Washington, at the offices of the assistant treasurers and depositaries of public moneys, and at the offices of such postmasters and other selected persons in such cities and towns of the Union as may be designated; that subscriptions be received for fifty dollars, or any sum being the multiple of fifty dollars; that the sums subscribed be paid in cash, or, if the subscriber prefer, in installments of one tenth at the time of subscription and one tenth on the 1st and 15th dates of each month thereafter, the first installment to be forfeited in case of non-payment of subsequent installments; that interest accrue, and be paid as it becomes due, on all sums paid in from the day of payment; and that Treasury notes be issued, if required, for all payments except first installments, and for these on final payment.”

the solvency of government (and thereby, themselves). Unionism as proposed by Chase was no longer just a patriotic feeling, it was a new kind of ownership in the United States, spread across the land and supported by all classes.⁷⁰

The Federal government needed to move, for they were well behind the eight ball, financially speaking, with respect to their Confederate adversaries. Two days after the convening of the (then) six seceded states in Montgomery, Alabama, the Confederate States of America Provisional Government accepted a \$500,000 loan from the state assembly of Alabama. This initial loan was the first of many arranged by the Provisional Government in 1861. By the end of February 1861, the Provisional Congress passed “An Act to Raise Money for the Support of the Government and to Provide for the Defence of the Confederate States of America.” Through this legislation, the Confederate Congress enacted their first loan—a \$15 million loan based on certificates of stocks or bonds bearing 8% interest with semi-annual interest payment in specie. The bonds were issued in denominations as low as \$50 and were partly supported through a small export duty on cotton. Secretary of the Treasury Christopher Memminger worked tirelessly in the early stages, even before the firing on Fort Sumter, to finance the new government. On March 16, 1861, Memminger released a statement reiterating to the Confederate populace “Five millions of this most advantageous investment will be offered to the public... and every citizen throughout the Confederate states will have the opportunity of taking a share of the benefit, and at the same time of sustaining the cause of the country.” Just a few years removed from James Hammond’s famous declaration, “you dare not make war on cotton,”

⁷⁰ *Philadelphia Inquirer*, May 28, 1861. Quoted in Richardson, *Greatest Nation*, 41; Lyman quote from Hammond, *Sovereignty and an Empty Purse*, 44-45.

the Confederate bond issue represented a new financial world for the South that the Federal government would have to contend with.⁷¹

Laying the model for future Union financial efforts as a popular loan, the Confederacy arranged to open subscriptions in major cities and towns in order to get the loan out to “the people.” Only six percent of the amount subscribed needed to be paid in specie at the time of purchase with the remainder produced by May 1, 1861. Memminger and the Davis administration hoped for a vast oversubscription of the loan in order to draw in European interest to the loan. Memminger even went so far as to hope that upwards of a million dollars of the loan could be placed in New York so as to make the northern financial situation even more untenable.⁷²

Memminger’s overconfidence in the issue became readily apparent as Confederate citizens across all walks of life struggled to produce the 6% specie down payment requirement. Most southern banks had, in fact, suspended specie payments in the early months of 1861 making it remarkably difficult for individuals to get their hands on the valuable specie. Once agreements were made with banks to accept demand notes in lieu of specie, the subscriptions once again picked up. Boards of Commissioners emerged in the various Confederate states led by prominent businessmen who became responsible for all purchasers in their respective states. The opening of the loan on April 17, 1861, covered the initial \$5 million loan and then some (perhaps as high as \$8 million of the loan subscribed on the first day.) Although subscriptions for the balance of the loan lagged after the initial interest, by October 15, 1861, the entire \$15 million loan had been subscribed to—largely owing to a push by the Treasury Department to travel throughout the Confederacy and meet

⁷¹ Quoted in Richard Cecil Todd, *Confederate Finance* (Athens: University of Georgia Press, 1954), 25-26.

⁷² *Ibid*, 26-27.

in person with financiers in the various states. A loan subscription largely shouldered by banks inevitably led to a subsequent drawdown in specie making future subscriptions all the more difficult. When coupled with a bond valuation that never reached par during the course of the war (peaking in the low 90s in the spring of 1862), it would seem on the surface that the Confederate's finances were virtually doomed from the start. But a Treasury Department that had started from scratch and had closed a \$15 million loan in the span of ten months was nothing to scoff at, and only fueled the fire for the Union to improve their financial organization from Washington on down.⁷³

In the background of all the movement on the part of the Confederacy, increased pressure upon Washington to right the Union's financial ship grew. It was now time for Congress to act on the measure. In July 1861, Thaddeus Stevens, Chair of the House Ways and Means Committee, put forward H.R. 14 authorizing the borrowing of up to \$250 million in long term bonds, treasury notes or demand notes within a year of the passage of the act. In keeping with Chase's proposal, a portion of the loan (up to \$100 million) of the loan could be sold in any foreign country. The interest rate on the loan could be as high as 7.3% (equal to one cent daily interest on \$50 bonds). Originally covered by import duties, the

⁷³ Todd, *Confederate Finance*, 27-31. Owing to the specie shortage throughout the Confederacy in 1861, the second major financial measure put through the Confederate Congress known as the "Produce Loan" permitted investors in Confederate bonds to pay with goods that could be sold by the Confederate government (chiefly cotton despite the misleading name of "produce" loan.) The government would receive funds for its sales, and the investor would receive specie from the Confederate government in due course. The Confederate Congress authorized such a loan of \$50 million 8% bonds in May 1861, while the initial \$15 million loan was still being subscribed. The loan was later extended on August 19, 1861, to \$100 million. Although interest in the loan waned by the end of 1861, such efforts on the part of the Confederacy revealed a gulf in organization when compared to Secretary Chase and the Union financial machine in the middle part of 1861. While states issued their own cotton bonds further complicating the issue and rampant currency inflation played a large role in hampering the effectiveness of Confederate finances, in 1861, it was readily apparent why foreign markets looked more favorably on Confederate finances.

Senate rewrote this portion in committee to indicate the “faith” of the country would repay the debt. The measure quickly made its way through Congress to the concern of some members of the press. “Measures which involve millions of men and money, which inaugurate or abolish systems of revenue and administration, which create armies and navies, and give to the Executive the plenary powers requisite in such grand National emergencies” remarked the *New York Times*, “are hastened from committee-room to the engrossing clerk with a rapidity which in ordinary time, would suggest the idea of the Legislature having surrendered all but the formal exercise of its constitutional functions.” The measure passed both the House and Senate by overwhelming margins, with only some Democrats opposing. Clement Vallandigham in the House was the most vocal opponent of the measure, viewing the bill as part of a “consolidated monarchy or vast centralized despotism” concocted by the Lincoln administration. Lincoln signed the act into law on July 17, 1861, just days before the full outbreak of hostilities some thirty miles away at Bull Run.⁷⁴

Even before the passage of the act, however, foreign financial support was deemed essential to the overall success of the Union war effort. Britain served as the first European market of interest, and at the outset of hostilities was viewed as the market of greatest importance from both financial and diplomatic perspectives. “English sympathy is very apt to follow English Capital,” financier William Aspinwall remarked, “this is one good political reason for placing bonds in Europe.” Union officials were well aware of the fact that any hope of international support on behalf of the Union (or the Confederacy for that matter) would be heavily tied to the financial interests of the City of London. Any efforts on the part of Parliament at Westminster would be linked closely to the actions a few miles away to the

⁷⁴ *New York Times*, July 17, 1861. Richardson, *Greatest Nation*, 41-42. *Congressional Globe*, 37th Congress, 1st Session, 60-61. Also quoted in Caires, “Greenback Union,” p. 60-61.

east in the City proper and relied upon several key actors who were members of Parliament as well as a part of the financial elite. Once more, the actions of Britain would have a powerful impact upon their European neighbor of France and Napoleon III's subsequent approach to the matter at hand. As far as Washington was concerned, British actions held the key to Confederate recognition and the financial coffers associated with such an action.⁷⁵

British markets would largely be governed, however, by the famous British banking house of N.M. Rothschild & Sons. Originally a German family financial house, in 1811, N.M. Rothschild & Sons was founded in London. Over the course of the nineteenth century, Rothschild & Sons' investments grew exponentially, especially in the realm of government securities. Their agent in the United States, August Belmont, proved vital in determining the involvement of the Rothschilds', and by extension, other European banking houses, in the bond drives. Born in 1813 in the Rhenish village of Alzey, August Belmont's childhood was marked by the death of his mother when he was seven. At the age of fifteen, Belmont found himself under the watchful eyes of family friends—the Rothschilds—who apprenticed him to their Frankfurt branch. Belmont's tremendous work ethic endeared him to his employers, and he was rewarded with a clerkship in 1832. This new position allowed him to travel extensively throughout Western Europe (including Paris, Naples, and the Vatican), and he quickly developed a reputation in international finance circles. When a crisis presented itself over the uncertainty of the Spanish possession of Cuba and its vital sugar market, Belmont found himself on a ship bound for Havana via New York City, where he

⁷⁵ William Aspinwall to Salmon Chase, March 21, 1863, Salmon Chase Papers, Library of Congress (LC), Washington D.C.

arrived in the spring of 1837. The fall out of the Panic of 1837 forced Belmont's hand to stay in New York City to salvage the Rothschild house.⁷⁶

Having been the Rothschild financial agent in America for nearly twenty-five years by the time of the Civil War, Secretary Chase valued Belmont's opinion as to international financial support. Belmont claimed early on that there was little possibility for a formal European loan—in fact it was “not at all propitious.” This said, August Belmont wanted to support the Union war effort, most especially because, as an active antebellum Democrat, he needed now to tack with the political winds if he was to remain cozy with the administration. Belmont knew his comparative advantage was in financial diplomacy, particularly on the question of how to forestall foreign recognition of (and thereby loans to) the Confederacy. The May 6, 1861, declaration of British Foreign Secretary Lord John Russell to treat Confederate privateers as belligerents, and thereby open the door for a possible conversation regarding Confederate recognition, provided Belmont with the excuse to begin a lengthy conversation with his London banking associate Baron Lionel Nathan de Rothschild, who also represented the City of London as an MP in the House of Commons. “An interference, or one sided neutrality such as foreshadowed by Lord John Russell's speech,” Belmont warned, “can only prolong the fratricidal war and entail ruin not only upon both sections of our Country, but upon the material interests and commerce of the world.” Belmont was usually at his best when making arguments like these that made the self-interested position seem also the righteous one.⁷⁷

⁷⁶ Irving Katz, *August Belmont: A Political Biography* (New York: Columbia University Press, 1968), 3-6. For the most comprehensive analysis of N.M. Rothschild & Sons, see Niall Ferguson, *The World's Banker: The History of the House of Rothschild* (London: Weidenfeld & Nicolson, 1998.)

⁷⁷ Katz, *August Belmont*, 100-101; August Belmont to N.M. Rothschild (NMR), May 21, 1861, Rothschild Archives London (RAL), London, England. Richardson, *Greatest Nation*, 42.

Gradually Belmont opened a dialogue with Secretary Chase about the feasibility of a foreign loan to the Federal government. Belmont remained highly skeptical of a foreign loan's viability among European banks, and he was certainly aware that Chase could not send a government treasury agent abroad to test the waters without it looking like the Union was already in need of a bailout, which would have disastrous ramifications on the already shaky American securities market. Walking the line of European financial support of the Union without it coming across as an act of desperation on the part of the Lincoln administration became the challenge. That said, Belmont believed himself to be in a position to aid the administration in just such a task. Given his preexisting plans to travel to Europe for his wife's health, he suggested an arrangement wherein he would travel abroad with the authority to negotiate a foreign loan on behalf of the United States government should the opportunity present itself. Few eyebrows would be raised as travel plans had already been made and the condition of his wife was known in inner financial circles. The plan was approved not only by Chase but also by Secretary of State William Seward (who delivered directions to Belmont personally in New York) and on June 17, 1861, Belmont boarded the steamer *Persia* out of New York harbor bound for England as the voice of an administration he had vowed to defeat just eight months prior.⁷⁸

Once in London, Belmont secured an hour-long audience with Prime Minister Palmerston who quickly cut to the chase—"We do not like slavery, but we want cotton." In other words, the British government (and financial institutions) were wary of Union securities and their potential impact on relationships with Southern cotton firms (both during the war and in a potential post-war Southern nation.) Belmont heard the same message as he traveled through France and the German-speaking states and at the end of his

⁷⁸ Katz, *August Belmont*, 100-01.

tour he made the situation abundantly clear to Chase—the European market was not (at least in 1861) a favorable one for Union securities as long as cotton remained a precious commodity and the South the prime supplier.⁷⁹

Investor fears over foreign hesitation at American loans during the Civil War led to pride amongst the northern populace over their power of a domestic loan. One newspaper editor remarked that the war “will rebuild the decayed dislike of the British name in this country with ten times its former strength.” Still the editor of the Boston *Daily Evening Transcript* raved “We are, if we may believe the London *Times* and its American echoes, too poor to assert our nationality.” Even future Secretary of the Treasury William Pitt Fessenden declared that the nation would not need to look outside its own borders for a single dollar.⁸⁰

While Chase eagerly awaited the prospects of the domestic and foreign loan, the realities of a shooting war brought on by the battle of Bull Run on July 21, 1861, required Chase to once more reach out to the bankers of New York, Boston, and Philadelphia to offer advances of the funds—funds that exceeded the capital reserves on hand at the various

⁷⁹ August Belmont to William Seward, July 30, 1861, William Seward Papers, University of Rochester, Rochester, New York.

⁸⁰ August Belmont did his utmost to plead with his superiors in London to downplay the reliability of the Confederates by alluding to past repudiation: “Who will take a dollar of a Confederacy of States,” Belmont exhorted, “of which 4 have already repudiated their debt and the remaining five will in less than three months be in default of their semiannually dividend.” Belmont lambasted the ulterior motives of the Palmerston government to M.P. Rothschild. “If the cotton supply is at the bottom of this unaccountable policy [of British intervention], then, I must say that it is a very shortsighted one and one which must bring untold ruin and desolation upon the material interests of both hemispheres.” Four days later, Belmont reiterated his fears of English intervention further by dangling the moral hazard of slavery. “This cursed poison of slavery,” Belmont determined, “will be fostered as a political and social institution upon this continent from the Chesapeake to the Cordilleras if the British Government continues in the course which it has begun.” Belmont to NMR, May 21, 1861, RAL; Belmont to NMR, June 7, 1861, RAL; Belmont to NMR, June 11, 1861, RAL. Chapter 4 will go into great length to describe how the Union did in fact seek active investment outside its borders in the form of several hundred millions of dollars of loan purchases on the part of various European nations and several other countries that spanned almost the entire globe.

banks in New York, Boston, and Philadelphia. It was Chase's intention to receive three \$50 million advances worth of a loan at par. While the need was urgent for the first \$50 million, the second and third options of \$50 million were slightly further off on October 15 and December 15. These dates several months later were selected to ensure that these various banks could replenish their vaults of gold through funds from Europe and California. The advances functioned in a way that as bonds were sold amongst the populace (by the government and by the firms), the banks would be reimbursed for their advances that covered the 7-30 treasury notes (and later 6% bonds.) If the popular sales never materialized, the banks would be compensated in the bonds themselves. These loans, however, required the physical transfer of currency from the various banks to the New York sub-treasury building, and in the process had the potential of contracting credit in New York and thus creating the real possibility of a massive financial panic in the days following Bull Run.⁸¹

The close coordination of the Treasury and northeast financiers in the late summer of 1861 relied upon a newly formed organization—the War Loan Association (later known as the Associated Banks)—led by John Austin Stevens of the Bank of Commerce and George S. Coe of the American Exchange Bank. These two men would be responsible more than any other financiers in the second half of 1861 for providing some form of funding for the federal government—and the structure required in New York to ensure fluidity. On August 9, 1861, Chase met with the War Loan Association representatives in New York who wished to present their view of how to stave off financial collapse. In a unique arrangement, the association wanted to unite as a single entity to conduct government business, while at

⁸¹ Salmon Chase to John Cicso, August 7, 1861, Chase Papers, HSP. *Philadelphia Inquirer*, August 12, 1861. Salmon Chase to John Stevens, August 20, 1861, Chase Papers, HSP. William Pitt Fessenden to James S. Pike, September 8, 1861, James Pike Papers, LC. Richardson, *Greatest Nation*, 43.

the same time being able to act independently when it came to their own commercial (i.e. non governmental) transactions.⁸²

On August 15, 1861, Stevens addressed Chase in a letter on behalf of the “officers of banks” of New York, as well as delegations from Philadelphia and Boston. Stevens, in speaking on behalf of all the officers, wrote to Chase inquiring “respectfully to express to the President of the United States its confident expectation that the Government will, without respect to party or personal considerations, so conduct its affairs in every department of administration as to ensure vigor, integrity, economy, and efficiency to the triumphant termination of the war.” Laced in patriotic verbalize, the message was clear: the northeast bankers would be there for the Lincoln administration, but only if Secretary Chase played by the rules, *their* rules, that to that point seemed to mostly entail the best possible conditions for the bankers to make a profit couched in patriotic window dressing.⁸³

Initially, Chase refused to conduct business on such terms. According to Chase himself several years later, he left the bankers with a threat that presented little option for the associated banks. “Gentlemen, I am sure you wish to do all you can, and I hope you will find that you can take the loans required on terms which can be admitted. If not, I must go back to Washington and issue notes for circulation; for gentlemen, the war must go on until this rebellion is put down, if we have to put out paper until it takes a thousand dollars to buy a breakfast.” Chase’s threat was clear—if need be the government was prepared to flood the market and upset the American financial system as they knew it in order to achieve ultimate victory in the war over the Confederacy. The battle lines had been drawn between Chase and

⁸² For more on the War Loan Association and its successor, the Treasury Note Committee, see Treasury Note Committee Papers, located in the John A. Stevens Papers, New-York Historical Society (NYHS), New York, New York. Caires, “Greenback Union,” 67.

⁸³ John Stevens to Salmon Chase, August 15, 1861, Stevens papers, NYHS.

the financial elites of the northeast. Representing a marked departure from previous war finance arrangements between banks and the Treasury, Chase was prepared to push the banks to their breaking point.⁸⁴

Amidst such hostile rhetoric, Stevens and Coe worked out an arrangement amongst financiers to cover the first \$50 million advance for the Treasury of 7-30s at par. \$29.5 million of the advance was to come from New York banks, while the remaining \$20.5 million came from Boston (\$15.5 million) and Philadelphia (\$5 million.) As Table 2.1 indicates, in actuality a grand total of \$35 million in New York funds came from a total of fifty banks with an operating capital of \$68.5 million—thereby easing the requirements on banks in Boston and Philadelphia. Thus, the New York banks put forth 51% of their operating capital in the initial advance. The banks retained the option for two other \$50 million 7-30 issues in October and December.⁸⁵

⁸⁴ Caires, “Greenback Union,” 69 n. 64.

⁸⁵ “Statement of Proportions of New York Banks in 50 Million Loan 7 3/10 Treasury Notes,” Stevens Papers, NYHS. Jay Cooke reminisced on the events surrounding the initial \$50 million advance. “I went to New York with him [Chase] and was present at all the meetings with the presidents of the Associated Banks, giving him my advice and all the aid I could in that transaction. In those days this was a negotiation upon a gigantic scale and, being successfully accomplished, greatly cheered and comforted all the friends of the government and I have always contended that the Associated Banks deserve lasting gratitude for the support they then gave the Treasury at a most critical period.” quoted in Oberholtzer, *Jay Cooke*, 1:151.

Table 3: New York Banks, their Operating Capital, and their Subscriptions to the Initial \$50 Million installment:⁸⁶

Bank Name	Operating Capital	Subscription
Bank of New-York	3,000,000	1,547,000
Manhattan Company	2,050,000	1,050,000
Merchants' Bank	2,776,400	1,423,000
Mechanics' Bank	2,000,000	1,025,000
Union Bank	1,500,000	768,000
Bank of America	5,000,000	1,546,000
Phenix Bank	1,800,000	922,000
City Bank	1,000,000	512,000
Tradesmen's Bank	1,000,000	512,000
Fulton Bank	600,000	307,000
Chemical Bank	300,000	154,000
Merchants' Exchange Bank	1,235,000	632,000
National Bank	1,500,000	768,000
Butchers' & Drovers' Bank	800,000	410,000
Mechanics' & Traders' Bank	600,000	307,000
Greenwich Bank	200,000	102,000
Leather Manufacturers' Bank	650,000	307,000

⁸⁶ Various bank quotations for the initial \$50 million advance located in Stevens Papers, NYHS. For some reason the Artisans Bank was included on the list despite the fact that their overall operating capital as well as subscriptions were both listed at zero. Additional exploration at this point and time has not yielded a clearer figure for the bank's operating capital and if it in fact contributed at any point to the three \$50 million advances.

Seventh Ward Bank	500,000	256,000
Bank of the State of N.Y.	2,000,000	1,025,000
American Exchange Bank	5,000,000	2,562,000
Bank of Commerce	9,148,480	4,687,000
Broadway Bank	1,000,000	512,000
Ocean Bank	1,000,000	512,000
Mercantile Bank	1,000,000	512,000
Pacific Bank	422,700	215,000
Bank of the Republic	2,000,000	1,025,000
Chatham Bank	450,000	230,000
People's Bank	412,500	210,000
Bank of North America	1,000,000	512,000
Hanover Bank	1,000,000	512,000
Irving Bank	500,000	256,000
Metropolitan Bank	4,000,000	2,050,000
Citizens' Bank	400,000	205,000
Nassau Bank	1,000,000	512,000
Market Bank	1,000,000	512,000
Saint Nicholas Bank	750,000	384,000
Shoe and Leather Bank	1,500,000	768,000
Corn Exchange Bank	1,000,000	512,000
Continental Bank	2,000,000	1,025,000
Bank of the Commonwealth	750,000	384,000

Oriental Bank	300,000	155,000
Marine Bank	399,000	204,000
Atlantic Bank	400,000	205,000
Importers' & Traders' Bank	1,500,000	768,000
Park Bank	2,000,000	1,025,000
Artisans' Bank	0	0
Mechanics' Banking Assoc'n	500,000	256,000
Grocers Bank	300,000	153,000
North River Bank	400,000	205,000
East River Bank	206,525	103,000
Manufacturers + Merchants	500,000	256,000

The political games between Chase and the New York elites continued following the initial advance. In one case, it was alleged that John Stevens proclaimed: "You have now received from the Associated Banks the vast sum of \$50,000,000. We all earnestly hope that this sum will be sufficient to end the war. Should it not prove enough we wish to notify you that you cannot depend upon further aid from the Associated Banks. We are glad that we have decided to come thus to the support of the government but we owe a duty to our stockholders and dare not encroach further upon their rights.... Therefore husband the resources under your control for this is all that can be expected of us." It appeared that Chase's proclamation of the \$1,000 breakfast had done little to dissuade financial leaders in the northeast regarding their bearish approach to dictating war policy in Washington.

Politicians in Washington looked on with some trepidation as the subsequent advances approached.⁸⁷

The Associated Banks moved beyond mere correspondence, however, and took a rather proactive stance to dictate and impact war policy because of their vested interest. Although their statement of August 15, 1861, expressing their confidence in Washington to adjudicate war matters implied a *laissez faire* approach, it became readily apparent that the Lincoln administration's war policies did not meet their expectations. A delegation of bankers subsequently arrived in Washington to voice their displeasure in the wake of the Bull Run fiasco and urged Lincoln to alter his war policies—such an act was met by some in the press with great contestation. “The fact that these gentlemen represent the fifty million which the banks have subscribed to the national loan gives them no prescriptive right to obtrude their views upon the government,” the *Philadelphia Inquirer* declared. It did not, however, prevent the bankers from expressing their clear thoughts on the matter. This was achieved most forcefully by John E. Williams, president of the Metropolitan Bank of New York (a holder of some \$2 million of the initial advance), who expressed on behalf of many New York bankers, “our surprise that you should not take our judgment in this matter but rather argue on the supposition that we do not understand the legitimate operations of our own business so well as you do,” he further added that “but for the banks, the Government could not pay at all. It would have been bankrupt six weeks ago.” Williams added further that “Congress *meant something*” when passing the act of August 5.” An “increase in the Sub-

⁸⁷ Quoted in Oberholtzer, *Jay Cooke*, 1:152. Northeastern elites did pick up the second \$50 million option despite the gusto on the part of the Associated Banks. They ran into significantly more difficulty in trying to offload the treasury notes onto a secondary market, however. They flat out refused to take the third \$50 million option and instead made arrangements for 6% bonds dubbed “81’s” that could be sold in Europe—and were to a substantial degree. These international sales will be discussed in greater detail in Chapter four.

treasury's coin weakens us and the Government too," Williams declared, and he earnestly hoped that Chase comprehended his actions by hoarding so much coin and the probably suspension it would initiate. Williams harshest critique directly addressed Chase's perceived lack of understanding when it came to financial matter. "While you speculate as to what is best for sound banks," Williams declared, "they think, with practical experience, they *know* what is best for their institutions."⁸⁸

Yet Chase remained optimistic, writing to John Austin Stevens on August 22, 1861, "I am told that the associates are already receiving offers for the notes they have subscribed for in large amounts. I devoutly hope this may be true and that they may thus reimburse themselves without calling on the Government." The Boston *Daily Advertiser* echoed similar sentiments a week later. "We are glad to learn that by the united and harmonious action of the Boston banks they will be able to take their portion of the fifty millions, which is ten millions, without disturbing the financial movements of this city. This unanimity, we are glad to say, reflects the public sentiment of Boston." Senate Finance Committee chairman William Pitt Fessenden likewise echoed these sentiments, declaring the initial \$50 million loan as an act that "has given confidence to all who have money to invest."⁸⁹

It was also at this time that Philadelphia financier Jay Cooke started to raise his profile to a national stage by conversing with the Secretary directly regarding the various bond issues. Cooke was a co-partner in the new financial house of Jay Cooke & Co. established the year prior. Formerly a part of E.W. Clark & Co. out of the same city, and a financier who had met with great success selling Mexican War bonds, Cooke viewed the

⁸⁸ Philadelphia *Inquirer*, August 30, 1861, also quoted Oberholzer, *Jay Cooke*, 1:153; Hammond, *Sovereignty and An Empty Purse*, 112-13 n. 8. Quoted in Caires, "Greenback Union," 71-72.

⁸⁹ Salmon Chase to John A. Stevens, August 22, 1861, Stevens Papers, NYHS; Boston *Daily Advertiser*, August 29, 1861; Richardson, *Greatest Nation on Earth*, 43.

Civil War as a tremendous financial opportunity. Although Chase and Cooke had not as of yet met, both being sons of Ohio, they knew of one another. Shortly after Fort Sumter, Jay Cooke wrote to the Secretary asking whether or not Philadelphia banks could negotiate directly with the Secretary on future treasury issues. Cooke assured Chase that it was an effort that would meet with success, especially since “capitalists and banks should become more interested in government loans than they have been—a large debt will not hurt the cause of the Union.” Cooke wrote to his brother Henry in the summer of 1861: “Can’t you sell out the papers & open a Banking house in Wash & be something respectable, or at least can’t you inaugurate something whereby we can all safely make some Cash?” By the summer of 1861, Cooke offered to move to Washington to open a “first class banking establishment” that would act with the very best interests of the Treasury at heart. However, Cooke also made sure to qualify his statement by noting, “We could not be expected to leave our comfortable homes and positions here without some great inducement and we state frankly that we would if we succeeded expect a fair commission from the treasury.” Chase already held Cooke in high regard, for at this point in time he even offered the assistant treasurer position in Philadelphia to Cooke—a position he subsequently turned down, but which nevertheless demonstrated the future close relationship between the two men. Cooke would become a household name by the later bond drives and do more than any other individual to ensure their success. In 1861, however, he was one of many financiers positioning themselves to be in the financial graces of Secretary Chase.⁹⁰

Jay Cooke attempted to seize the moment as early as April 1861, by selling treasury notes—having won a bid for the tidy sum of \$200,000 of notes. Cooke continued with an

⁹⁰ Oberholzer, *Jay Cooke*, 1: 135-137; Jay Cooke to Henry Cooke, undated, Jay Cooke Papers, HSP; Jay Cooke to Salmon Chase, July 12, 1861, Jay Cooke Papers, HSP.

early bond issue in the spring of 1861 working in concert with the much more established Philadelphia banking house of Drexel & Co. That said, the firms only procured \$141,000. Cooke remained frustrated by the small amount of sales on the table for his firm and began to conceive of an alternative to the financial efforts of Chase. Cooke's brothers Henry and Pitt reiterated such sentiments. Henry operating in Washington to try and influence counseled patience for his brother. "We are just beginning to get 'inside the ring,'" relayed Henry, "and there are several 'good things' in prospect which a little management and patience will bring out all right." Pitt, on the other hand, promoted the idea that Jay Cooke could take on a role that would cement him as the financial figure of the Civil War. "'Morris of Philadelphia' was the back bone of the Revolution." Pitt proclaimed, "He was their only financier that could always do something for the cause in the Sinews of war & now Cooke of Phila must not forget his financial patriotism. His mantle has fallen on the right shoulders." Now Cooke just looked for his opening.⁹¹

While Cooke would become known for his work on the federal level, ironically it was his leadership in a Pennsylvania state bond issue that would well and truly put him on the national radar in Washington. The state of Pennsylvania decided in the early spring of 1861 to put out a \$3 million loan for subscription. Pennsylvania, being one of the states that had defaulted in the recent past, was wary of what they might be able to attain—perhaps as low as seventy-five cents on the dollar. Jay Cooke thought otherwise. To that end, he suggested to the governor that the loan would be attainable on par, but only if there was a massive

⁹¹ Even Cooke's father, Eleutheros, saw tremendous potential in Civil War finance. Writing to Jay in late March 1861, he commented "I took up my pen principally to say, that, H.D.'s plan in getting Chase into the Cabinet & Sherman into the Senate is accomplished, and that now is the time for making money, by honest contracts out of the govt. In perfecting loans & various other agencies—the door is open to make up all your losses." Quoted in Larson, *Jay Cooke*, 103-06.

campaign to sell the bonds to the general public by pulling at their patriotic heartstrings. The governor consented to Cooke's plans and Cooke & Co. in conjunction with Drexel & Co found themselves appointed general subscription agents to try out Cooke's theory. Cooke set to work to appeal to the patriotism of the people of the Keystone State. In one advertisement Cooke and Drexel called on "the patriotism and state pride of Pennsylvania in this hour of trial, that they come forward and manifest their love of the old Commonwealth by a prompt and cordial response to her call."⁹²

Like future national drives, Cooke sent agents out throughout Pennsylvania to solicit sales. The result was an oversubscription of the loan at par by citizens of the state from all walks of life—moving beyond the financiers of Philadelphia and Pittsburgh. The loan was a tremendous success and paid great dividends for Cooke on a national scale. The state treasurer even went to far as to write Salmon Chase telling him that if Cooke was to be entrusted with a national agency, it would meet with equal success. Cooke also made the success of the loan well known to others, writing not only Chase, but also Jefferson Davis and *The Times* of London.⁹³

By the fall of 1861 Cooke endeared himself enough to Chase to be granted an agency to try and sell northern bonds on behalf of the government. While most of the agents were state banks and highly capitalized financiers in major cities, Cooke took his responsibility seriously. On September 5, 1861, Cooke opened his doors at 114 South Third Street in Philadelphia as an official government agent. Quickly Cooke took the task and employed tactics that would define his approach to war finance—he went out of his way to advertise in local newspapers, he published the names of those who subscribed, and used the power and

⁹² Quoted in Larson, *Jay Cooke*, 105.

⁹³ Larson, *Jay Cooke*, 107-08.

importance of patriotism to drive small-scale investors. Just two days later, Cooke wrote to Chase regarding the success of the loan so far:

This has been a hard day. I have been at it from 8 a.m. till after 5—a continual stream, clergy, draymen, merchants, girls, boys and all kinds of men and women. Some of our citizens who came in—I mean those of mark—went out almost with tears in their eyes, so overjoyed at the patriotic scene. We gave the day almost exclusively to small subscribers, 106 subscribed today and it's no small job to explain to so many ignorant people the whys and wherefores. I am glad to say that they all went away happy and delighted and we bagged over 70,000 as the days work.

The Philadelphia *Inquirer* also commended Cooke for his actions that day, noting “All classes may at last congratulate themselves that they have here found a stock that will be perfectly safe. This especially to persons of small means who have lately been victims of swindling institutions, is a great mental relief.”⁹⁴

Cooke continued to refine his approach and explore tactics that later would become the norm for his national agency. Early in the process Cooke extended the hours at his Philadelphia office to 9 in the evenings to enable “the workingman” to purchase the notes. Cooke proclaimed that in a week’s time he had reached out to 800 subscribers through his office: (“Their charge of money bags is quite as efficient as a charge of bayonets,” he remarked.) Cooke also devised new ways to finance bond sales for the people that became common place by the latter part of the war. For instance, 1,000 of the 1,500 employees of the Philadelphia and Reading Railroad purchased seven-thirty notes by setting up payroll

⁹⁴ Oberholtzer, *Jay Cooke*, 1: 159-60. In another letter from his father dated August 25, 1861, Jay Cooke received high praise from Ohio. “I hope with such pilots as yourself and Chase the good old financial ship will be able to weather the terrible storm which threatens her destruction. If to have nobly aided in furnishing the sinews of war, without which the most skillfully planned campaigns against the traitors in arms for the overthrow of the government would be in vain, can be truly said of you as we know it can, then indeed you will have achieved an honor more truly substantial than the combined glory of all the heroes in the field who are thus enabled to fight our battles and rescue our country from destruction.”

deduction to ease the purchases for these small-scale investors. Cooke would go on to sell \$4,224,050 of the first series and another \$1,000,000 of the second series of 7-30 notes in the summer and fall of 1861. Such sales represented nearly a quarter of all sales outside of federal sub treasuries at the time.⁹⁵

Of course the entire premise of funding the early war measures relied on a steady stream of credit emanating from the northeastern bankers. Such a task remained more complicated when gold reserves declined markedly. In the six weeks from the original agreement in August 1861, the *New York Herald* reported specie reserves in New York had declined from \$48 million to \$37 million. Such action matched the gold reserves in the New York sub-treasury, which in and of itself was a concern for these gold reserves were not making their way to other government creditors that were enabling the Union to conduct a war, albeit on a rather limited scale in the early fall of 1861. New York banks dealt in greater volume than their Boston and Philadelphia brethren, and also had greater flexibility because their gold reserve expectations were not statutory. That being said, the Associated Banks were in agreement that their specie reserves were not to fall below 25% of note circulation regardless of the fact that no statutory specie reserve existed in New York state. In Pennsylvania, banks were required by law to maintain specie reserves that covered 8% of notes. In Massachusetts, the reserve requirement was 15%. Up until September 1861, the various banks held specie reserves well above their required (or agreed upon) specie thresholds, but chinks were already starting to emerge in this financial armor.⁹⁶

Issues emerged shortly thereafter in September as certain members of the New York Associated Banks fell below their agreed upon 25% specie reserve threshold. While the

⁹⁵ Oberholzer, *Jay Cooke*, 1: 160, 164.

⁹⁶ Hammond, *Sovereignty and an Empty Purse*, 115-16.

banks acted as a single entity and covered one another, the fall in specie reserves was rather precipitous as not enough gold made its way into the bank coffers. A ten percent drop in specie reserves in early September continued to alarm the various banks in New York and this panic spread elsewhere.⁹⁷

Ironically at this moment of great despair for the specie reserves of the various banks was the greatest influx of gold specie to date from Europe and California. Despite the outbreak of hostilities, European nations still relied on northern foodstuffs—a subscription that amounted to \$95 million in the year ending 30 June 1861, and \$119 million for the following year. The *Times* reported on October 8th Western Europe’s foodstuffs demand “relates not to the old but the acknowledged deficit of the new crop of wheat in England and France and the reported short supplies in Spain, Belgium, and Holland.” The *Boston Daily Advertiser* went so far as to remark that the traffic along the New York Central and Erie railways of said farm materials was “so enormous that the supply of cars is entirely insufficient for the freight moving toward the seaboard.” When coupled with nearly \$3 million in gold specie arriving from California monthly, specie reserves would have far exceeded any amount necessary, but Chase’s insistence on the gold being transferred from the various New York banks to the sub-treasury resulted in a truly precipitous decline of specie reserves by December 1861.⁹⁸

As much as Chase relied on northern financial institutions, he well and truly believed that a popular loan could take flight if given enough support and pitched properly. But a popular loan relied upon a willing populace and in that vein Chase reached out to the public directly on September 1, 1861, with an “Appeal from the Secretary of the Treasury” detailing

⁹⁷ Ibid., 117-18.

⁹⁸ Ibid., 119-21.

the three year loans at 7.3% (known as seven thirties) with a promise to open subscriptions to the general populace very soon. The Treasury Department would hire agents to facilitate these sales (Jay Cooke being among them.) Cooke threw himself into the effort selling over \$5 million of the loan himself—by comparison the other 147 agents sold slightly less than \$25 million worth. But while agents were utilized for the sales, above all else it was the hope of Chase and the Treasury Department that “the advantages as well as the patriotic satisfaction” of lending to the government be extended “not to the capitalists of the great cities only but to the people of the whole country.” Yet despite the hopes of Chase and co. to sell this loan to the populace writ large, sales were slow—especially once one left the major urban centers. The *Boston Daily Advertiser* summed it up most appropriately when they remarked “a United States loan has never hitherto been heard of far outside of the larger cities.” Perhaps a more pressing difficulty facing “the public” was the fact that they were required to purchase said notes in specie and few everyday consumers had enough gold on hand to purchase the notes, nor with great ease actually obtain the necessary gold—especially as you moved further away from northeastern urban financial institutions.⁹⁹

One of Chase’s colleagues from Ohio, Judge Simeon Nash, warned Chase as early as July 1861 that the very nature of a national loan sold amongst the people would fall flat if provisions to purchase the notes with something other than gold was not presented as an option. “I wish you could receive bank paper for the popular loan and then the *people* could

⁹⁹ *Indianapolis Daily Journal*, September 6, 1861. Quoted in Richardson, *Greatest Nation*, 43-44. As Richardson rightly notes, the 7-30s were in fact treasury notes, but were often marketed as bonds to the general populace. This will remain the case with future treasury note issues, most notably the 7-30 issue of 1864-1865 of some \$830 million. For more on Cooke’s role see H.D. Cooke to Jay Cooke, July 9, 1861 and August 7, 1861; Jay Cooke to H.D. Cooke May 15, 1861; Salmon Chase to Jay Cooke, September 4 and 5, 1861, Jay Cooke Papers HSP. To see the official agent arrangement with H.D. Cooke, see Salmon Chase to H.D. Cooke, September 10, 1861 H.D. Cooke Papers, Huntington Library, San Marino, California.

take a part of it,” Nash declared “now it is limited to monied men living in towns and cities. The coin is not in the country.” Nash repeated this concern in November 1861. Still another associate in Cincinnati wrote ‘if the law would permit and your instructions to the United States depository had allowed him to receive bankable funds for subscriptions to the loan, the amount of them here would have been greatly enlarged. Many persons have small sums of money they would gladly invest but know nothing about exchange, have no correspondents in the eastern cities, and do not know how or where to buy gold.’ Still James Gordon Bennett, the publisher and editor of the *New York Herald* lamented Chase’s poor timing. “I wish I could do more for your department,” Bennett exclaimed, “but the iron should have been struck when it was hot. All the newspapers here and in Boston and Philadelphia should have prepared for this loan weeks ago and the movement would have been more successful.”¹⁰⁰

Still other newspapers reinforced the democratic nature and benefit of such bond sales. They offered what was a sincere hope that “the people” would invest, and in doing so, become deeply entwined with the interests of the federal government—a government that most had little prior contact with outside of the post office. One newspaper encouraged people to take their savings from wherever it might be stashed— be it, “broken crockery or old stockings” to invest. One letter to the editor tried to alleviate the concerns of investors by noting that a bond “is as accessible to *ladies* as gentlemen, and no one need for application, and not the least ‘red tape’ or hindrance of any kind.” Political organizations passed resolutions praising the financial instruments and even Salmon Chase’s law partner noted the Secretary would gain support “from the pockets and stockings of the poor.” The 7-30s gained traction out West as well where in one Ohio town “many persons called to see

¹⁰⁰ Hammond, *Sovereignty and an Empty Purse*, 109-11.

them, and with glad hearts rejoiced at the event.” One Republican Senator reportedly quipped to another “I never doubted but you fellows out West would *take* anything you could lay your hands on.”¹⁰¹

Union prospects took a turn for the worse because of events on the battlefield and on the high seas. The Union defeat in October 1861, at Ball’s Bluff some twenty miles up the Potomac from Washington, while not as damaging from a military standpoint, had a dramatic impact on union morale. This defeat was followed some three weeks later by the seizure of the British ship *RMS Trent* by the *USS San Jacinto* in what would become known as the Trent Affair. Captain Charles Wilkes of the *San Jacinto* seized the ship owing to its occupants, Confederate emissaries James M. Mason and John Slidell, who were en route to London and Paris respectively to procure Confederate recognition. A fierce pride amongst those in the North was tempered by great trepidation in the Lincoln administration and financial markets. “Not a dozen battles lost,” wrote financier August Belmont, “could have damaged our good cause as much as the ill-judged & over zealous act of Capt. Wilkes.” Belmont’s comment from London upon hearing of the event reflected the serious concerns that emerged in the New York market as threats of a third Anglo-American war loomed. More than anything else, the Trent Affair led to a freeze on the market to some degree as many were too afraid to withdraw funds before knowing the end result. Diversion of gold shipments from California to London versus their original destination of New York fueled

¹⁰¹ Boston *Daily Evening Transcript* September 10, 1861. *Philadelphia Inquirer*, October 3, 1861; William Pitt Fessenden to J.W. Grimes, William Pitt Fessenden Papers, George J. Mitchell Department of Special Collections & Archives, Bowdoin College, Brunswick, Maine. Quoted in Richardson, *Greatest Nation*, 44.

some speculative fire, but the ultimate resolution of the incident in December 1861 averted an international disaster, but came at the same time as the suspension of specie.¹⁰²

As treasury notes were converted into 6% “1881” bonds (named as such because they were twenty year coupon bonds) to compensate bankers, one is able to garner a deeper appreciation of the nature of the bond sales—to banks and the populace at large. The first bonds had interest dating from November 16, 1861, although the first bond was not delivered until January 9, 1862-further reinforcing how ill prepared the Federal government was from the position of the treasury to operate a financial machine on such a scale. The bond ledgers located at the National Archives for the ’81 issue reveal just how essential the Associated Banks were to early bond sales. A quick examination of the bond ledgers reveals some \$17 million in sales amongst the first thirty “vouchers” to John A. Stevens on behalf of the Associated Banks. Even early on the sales took on an international dimension as well. Schuchardt & Gebhard, a New York based firm with active business in Amsterdam with several Dutch banking houses purchased some \$109,000 of the ’81 issue from early November, Hamburg based L. Marx and Co. purchased \$20,000, German tied firm Marcuse Balzer pocketed \$8,500, London based Morgan & Co. \$65,000, and the German Seligman’s \$10,000. But a closer examination of the bond ledgers reveals a plethora of small-scale individuals who bought into the Union cause. While small in the context of future bond sales during the war in terms of small scale investors, it never the less represented a marked deviation in democratic financialization of a war—more than any other in the history of the United States.¹⁰³

¹⁰² Hammond, *Sovereignty and an Empty Purse*, 123-25; August Belmont to Salmon Chase, August 8, 1861, Chase Papers, HSP.

¹⁰³ ’81 loan records cited above located in “Accounts for the Loans of July and August 1861,” Vols. 1-3, The Bureau of Public Debt Records, RG 53, NARA II, College Park,

While the calendar turned to December and the entire North (and for that matter the Confederacy) anxiously awaited war or peace with Britain over the *Trent* seizure, Chase's report to Congress and the looming specter of specie payment suspension remained ever present. Chase's message to Congress was the best effort to place a positive spin on a rather precarious situation. Import duties fell far short of what was necessary owing to mounting expenses (\$32 million drawn in versus the anticipated \$57 million) and land sales and other sources of income also fell short. Furthermore, Chase could do little to combat the ever-increasing size of the army and navy as the war dramatically expanded and all the associated expenditures connected to the armed forces. Despite Chase's best efforts, the facts were clear—expenditures continued to mount for the floundering federal government and the ability to cover said expenses was becoming more and more difficult. While Chase had procured \$197 million by borrowing, it fell short of the \$250 million authorized by Congress and the \$320 million Chase thought necessary to fund the war effort (Lincoln thought the figure \$400 million to be more appropriate.) In Chase's mind, with the downward revision of revenue from \$80 million to \$55 million and an increase of expenditures from \$318 million to \$532 million, the federal government was looking at a minimum deficit of \$200 million through fiscal year 1862 (that is, the end of June 1862.) Chase's reticence to endorse taxation at the time further hampered the government's efforts to meet any and all demands. Instead, Chase made a call for a "more absolute reliance, under God, upon American labor, American skill, and American soil." When it came to future loans, Chase punted on the issue, declining "from making any recommendation concerning the authorities with which it

Maryland. These ledgers also indicate the various banks that that would later couple with Jay Cooke + Co as agents. Firms such as Vermilye + Co and Fisk + Hatch figure prominently in the early bond sales from November 1861. The China Mutual Insurance Company based out of Massachusetts but dealing solely in Chinese trade also purchased some \$23,200.

may be expedient to invest him in respect to future loans,” rather leaving this decision “to the better judgment of Congress.” A call for a national currency as part of the report represented a further evolution in the Secretary of the Treasury’s thoughts on how to not only pay for the war but likewise operate a functional economy. Although not the full cry for a national banking system present in his 1862 report, it nevertheless represented a vast deviation from Chase’s time as governor of Ohio when he placed a great emphasis on the state’s right to dictate monetary policy.¹⁰⁴

All signs pointed towards the suspension of specie payment. The *Journal of Commerce* reported as early as November 26, 1861, that London bankers held grave concerns over the likelihood of specie suspension. Mounting specie exports to Europe and the failure of specie payment to New York for foodstuffs by December further fueled speculation over suspension of specie emanating in London and impacting actions in New York. The money coming in from California was merely delaying the inevitable. *The Economist* also got in on the action, declaring that as of November 25, only \$80 million had been contributed by the banks (and to a significantly lesser degree) the public—a far cry from the \$600 million *The Economist* claimed was necessary for the government to operate a war (or for that matter the ~\$320 million Chase had predicted in his message to Congress that summer.) In the mind of *The Economist* (and many other British banking interests of the time) the Federal government was simply borrowing too much money and not taxing its people enough. This would come to a head in time, they thought, by leading to specie suspension. Such claims led to panic on Wall Street by the middle part of December and the question of specie suspension was

¹⁰⁴ Hammond, *Sovereignty and an Empty Purse*, 133-35; Report of the Secretary of the Treasury on the State of the Finances for the Year Ending June 30, 1862, *Sen. Ex. Doc. 2*, 37th Congress, 2nd Session, 13,23, also *New York Times* December 2, 1861. Quoted in Edling, *Hercules in the Cradle*, 188-89.

rampant. By December 18th, the *New York Tribune* reported the suspension question taking place “both in and out of bank parlors” and the reality that “the necessity of ultimate suspension was generally conceded, and the question was whether it should take place with fully or empty vaults.” Chase’s travel to New York did little to assuage the concern of most who held on New York banks and called in their notes—creating a growing specie problem in New York. From December 7-28 specie deposits in New York fell by a further third as people tucked away their gold and the point of specie suspension had come. Despite a vote of confidence in continuing payments as recently as December 17, on the evening of December 28 following a seven hour meeting the banks voted to suspend specie payment. All this despite the fact that war with Britain appeared to be avoided for the time being with the release of Mason and Slidell. Suspension with Philadelphia and Boston banks soon followed suit, and they were accompanied by banking institutions throughout the North.¹⁰⁵

Fears emerged over what could be done in January 1862 to correct the financial situation. Assistant Secretary of the Treasury George Harrington wrote to Chase regarding this problem and the difficulties posed by New York financiers. “Mr. Cisco says there are strong indications of an attempt to make direct war upon the Treasury,” declared Harrington, “Mr Coe’s bank even sent in the small amount of \$75 for the coin + six several times yesterday they called upon him.” Harrington concluded his remarks to Chase by laying the blame firmly at the feet of “the dissenters. Gallatin Coe + Co.” Shortly after the new year in the midst of Congressional debate on the issue, Congressman Elbridge Gerry Spaulding wrote to Isaac Sherman remarking “We must have at least \$100,000,000 during the next three months, or the government must stop payment. With the Navy and Army of 700,000 now in the field we cannot say that we will not pay.” Still others remained skeptical

¹⁰⁵ Hammond, *Sovereignty and an Empty Purse*, 149-57.

that some sort of currency would be necessary. Reuben Fenton, for one, pushed taxation. “We should have a comprehensive scheme of finance, should tax and tax largely as the only means of preserving the public credit. Our people have great capacity for paying taxes and no people are more willing. The platform is, move the army, economy in public expenditure and tax heavy to preserve the credit and to pay.” Preston King likewise shared the same sentiment, “We must levy taxes and enough to keep our credit good.”¹⁰⁶

As the financial situation turned more dour, press and financiers alike came around to support the bill. The *New York Times* was reticent to fully embrace some form of legal tender, but it would support “prompt action upon *some* feasible plan.” The *Times* added further that the bill would be observed by a “willing consent of the vast majority of the People of the loyal States, who desire to see the sovereign power of the Government asserted and exercised.” Many hard money proponents with Democratic allegiance such as George Opdyke, John J. Cisco, Morris Ketchum and others all voiced support for legal tender by February 1862. Despite such positive sentiments, others remained suspicious of the Union’s financial prospects. The *Economist* voiced their doubts regarding Federal finances as word reached the British shores over the North’s financial woes. “At the outset of the American struggle it was believed that money would be the strong point of the Federal States; it is now believed that it is precisely their weak point. There is an old maxim that war

¹⁰⁶ George Harrington to Salmon Chase, December 29, 1861, Chase Papers, HSP; Elbridge Garry Spaulding to Isaac Sherman, Isaac Sherman Papers, Huntington Library, San Marino, California; Reuben Fenton to Isaac Sherman, Sherman Papers, Huntington; Preston King to Isaac Sherman, Sherman Papers, Huntington; Another vocal proponent of taxation at this time was Francis Lieber. In the winter months he wrote to Senator Charles Sumner proclaiming, “Now, my dear Sumner, tax, tax us. Let me state as a positive fact that the people are anxious to be heavenly taxes, more so than probably ever in history before. Indeed, without a 150 to 200 million [] bill our Legal Tender law will be a ghost enough to frighten the stoutest man a move Wall Street [] taxing thing,” Francis Lieber to Charles Sumner, February 18, 1862, Francis Lieber Papers, Huntington Library.

can be made to support itself. There is another newer but often cited maxim that a nation never knows its true strength until it is bankrupt. These dicta would seem to indicate that the war would grow in spite of the apparent ruin of the Federal finances. Yet the almost universal belief of competent men of business is that this ruin will be fatal to the Federal hopes.”¹⁰⁷

Early in 1862, Congress moved swiftly to try to fill the breach. In February, Congress passed the Legal Tender Act. The bill authorized the printing of \$150 million in United States notes (known as greenbacks) and made these notes lawful currency. Additionally, the Legal Tender Act permitted \$500 million in six percent interest bearing bonds. There was a desire to make the bonds appealing to the populace at large and keep war profiteering to a minimum. As one Ohioan purportedly stated any man who “hawks the credit of the Government in the markets...to make the best bargains for himself that he can” was merely “dust...compared to the rights and interest of the people of this country.” The bonds were callable by the federal government in five years although they did not mature for twenty (hence their name “5-20s”). These bonds could be purchased with the newly circulating currency. However, the weight of Congress behind the measures did little to dissuade the concerns of prominent bankers—particularly in the vital financial hub of New York. Union victory was far from certain and doubts loomed with regard to a possible repudiation of the debt. These bankers simply would not commit any further money to “the cause.” The concern over these financial matters pushed Chase to desperate measures and by the

¹⁰⁷ *New York Times* February 2, 1862, Quoted in Caires, “Greenback Union,” 118; “Will the State of the Federal Finances Bring the American Civil War to an End?”, *Economist*, February 22, 1862.

summer of 1862, he was looking for someone to step in and make the bond drive a success.

Chase turned to Philadelphia financier and fellow Ohioan Jay Cooke.¹⁰⁸

Senator John Sherman of Ohio, looking back at 1862 later in his life, remarked that by 1862 the U.S. was “physically strong but financially weak...the problem of this contest was not as to whether we could muster men, but whether we could raise money.” Early setbacks on the military front still did not dissuade large enlistments amongst the northern populace. The industrial and agricultural might of the Union was also second to none and could be called upon from all corners of the North to produce the armaments and foodstuffs required to propel the Union to ultimate victory. In the face of all this, however, was a collapsing financial system propped up in the spring of 1862 by the introduction of a fiat currency. Long established approaches to American war finance dating back to the Revolution would be challenged by the spring of 1862 and into this void stepped a democratic push that tossed out traditional assumptions of war finance and made the Civil War one in which the Union’s citizenry found a remarkably vested interest—into this financial void would step Jay Cooke and his nationwide army to right Union finance. In so doing, the shift was apparent, and Wall Street and American capitalism would never be the same.¹⁰⁹

¹⁰⁸ John Sherman, *Recollections of Forty Years in the House, Senate and Cabinet, An Autobiography* (New York: The Werner Company, 1895), 1:302. Quoted in Richardson, *Greatest Nation*, 48.

¹⁰⁹ John Sherman, *Recollections of Forty Years in the House, Senate and Cabinet, An Autobiography* (New York: The Werner Company, 1895), 1:281.

CHAPTER 3: 5-20 AND 10-40 BOND ISSUES, 1862-1864

“The history of finance is a history of the rise and fall of values, in other words, of speculations and panics. Wall Street is our temple of Janus. The lust of money is as strong as the lust of dominion, and avarice, like its nobler brother, ambition, ‘scorns delights and lives laborious days.’”

-William Worthington Fowler (1870)¹¹⁰

“Money is God. Gold and Greenbacks and Stock—father, son, and the ghost of same—three persons in one; these are the true and only God.”

-Mark Twain (1871)¹¹¹

“The circumstances of the time turned Jay Cooke & Co. to government finance. The power and prestige of the firm were built up through war finance, and, in order to sell government securities, Jay Cooke practically revolutionized the methods of marketing investments in the United States. The Civil War was in a very real way a turning point in the history of our investment banking, a development in which Jay Cooke was the Leader.”

-Henrietta Larson (1936)¹¹²

“We fellows in Wall Street had the fortune of war to speculate about and that always makes great doings on a stock exchange. It’s good fishing in a barrel.”

Daniel Drew (n.d.)¹¹³

¹¹⁰ William Worthington Fowler, *Ten Years in Wall Street: Or, Revelations of Inside Life and Experience on ‘Change* (Hartford Conn: Worthington, Dustin & Co., 1870), 23.

¹¹¹ Quoted in Wayne W. Westbrook, *Wall Street in the American Novel* (New York: New York University Press, 1980), 17.

¹¹² Henrietta M. Larson, *Jay Cooke Private Banker* (Cambridge: Harvard University Press, 1936), 99-100.

¹¹³ Quoted in Edwin G. Burrows and Mike Wallace, *Gotham: A History of New York City to 1898* (New York: Oxford University Press, 1999), 900.

On September 18, 1863, Union spy Spencer Kellogg Brown wrote from his Richmond jail cell to his sister Kitty. On the eve of his trial, Brown relayed to his sister the supreme faith he held in the Almighty. “God has been very kind to me, and for the past twelve months I have tried earnestly to please Him,” exclaimed Brown. Resigned to his fate, Brown attempted to put his house in order regarding “some little trinkets.” Of greatest importance was Brown’s back pay owed by the federal government. Brown left no doubt for his uncle as to where this money should go. “Tell him to invest in United States six per cent bonds,” Brown ordered. Brown left the purchase of such bonds to his Uncle Cozzens in St. Louis who acted on his wife’s behalf. Quite possibly Brown’s last act of patriotic sacrifice for his beloved Union, he was executed a week later on September 25, 1863.¹¹⁴

By the spring of 1862, the United States was on the verge of economic collapse. The stopgap measures undertaken by Secretary Chase following Lincoln’s inauguration had followed the time-honored measure of coordinating war finance through northeastern elites and their respective financial institutions. Early military setbacks, most notably at the battle of Bull Run in July 1861, threw Union finances into complete disarray. Early support from northeastern banks to front the treasury necessary funds waned as fall approached. The suspension of specie payments in December 1861 posed the challenge of not only how to fund basic government operations, but also of a war drastically increasing in scope as it entered its second calendar year. The federal government would now have to step in and put forward some sort of legislation to, at a minimum, stop the bleeding. Beyond that, the exigencies of war required more funds to beat the Confederacy.

¹¹⁴ Spencer Kellogg Brown to Cora Brown, September 18, 1863, in George Gardiner Smith ed., *Spencer Kellogg Brown, His Life in Kansas and His Death as a Spy, 1842-1863, As Disclosed in His Diary* (New York: D. Appleton & Co., 1903), 380.

The actions undertaken by Jay Cooke and his financial network throughout the North revolutionized American war finance, the American state, the role of finance capitalists, and democratization of bonds more broadly. By extending and publicizing bond sales to the populace writ large—sales that crossed gendered, racial, political, and regional boundaries—Cooke made the war a people's contest. The entire nation gained ownership in the fate of the Union. By selling this confidence in the Union back unto the populace, Cooke helped to not only sustain a war effort with valuable funds, but he also redefined American war finance. Small-scale investors purchased \$50 and \$100 bonds in large quantities, marking a stark contrast to antebellum war finance and even the approach to how to fund the war in 1861.

The 5-20 drive and its successor, the 10-40, consisted of subscribers across the entire North, border states, West, and parts of the Confederacy. By spreading the sales literally across the continent, Cooke and his network of financial agents tied in the larger Union cause as part of their mission. For a new national imagination of civic inclusion emerged wherein those previously deemed outside the realm of traditional financial inclusion could be a part of the conversation. A uniquely American identity, those that were part of purchasing class were not defined by religion, race, ethnicity, gender, or political affiliation, but rather investment. The 5-20 and 10-40 loans of 1862-1864 did more than anything to make this new national imagination a reality. Similarly, the 5-20 and 10-40 bond drives proved instrumental in the development of a class of finance capitalists. These individuals sprung to life during the war on a scale never before seen—and in doing so redefined financial markets during the Civil War and beyond.

Cooke and his companions revolutionized Main Street interest in American government bonds and ideas surrounding speculation, the events had equal if not larger

repercussions on the changing nature and influence of Wall Street financiers. Between the Legal Tender Act and the National Banking Act, Congress passed legislation fundamentally altering the financial landscape in the United States to the greatest extent since the creation and scuttling of the Second Bank of the United States. The need for funds to cover war expenses had initially opened the door for Wall Street to jump in and save the day. As demonstrated in the previous chapter, however, there were limits to the patriotic ideals of those in New York that had ripple effects to Boston and Philadelphia. Into this void stepped Jay Cooke and his small army of salesmen who promoted these investments on Main Street. A backlash amongst Wall Street financiers ultimately shifted to one that embraced these securities and redefined how Wall Street operated—thereby foreshadowing massive changes in American capital markets, American financial markets, and American investment banking above all else. The confluence of Wall Street, Congress, and Main Street ushered in a new economic order, redefining how citizens interacted with the state.

But what made Jay Cooke so successful? This question is one that proved important during the course of the 5-20 and 10-40 issues. Cooke, at his very core, utilized a mass marketing technique that emphasized education and patriotism when selling U.S. bonds. The widespread support of the issue was garnered because of his abilities to sell the war to the American people. Once the system was in place, it proved very difficult for others to try and replicate, and proved to all, be they in Washington or New York, that his standing and position produced a formula of success.

In order to understand the influence and importance of the 5-20 (and later 10-40) drives, one has to confront the evolving face of Wall Street and American finance at this time. Jay Cooke latched onto this world with great effectiveness and helped usher in a new era of democratic finance catered to the small-scale investor. The history of the rise of Wall

Street, then, is inseparable from the story of the Civil War. At the outset of the war, if one found themselves on Wall Street, what they found was a dark, dank, and crowded field of narrow streets that comprised the heart of American finance. Located in the oldest part of the city, the street garnered its name from the wall built by the Dutch when they originally settled New Amsterdam in 1625. While the New York Stock Exchange dated its origins back to the Buttonwood Agreement of 1792, the Street underwent massive changes in the mid nineteenth century as more and more securities were traded and leading to a significant uptick in the volume of trading. By the end of the Civil War Wall Street was second only to the City of London as a securities exchange.

Despite the rise of Wall Street during the course of the Civil War, it was not without its growing pains. Indeed, as demonstrated in chapter two, Wall Street struggled to finance the war in the year 1861. Several factors help explain Wall Street's slow response. As illuminated in the previous chapter, New York City at the time of the outbreak of the war was an area that held extensive Southern sympathies, especially on Wall Street. Early revelations of price gouging and war profiteering on various war contracts did little to enhance its popularity. Names that would figure prominently in the future of American finance, chief among them J.P. Morgan and his sales of shoddy rifles to the federal government at an exorbitant price, sullied the popular confidence in Wall Street. The lack of interest on Wall Street in government bonds was in fact one of the primary factors that contributed to Jay Cooke being named the exclusive agent for bond sales by the fall of 1862. However, as the war progressed and expenses and bond sales increased, Wall Street slowly

came around on the notion of government securities. In doing so, it changed the very nature of “the Street” itself.¹¹⁵

While the chief trading exchange today is the New York Stock Exchange (NYSE), at the time 5-20s were issued in 1862, no such formal entity had been officially incorporated (that would happen in 1865.) The New York Stock and Exchange Board held its meetings during the Civil War with sit-down auctions at 10:30 AM and 1:00 PM. That said, such auctions—while sufficient in the antebellum period—soon came to be viewed as entirely inadequate for the volume handled on the street. As a result, other exchanges began to emerge. One of the first—the Coal Hole located on William Street—covered some of the exchange slack. By 1863, the New York Stock Exchange was formally recognized and built an entirely new and more adequate facility on the corner of Wall and Broad Streets where it still is housed. Other competition emerged in the form of the Open Board of Brokers that eschewed sit down boards associated with the NYSE who operated under a post system. A post system involved individuals congregating around certain commodities in certain regions of the exchange. Such a focus more commonly associated with the Amsterdam Bourse led to a trading volume on the Open Board ten times that of the NYSE (it was known as the post system because traders and brokers would literally meet around posts that held the building up.) Such an act had a remarkable effect on Wall Street with overall trading volume reaching \$6 billion by 1865.¹¹⁶

Other exchanges cropped up that specialized in various commodities. The Mining Exchange recovered from its failure in the wake of the Panic of 1857-although the exchange

¹¹⁵ Howard Wachtel, *Street of Dreams—Boulevard of Broken Hearts* (London: Pluto Press, 2003), 101-02. For more on war profiteering, see Edwin Burrows and Mike Wallace, *Gotham: A History of New York City to 1898* (New York: Oxford University Press, 1999), 875.

¹¹⁶ John Steele Gordon, *The Great Game: The Emergence of Wall Street as a World Power 1653-2000* (New York: Scribner, 1999), 95-96.

became known to artificially inflate mining commodities to an almost comical degree. In 1865, the Petroleum Board was founded to deal in the relatively new commodity of oil found in Pennsylvania fields and successfully drilled as recently as 1859. The fact that the future uses of petroleum were highly speculative further drove the success of that particular exchange. Other informal or curbside exchanges emerged and disappeared with increasing frequency during the Civil War as well—trading in a volume of as much a million shares a day by 1863. The end of the business day no longer meant the end of trading, as after hours trading merely shifted uptown to the Fifth Avenue Hotel on Madison Square. Trading occurred with such frequency that during the war there were brief periods of time where trading occurred twenty-four hours a day—something that occurred nowhere else for close to another century. One broker, E.C. Steadman, referenced the events as a scene where regular work hours no longer defined Wall Street life, rather these men and women “rushed into the arena from a hurriedly snatched breakfast and shouted and wrestled throughout the day, stealing a few moments to sustain vitality and encourage indigestion at a lunch counter or restaurant, and renewed the desperate tension in the evening, prolonging it till long past the hour when wearied bodies and shocked nerves demanded respite...it was a killing pace.” Needless to say, all such market activity occurred with effectively no government oversight. Such notions transcended genders as women became actively involved in the market. *Leslie's Illustrated*, which was a publication catering largely to a female audience remarked that “ladies have been the wildest speculators.”¹¹⁷

¹¹⁷ Gordon, *The Great Game*, 96-97. While the markets changed, perhaps the most widespread impact of the increase in trading volume led to the creation of the modern lunch counter. Trading volume had reached a point that it was no longer possible for traders and brokers to return to their homes at the lunch hour. As such, American “fast food” made its appearance with a legacy that sticks with us to the present day, for better or worse. Steadman quote in Gordon, *Scarlet Women*, 116.

But alongside this world of risk and speculation at a frenetic pace was the potential for the everyday investor to be involved—reaffirming a message put forward by Jay Cooke. Various magazines and journals picked up on this sentiment and regaled the reader with tales of the small investor, “The entire population of the country entered the field,” one columnist remarked, “Offices were besieged by crowds of customers... Broadway was lined with carriages. The fashionable milliners, dress-makers, and jewelers reaped golden harvests. The pageant of Fifth Avenue on Sunday and of Central Park during the week-days was a bizarre, gorgeous, wonderful! Never were such dinners, such receptions, such balls... Vanity Fair was no longer a dream.” Other writings such as *A Brokers’s Office in the 1860s* revealed that Wall Street clientele hailed from all walks of life. Even Horace Greeley’s *Tribune* got in on the financial elixir, remarking “The intense desire to buy almost any kind of security amounted almost to insanity.” Another piece entitled “Wall Street in War Time,” addressed the simple fact that “Paper-money brought everyone into Wall Street, and interested every family in the ups and downs of stocks...every body seemed to be speculating in stocks. Nothing else was talked of at clubs, in the streets, at the theatres, in drawing-rooms. Ladies privately pledged their diamonds as margin with brokers, and astonished their husbands with the display of gains.”

The piece went on to describe the existence on the Street:

At half past 8 A.M. they began to collect in William Street, and by half past 10 the police could hardly keep the thoroughfare open. All day long the crowd ebbed and flowed between the boards and the street, shouting, screaming, swearing, quarreling, tussling, and not a few of them cheating and lying. A man-milliner from up-town, of short stature but prodigious lungs, was always a leading personage in the cord: his bids rose like muffled thunder from under other men’s coat-tails. The little rogue made \$100,000, and went off to Europe with it, to study, as he said, ‘de neue fashions for my emporium.’ When evening fell the throng adjourned to the Fifth Avenue Hotel, and the rooms adjacent, which were hired for the purpose. There night was made hideous by discordant bids and offers—often till everyone one in the neighborhood was or wished to be asleep. The Fifth Avenue

Board, on an exciting night, was probably the nearest approach to Pandemonium we can hope to witness on this earth.

By the 1870s tourists flocked to Wall Street to see the sights of these financial dramas played out in newspapers, journals, and novels. Tour guides walked the crowds through this financial maze as all wanted the opportunity to at least come into contact with this newfound world—if not to participate in it directly. One observer perhaps summed this new world up: “The war, which made us a great people, made us also a nation in whom speculative ideas are predominant.”¹¹⁸

The rising nature of popular investment and the explosion of banking in New York City led to a literary revolution in both fiction and non-fiction portraits of the new economy. A staple narrative thread was the Main Street vs. Wall Street binary with one side always favored—depending on the author. “They make money at the start, but in the end they almost invariably lose,” commented Wall Street banker William Fowler of the “country bumpkins” who invested in United States bonds. Still others described the main street investor as a man “uncomfortably stuffed into a business suit with a starched shirt, high collar, and cravat.” While the Wall Street narrative often pushed against that of the investor who was new to the game, other novels revealed the flip side of the coin where the “clueless” investor used his perceived ignorance to his advantage. One of these novels entitled *The Man from the West* regales the reader with the story of Henry Armitage (undoubtedly a play on words for arbitrage), hailing from Galveston, Texas who recently

¹¹⁸ Steve Fraser, *Every Man a Speculator: A History of Wall Street in American Life* (New York: Harper Collins, 2005), 85, 86; 93 n. 29; “Wall Street in War Time,” *Harper’s New Monthly Magazine* 30 (December 1864-May 1865), 615-16. Later in the piece the author reveals some criticism for the world of Wall Street when they remark “the bulk of the Wall Street operators buy and sell with very little more ground for the faith that is in them than the man who bets on the red, or ‘goes his pile’ at poker,” Ibid., 617.

inherited a sizable fortune from his recently deceased father. Much of the proceeds stemmed from investments in Civil War bonds. Armitage made plans to deal with a Wall Street firm, Flam & Whipple, who presented to him (and any Main Street patron for that matter) “an appearance of affluent leisure,” reflecting an easy existence for those in the know. That said, the twists and turns of the novel reveal that Main Street could and would get the better of the Wall Street elite.¹¹⁹

Financial manuals aimed at the general populace flooded the market to capitalize on the rise of popular interest in investing. Illuminating the differences between the various types of war-created securities, *Memoranda Concerning Government Bonds for the Information of Investors*, published by New York firm Fisk & Hatch, went through multiple printings during the remainder of the nineteenth century. Coupon bonds and Registered bonds formed the most popular types of financial instruments for each of the various war bond drives. Coupon bonds (as the name implied) came with perforated redemption coupons attached that could be turned in semi-annually for the interest dividend on the bond itself. These coupons could be surrendered at the US treasury in Washington or one of several other offices throughout the North. Perhaps one of the biggest selling points (and one that made coupon bonds so liable to theft) was the fact that the interest could be collected without the presentation of any sort of identification. Registered bonds on the other hand were formally registered with the Treasury Department in Washington and interest payments issued in various sub treasuries throughout the North. Because of a formal registration of these bonds (and thereby at least an implied sense of security from theft for these bonds), registered bonds often sold at a higher price compared to coupon bonds. That being said, coupon bonds were

¹¹⁹ Wachtel, *Street of Dreams*, 107-08. The literature of the time furthermore revealed the convoluted notions of money and morality of the nineteenth century. For more on this notion see Westbrook, *Wall Street in the American Novel*, 16-30.

often times more appealing to citizens because of the fact that one did not have to go through the laborious process of transferring formal ownership of the bond on the occasion of a sale in order to ensure interest collection. Treasury bills and notes as well as certificates of deposit constituted additional forms of instruments that all were shorter term in nature—typically between one and three years. Such a distinction became all the more important with the rapidly deteriorating condition of northern finance by the end of 1861.¹²⁰

The suspension of specie payments in December 1861 placed the Union in a precarious position. On the one hand, Secretary of the Treasury Chase hoped that a national banking plan may be implemented to avoid any and all legal tender implementation, expressing such hope to Senator William Fessenden of Maine in early 1862. The prospect of legal tender was met with great skepticism in New York City, as it created “alarm in many minds” according to one financier. However, as the winter progressed, the notion of a legal tender piece of legislation gained traction as a better alternative to Union financial collapse, that surely would carry forward on the military front as well. The *New York Times* called for “prompt action upon some feasible plan,” noting that such action would command “the willing consent of the vast majority of the People of the loyal States, who desire to see the sovereign power of the Government asserted and exercised.” The hard money Democrats of

¹²⁰ Fisk and Hatch, *Memoranda Concerning Government Bonds for the Information of Investors* (New York: 1879), 7-17. Examples of bond theft frequently were reported in local newspapers. A typical example from the *Agitator* (PA) noted “Robbed from the Safe of the Tioga Co. Bank, On Wednesday night, May 25, 1864, the following described bonds and notes:
 1 U.S. 5-20 coupon bonds, 4th series, letter C, nos 14,719, for \$500
 3 U.S. 5-20 coupon bonds, 4th series, letter C, Nos. 36,180,81-82, each \$500
 17 U.S. 5-20 coupon bonds, 4th series, letter F, nos. 73,870 to 73 895, each \$100
 14 U.S. 5-20 coupon bonds. 4th series, letter A, Nos. 19,824 to 19, 837, each \$50
 3 U.S. 5-20 coupon bonds, 3d series, letter A, Nos 5,804 5 6 each \$1,000
 4 U.S. 5-20 coupon bonds, 3d series, letter A, Nos. 3,050-51-52-53, each \$500
 The pubic are hereby cautioned against purchasing or taking any of the said bonds or notes,” *Agitator*, November 23, 1864.

New York, including George Opdyke, John Cisco, and Morris Ketchum amongst others who with great reluctance came out in favor of a legal tender bill in late January and early February further supported such a firm belief on the part of the *Times*.¹²¹

As Congress returned to session in early 1862, it was a forgone conclusion that the most pressing matter the legislative branch faced was that of legal tender. The *Herald* pronounced as much when it declared, “let there be no hesitation, therefore, about passing the financial bills immediately; and when that business is done let Congress disperse and go home and leave the suppression of the rebellion to the President, the Secretary of War, and General McClellan.” While more Conservative bankers in New York still refrained from a belief in the righteousness of legal tender, others emphasized a need to act to stave off potential economic collapse. For one Buffalo banker, legal tender was “not a debatable question. The struggle is for life. The knife is at our throat. We must strike with the most available weapon, and leave theory for a more convenient season.”¹²²

Passage of the Legal Tender Act would fall to the finance committees in both houses. In the Senate this task fell to John Sherman of Ohio. Henry Cooke, brother of bond czar Jay Cooke commented to Sherman, “You gentlemen of the ‘Finance,’ and ‘Ways and Means’ committees now have a splendid chance to establish a national financial policy that will carry the country through the existing crisis, and provide for its permanent prosperity when peace returns.” In the House, the task fell to E.G. Spaulding and Samuel Hooper, two men with considerable financial experience in the commercial realm. By late January when the bill came up for debate, it contained a three prong approach of \$150 million in legal

¹²¹ *New York Times*, January 13, 1862 and February 2, 1862. Also quoted in Caires, “Greenback Union,” 118.

¹²² *New York Herald*, January 24, 1862; T.W. Olcott to E.G. Spaulding, January 31, 1862 in Spaulding, *History of the Legal Tender Paper Money*, 51, also quoted in Caires, “Greenback Union,” 138-39.

tender, an equal amount raised via taxation, and a call for the creation of a national banking system. While Congress skirted the issue by addressing matters up to and including military appropriations (meaningless as long as there was no means to fund them), the bill finally was debated on the floor on January 28, 1862. After extensive debate on the issue and numerous amendments—both successful and not—the matter passed the House 97 to 22 on February 24 and passed the Senate as well the next day. For many legislators (and bankers) the bill came to be viewed as the best-case option of the time and merely a wartime scenario that did not have any permanent ramifications. No matter, Lincoln signed the bill into law on February 25, 1862.¹²³

The passage of the Legal Tender Act led to a premium being placed on gold. While the NYSE passed a resolution banning the trading of gold at the boards (along with shorting government bonds), the trade cropped up by early spring 1862 in the aforementioned “Coal Hole” on William Street. The “Gold Room” as it became known operated outside the parameters of the NYSE and allowed various transactions including traditional cash exchanges, margin buys, and contracts for future deliveries. Some common practices emerged with catchy names such as “spread eagle” and “twisting the shorts.” The aggressive swings in the gold premium—that is how many greenbacks it might cost to purchase \$100 in gold—relied on the political and military fortunes of the war. By the summer of 1864, gold reached 285—as in \$285 in greenbacks purchased \$100 in gold specie. Nevertheless, the Gold Room speculation played a significant role in the general confidence of the country as a whole as a financial barometer. Abraham Lincoln made his thoughts on the gold room and

¹²³ Caires, “Greenback Union,” 140-41, 145-46; On the criticism of the delay, one northern editorial lamented, “it is high time that Congress dropped the discussion of secondary matters and gave its earnest attention to the settlement of this paramount question of ways and means.” In Caires, “Greenback Union,” 147.

gold speculation quite clear when, in a letter to the Governor of Pennsylvania, he noted: “For my part, I wish every one of them had his devilish head shot off.” Jay Cooke referred to the gold traders as “General Lee’s left flank” while others referred to the gold room members as “Jefferson Davis speculators.” The Gold Room figured prominently into the bond question because the value of gold relative to greenbacks had implications on the greenback market and the extent of legal tender in circulation. Because greenbacks were required for bond sales, Cooke & Co. kept a watchful eye on the Gold Bugs.¹²⁴

The passage of the Legal Tender Act created a fiat currency of greenbacks and authorized \$500 million in bond sales. The bond sales were slow to catch on amongst the northern populace in the spring of 1862. 5-20 sales only numbered some \$13,990,600 by the end of the fiscal year, and they had not picked up by the time of Chase’s report to Congress in December 1862, which noted that total sales amounted to \$23,750,000. In light of this report, Chase’s claim that by end of the fiscal year (June 30, 1863) an additional \$35 million in 5-20 revenue might be realized seemed perhaps too optimistic. Chase was, in fact, so discouraged by the bond sales that throughout the fall of 1862 he seriously weighed the possibility of advising Congress in his annual report to revise the terms of the 5-20 issue to make the bonds more favorable to banks—whom he viewed as the primary market and vital to the success of Union war finance. Chase’s assistant treasurer in New York, George Harrington, spoke with the Secretary of the Treasury extensively in the fall of 1862 trying to understand Chase’s rationale. While Harrington did note that the bonds were “an innovation upon all precedent and were repudiated by banks and bankers who would have none of them,” he nevertheless was skeptical of changing the terms. Chase’s contention “with all my efforts I have been unable to dispose of a single bond,” did not instill hope in the Union

¹²⁴ Fraser, *Every Man A Speculator*, 84.

financial cause. Chase's insistence that the bonds had to be sold at "market value," a stipulation of the Act passed by Congress in February, was prohibiting sales in his mind, although such claims can be difficult to verify. Nevertheless, Union expenditures, for the military and general operating expenses, was hovering around two million dollars a day by the summer of 1862. The Union needed revenue and short of a massive increase in taxes or significant change in import duties, bond sales were the only possible answer to the problem. The U.S. Treasury and Lincoln administration turned to Pennsylvania banker Jay Cooke to help facilitate these bond sales.¹²⁵

Jay Cooke was not a complete stranger to Salmon Chase and members of Congress. Cooke and Chase had been acquaintances in the antebellum period. Jay Cooke's brother, Henry, had previously served as the editor of the *Ohio State Journal*, a Republican Party organ that had supported Chase in his gubernatorial reelection campaign before the commencement of the war. Jay Cooke & Co. was founded in Philadelphia on January 1, 1860. Cooke partnered with his brother in law, William Moorhead, to found the bank, and it was Cooke who realized the potential monetary windfall that awaited him when hostilities appeared imminent. Cooke wrote to his brother Henry in the summer of 1861: "Can't you sell out the papers & open a Banking house in Wash & be something respectable, or at least can't you inaugurate something whereby we can all safely make some Cash?" In order to demonstrate his commitment to the cause, Cooke sold over \$5 million of the original National Loan through his banking house (in addition to a \$3 million Pennsylvania state loan.) By the summer of 1861, Cooke offered to move to Washington to open a "first class banking establishment" that would act with the very best interests of the Treasury at heart.

¹²⁵ Report of the Secretary of the Treasury, December 1862"; Quoted in Oberholtzer, *Jay Cooke*, 1: 215-16.

However, Cooke also made sure to qualify his statement by noting, “We could not be expected to leave our comfortable homes and positions here without some great inducement and we state frankly that we would if we succeeded expect a fair commission from the treasury.”¹²⁶

Although the offer was not accepted, the opening of a Washington branch of Jay Cooke & Company in 1862—under the direction of brother Henry—reaffirmed to Chase Jay Cooke’s commitment to the financial cause. By June of 1862, Cooke’s gamble appeared to be paying off as Chase inquired with Cooke as to his interest in the effective role of being the government’s broker in charge of selling the Union 5-20 bond issue. Cooke had been selling 5-20s from their inception in February 1862. While these sales would pale in comparison to later daily totals for Cooke and his financial network, in the early months of the campaign, they were significant hauls. By October 1862, Cooke had purchased and sold some \$3 million in 5-20s. While not significant compared to his work once he took on the agency, it represented a disproportionate amount of the funds compared to the cumulative purchases of individual firms in New York and Boston with significantly larger capitalization.¹²⁷

In October 1862, Secretary of the Treasury Chase formally granted Jay Cooke the exclusive private agency for the federal government’s \$500 million 5-20 Loan. Cooke replied favorably to Chase shortly thereafter. “I feel greatly gratified + encouraged by your kind appreciation of my former efforts,” Cooke declared, “and I accept your new proposition + orders with the determination + confident belief that I shall be able to prove fully the

¹²⁶ Jay Cooke to Henry Cooke, undated, Jay Cooke Papers, Historical Society of Pennsylvania (HSP), Philadelphia, Pennsylvania.

¹²⁷ Jay Cooke to Salmon Chase, July 12, 1861, Jay Cooke Papers, HSP.

wisdom of the conclusions you have arrived at + have so plainly stated in your letter.”

Cooke then added further:

It is my intention to ... to not only increase the conversion with 5 20 loan to the utmost extent but to enlighten the whole community fully + constantly on the subject of the nations resources + finances. I shall at once advertise in the three states of Penn New Jersey + Delaware for my own agency + cause my agents elsewhere to advertise as fully in New York, New England + wherever there is likely any good care be done. I should employ the most active agents competent editorial talent +c +c. The good effects of such are employment of the compensation can scarcely be over estimated, I think, + whilst it is liberal + I think just + fair, yet I regard it as by far the most economical mode of obtaining funds for the prosecution of the war.¹²⁸

The 6% 5-20 loans had bi-annual interest payments to the bondholder—in May and November of a given year. These bonds were available in small denominations—as low as fifty dollars—so that it afforded an opportunity for “every Capitalist, be he large or small, or Merchant, Mechanic, Farmer” to “invest at once his spare funds.” Finally, such bonds could be purchased with the controversial “greenbacks”—an enticing factor for prospective buyers (although interest was paid in gold specie.) To sell the loan, Cooke received a commission of one-half of one percent of the proceeds for the first \$10 million, and three-eighths percent thereafter with marketing costs absorbed by Cooke and his colleagues. Within a month, Cooke’s efforts were receiving favorable reviews from the Secretary of the Treasury. Jay Cooke’s brother Henry wrote from Washington in late October. “You have gone into it with a startling energy and vigor,” exclaimed Henry, “and we must try to keep up with you, if we can in our humble way... The Governor [Secretary Chase] is much gratified.”¹²⁹

¹²⁸ Jay Cooke to Salmon Chase, October 25, 1862, Salmon Chase Papers, HSP.

¹²⁹ Jay Cooke’s circular to his agents, November 7, 1862, Jay Cooke Papers, HSP; Henrietta Lawson, *Jay Cooke Private Banker* (Cambridge: Harvard University Press, 1936), 47; Henry Cooke to Jay Cooke, October 29, 1862, Jay Cooke Papers, HSP, also quoted in Oberholtzer, *Jay Cooke*, 1:221.

That said, success for such a loan of this scale on American soil was without precedent and required Cooke & Co. to create from scratch an elaborate national network of agents, subagents, subcontractors, salesman, and clerks—not to mention an infrastructure at the Treasury Department to meet this new demand. The operational center of this new empire was Jay Cooke & Co. on South Third Street in Philadelphia, but the critical political and lobbying work was conducted at Cooke's Washington house, located across the street from the Treasury building and headed by Jay's brother, Henry Cooke. Henry received the earliest word from Secretary Chase at the Treasury and from congressional allies on Capital Hill with regards to financial matters and then relayed the information via telegraph to Jay Cooke in Philadelphia. Even rumors and gossip emanating from the Treasury and the War Department were speculative fodder for Henry Cooke and exploited to the company's advantage. In fact, Jay Cooke & Co. became the first "wire house" in the country—that is, the first firm that sold securities throughout the country and used the telegraph to confirm purchases and sales.¹³⁰

While Cooke kept the Philadelphia and Washington markets under his direct control, he utilized regional subcontractors or partners to pursue his financial agenda. In New York, Cooke utilized Fisk & Hatch, Clark, Dodge & Co., Vermilye & Co., and Livermore, Clews & Co., among other firms. In Boston, Jay Cooke relied on Spencer, Vila, & Co., and in Pittsburgh, Cooke relied on Joshua Hanna. These financial firms represented but a small fraction of the massive network orchestrated by Cooke that sold his vision of war finance to

¹³⁰ This was not the first attempt at the public financing of an American War. There was a War of 1812 \$16 million popular loan offered that did not sell. Additionally, there were also efforts made at a popular loan during the Mexican War that also failed to generate widespread investment by the general public. One investor of note, however, was the American agent of N.M. Rothschild & Son, August Belmont, for more see Larson, *Jay Cooke*, 24; For more on public credit and the Mexican War see, James Cummings, *Towards Modern Public Finance: The American War with Mexico, 1846-1848* (London: Pickering & Chatto, 2009.)

the American public. These various bankers and banking houses became responsible for their individual markets and in turn sold a significant amount of government securities to the public—and even amongst themselves in organized off market arenas (in essence a primitive 19th century dark pool arrangement.) Nevertheless, in order for the war to be truly successful, these bonds had to make their way into the hands of the populace writ large.¹³¹

Fisk & Hatch offers just one example of how these large financial firms worked in conjunction with Jay Cooke, the federal government, and Main Street investors to achieve the desired investments. Founded by two Vermont natives, the firm borrowed capital in the late antebellum period to build a financial house that could contend with the increasing volume of trading being undertaken on Wall Street. Having capitalized sufficiently, the firm seized upon the opportunity presented by the large-scale issuance of bonds and became a formal partner of Jay Cooke to represent the New York City market. Fisk & Hatch sent out a circular in the spring of 1862 to bankers nationwide emphasizing the profit to be had from government bonds:

We are engaged in negotiating the new five-twenty six per cent loan on behalf of the government. We desire the co-operation of patriotic bank officers and bankers in the effort to popularise this loan, and bring it to the attention of the people throughout the country. We are satisfied that if the real facts concerning the extent of the public debt at the present time, the immense resources of the government now being developed... are properly laid before the people money will flow into the Treasury from the sale of these bonds with sufficient rapidity to supply all its wants, and effectually solve the problem of the national finances.

¹³¹ Larson, *Jay Cooke*, 123-24, 166, 168; H.E. Fisk, “Fisk & Hatch, Bankers and Dealers in Government Securities, 1862-1865,” *Journal of Economic and Business History* vol. 2 (1930), 707. For more on the service of Clew & Co. during the Civil War, see Henry Clews, *Fifty Years in Wall Street* (New York: Arno Press, 1973), 39-94.

The firm worked tirelessly on behalf of Cooke & Co., in the vital New York City market. By the close of 1866 the firm had done so well as to raise its capitalization to \$400,000.¹³²

Bonds were also a large factor in the establishment of the National Banking system in 1863. Discussion regarding a national banking system had begun shortly after the battle of Bull Run in 1861 and had continued to grow following the suspension of specie payment by New York bankers in December of that year. Salmon Chase had envisioned a plan not that dissimilar from the state banking system already in place in New York state wherein banks secured their bills by depositing United States and New York state bond with the comptroller in the state capital in Albany. Chase's plan involved a similar plan where national banks would deposit United States bonds representing a percentage of their overall capitalization in Washington and could then circulate another percentage freely. The debate over the bill ran more between Chase and New York financiers than it did in the halls of Congress. On January 7, 1863, Samuel Hooper introduced HR 656 in the House, the first such national banking bill to come out of the 37th Congress. Several weeks later, Senate ally John Sherman put forward his own version of a national bank bill (S 486.) Sherman's bill had in fact been put before the Senate as a reaction to President Lincoln's letter to both chambers calling for a national banking system dated January 19th. A long letter likewise appeared in the *New York Times* two days after Sherman's bill. While some members of Congress did speak on the matter, it narrowly passed the Senate 23 to 21 while it passed by a more sizable margin in the House. As a result, approximately \$250 million in Union bonds were procured by the

¹³² For more on Fisk & Hatch, see H.E. Fisk, "Fisk & Hatch, Bankers and Dealers in Government Securities, 1862-1865," *Journal of Economic and Business History* vol. 2 (1930), 706-22. In May 1864, the firm relocated from its offices at 38 Wall Street around the corner to 5 Nassau Street. To commemorate the occasion, the firm promises Jay Cooke that they would have the single largest issuance of 7-30s to date by a single firm. On May 9, 1864, the firm placed an order for \$5,059,400, to that point in time the single largest order. For more on Fisk & Hatch's role see, Fisk & Hatch to Jay Cooke, January 16, 1864, Cooke Papers, HSP.

national banks to fulfill the requirements of the National Banking Act of 1863. The final version of the National Banking Act led to a sliding scale (dependent more on location than overall capitalization) of bonds required by various banks that needed to be purchased in order for the banks to conduct business. The further extension of credit by said banks required the further purchase of bonds. By the time of Chase's report to Congress in December 1863, 134 national banks had been organized with a capitalization slightly more than \$16 million. By November 1864, these figures had increased to 584 national banks with nearly \$66 million in capitalization. By December 1865, these numbers had expanded even further to 1,647 banks and \$418 million in capitalization. That being said, bond purchases by the national banks retained by the Treasury to enable circulation of funds only involved a small portion of the billions of dollars in loans sold by the government.¹³³

In a unique speech given by Sherman on the Senate floor on February 10, 1863, he went to great lengths to equate the current system of state banks with slavery and a national system with emancipation. "The policy of this country," Sherman declared, "ought to be to make everything national as far as possible; to nationalize our country so that we shall love our country... This doctrine of state rights... has been the evil of the times." Several senators spoke in objection to Sherman's claims, most notably Senator Collamer of Vermont—a fellow Republican. What Collamer viewed as the end of state banks represented to him a "derangement, utterly destructive of the condition of society in which I live." In the House of Representatives, one of the foremost critics of a national bank, E.G. Spaulding of New York made an abrupt turn by February 19th, when he spoke at length in favor of the measure on the House floor. "It seems," said Spaulding, that the present is a propitious time to enact

¹³³ Bolles, *Financial History of the United States*, 200-225; national bank statistics drawn from Oberholtzer, *Jay Cooke*, 1:353, 359-60; *Cong. Globe*, 37th Cong. 3d Sess, February 10, 1863, 840.

this great measure as a permanent system and that the duty of the government in providing a national currency shall no longer be neglected...The government of the United States ought not to depend on state institutions for the execution of its great powers.” Despite some rancorous debate, the measure passed the House 78 to 64 and the Senate 23 to 21. President Lincoln signed the bill into law on February 25, 1863, a year to the day after the Legal Tender Act.¹³⁴

While the National Bank Act had significant ramification in terms of its scope, the later amendments during the war are just as illuminating. For instance, an 1864 amendment to the bill was above all else a concession to Wall Street interests by authorizing Wall Street banks to act as depositories for other banks throughout the country. The firms on the Street had exclusive rights to offer interest on the western bank balances and further solidified the defacto central banking role of the Wall Street firms and New York City as a whole. The ability of New York banks to pay interest on reserves made Wall Street the money center—linking it with Congressional policy and Main Street financial interests. An 1865 act that imposed a ten percent tax on new state bank note issues effectively killed off many of the state banks that were still fighting the national banking system. By the end of the war, the federal government chartered 700 national banks revealing a new course in American financial history.¹³⁵

Out West, the underdeveloped financial infrastructure led to traveling agents and subagents as the primary means by which the general populace could get their hands on bonds. By the fall of 1863, Cooke’s network of agents had hubs in Pennsylvania, Ohio (2),

¹³⁴ *Cong. Globe*, 37th Cong. 3d Sess, January 26, 1863, 840. See also, *New York Times*, February 3, 1863; *Cong. Globe*, 37th Cong. 3d Sess, February 11, 1863, 840, 874, 877; *Cong. Globe*, 37th Cong. 3d Sess, February 12, 1863, 1115. For more on the press reaction to the legislation see, Hammond, *Sovereignty and an Empty Purse*, 340-46.

¹³⁵ Wachtel, *Street of Dreams*, 110-12.

Indiana, Illinois, Michigan, Wisconsin (2), Missouri, Iowa, California, and Minnesota. As the operations scaled up, however, these “agents” essentially functioned as state coordinators for the plethora of traveling agents (salesmen) who worked out of the local offices. Typically traveling agents had a background in sales—former insurance men, real-estate agents and so forth—though many were simply leaders in their community and in a position to persuade. All told, there were thousands of subagents and traveling agents working for Jay Cooke & Co during the initial 5-20 campaign (the number would top 3,000 by war’s end). Such a sizable enterprise involved a complicated network of borrowing and lending as traveling agents extended credit to individuals in order for them to purchase bonds. This created an intricate spider web of financial dealings wherein the government’s lending agents (Cooke and his associates) were lending money to the government’s lenders (“the people”) to purchase government debt. Such a complicated system of financial exchange foreshadowed the increasing complexity of emerging financial markets, financial instruments, and securitization. And Cooke directed the whole empire, transmitting instructions in a variety of forms from direct letters to subagents to generic circulars from the Philadelphia office.¹³⁶

¹³⁶ Larson, *Jay Cooke*, 124-25, 241. One western bank of note that Cooke did enlist was the California based Wells Fargo & Co. Within Cooke’s papers was one document that listed some of the traveling agents, those who might be considered state coordinators or co-coordinators, including George A. Bassett (Indiana), Henry C. Storms and W.B. Hubbard (Ohio), C.J. Bradford (Pennsylvania), Thomas F. Shewell (Illinois), William Poulterer (Michigan), F.T. Loes and Paul Jagode (Wisconsin), Silas Yerkes Jr. (Iowa, Missouri, and Minnesota.) In time these agents would take charge of small army of traveling salesmen within each of the respective states. As early as December 1862, Henry Cooke was writing to Salmon Chase of the high hopes Cooke & Co. held in the agents. “We sent, yesterday, an intelligent and energetic agent to the west to push the 5 20 loan; and urged upon him as an important part of his duty, to visit the editors at all leading prints and judiciously enforce your great idea, securing as far as possible, the hearty cooperation of the newspapers,” Henry Cooke to Salmon Chase, December 6, 1862, Salmon Chase Papers, HSP.

Robert Clarkson offers one example of a traveling agent in Cooke's army who had migrated to the Midwest in December 1862 to organize bankers as subagents in some of the midwest's larger cities. Clarkson made his way through Ohio, Indiana, Illinois, and Wisconsin and reported back to Cooke the political situation at hand in each respective state and how it might be turned to advantage. Clarkson at first spoke rather negatively with regards to the prospects out west, especially as it pertained to an East versus West mentality. On one occasion he remarked:

There is a growing disposition to have Ohio take care of herself, and the murmurs are by no means concealed that while the war is employing the machinery and capital of the Eastern states the West is left in the cold, with communication entirely cut off, the Baltimore and Ohio Railroad left almost criminally out of use and goods and freight of all descriptions lying on the sidings for want of cars and transportation. The loco loco element do not pour any oil on the troubled waters, but point to the fact that New England and New York and Pennsylvania are gaining all, and that the Northwest had better join the Southern Confederacy than see things continue in this way. These things will only stir me to greater action and I mention them as reasons why I must stay longer here in central Ohio than I anticipated.¹³⁷

But it was not just about money. Like virtually every corporate business culture to come, Cooke's subagents were encouraged to believe they were doing 'American' work, even God's work. Sales reinforced, "the justice of our cause, and, [invoked], we firmly believe, the protection of Divine Providence," declared one subagent. By 1864, similar reports were pouring into Philadelphia 'headquarters' from an 'army' of subagents who were convinced that their service was as important as any corporal's. They were, after all, 'selling' the war, modulating their pitch to figure out which version of the war the public would 'buy.' True, as one agent complained, selling bonds was a little like "casting pearls before swine," "while much money may not be invested, a patriotic and loyal feeling has been awakened." Citizens

¹³⁷ Robert Clarkson to Jay Cooke, December 7, 1862, Jay Cooke Papers, HSP, also quoted in Oberholtzer, *Jay Cooke*, 1: 223.

of the United States were to be linked by a common financial and emotional investment to the solvency of government (and thereby, themselves); Unionism was no longer just a patriotic feeling, it was a new kind of ownership.¹³⁸

In order for the sales of bonds to reach far and wide throughout the North, a massive advertising and marketing campaign unlike anything the United States had ever seen was put into action. Newspapers became the primary medium through which Cooke advertised the bonds. Unbelievably enough, the early advertising efforts were undertaken entirely by Jay Cooke and one Philadelphia clerk named Sexton. Only after more than a year of putting forward their own efforts did Cooke enlist New York based advertising firm Peaslee & Co. to advertise the 5-20s. Another factor that aided the advertising wing of Cooke's endeavors was that of the newly formed Associated Press. This organization worked well for Cooke at disseminating information regarding the loans on a national scale. Such work was important because many of the advertisements originated in Philadelphia based newspapers such as the *Inquirer*, *City Item*, *Press*, and *Bulletin*. The greatest advertiser would ultimately be *New York Tribune* writer Samuel Wilkeson. Yet, the final leg of the advertising work fell upon the various agents and subagents who marketed the advertisements in local newspapers and periodicals—a challenging ordeal as these men attempted to negotiate the best possible advertising rate so as to not cut too far into their own profits (a commission of $1/8^{\text{th}}$ % out of Cooke's $3/8^{\text{th}}$ % cut.)¹³⁹

¹³⁸ Quoted in Oberholtzer, *Jay Cooke*, 1:605, 1:609, 1:620.

¹³⁹ S.M. Pettingill to Jay Cooke, December 2, 1863 and December 7, 1863, Jay Cooke Papers, HSP. Pettingill's first task involved an article to over 200 newspapers in New York state advertising the 5-20 issue; Fisk & Hatch to Jay Cooke, December 3, 1863, Jay Cooke Papers, HSP. For more on the Associated Press see, 41st Cong., 2nd Sess., *House Reports*, no. 114, 101-02; For examples of press releases see *City Item*, March 21, 1863, May 7, 1863, and May 16, 1863, *Philadelphia Press*, May 23, 1863, and *North American and U.S. Gazette* May 11, 1863; In several different sources from the first half of the twentieth century, there are references to a

While the infrastructure for bond sales may have been essential, success hinged on convincing the northern consumer to dedicate their meager sums to the cause. Word to that effect quickly spread and the newspapers regaled their readership with the democratic nature of purchases. Papers throughout the North wrote about the “Popular” loan and its resonance among the “industrial classes” as well as “capitalists.” One Philadelphia newspaper detailed the myriad sources of bond purchases:

From Maryland the orders are steadily on the increase, and for Western Virginia and Kentucky sales have been very considerable. An order was received yesterday from Key West, Florida. A soldier in the army of the Potomac sends to the subscription agent his surplus earnings, with the remark ‘If I fight hard enough my bonds will be good.’ Another ‘brave defender’ sends from Suffolk five hundred dollars to invest in five-twenties, and says ‘I am much pleased with my purchase. I am willing to trust Uncle Sam. If he is not good, nobody else is.’ While soldiers exhibit such a spirit there can be no such word as fail. An agent, writing from Louisville, says ‘I am crowded with applications for five-twenties, and trust the orders I have already foreworded will be speedily filled. I am getting letters from all parts of the State, making inquiries, and look for large sales.’¹⁴⁰

Other states bristled with pride that their native sons and daughters were most loyal to the cause. From various northern states came the claims:

While it is a delicate matter to draw distinctions in favor of any state, it is not invidious to point with grateful pride to what she has done, and is doing in the good cause. Her sons have fought on every battlefield under the inspiration of cheering assurances from their homes. And now Ohio seals her good works, and glorifies herself by the avidity with which her people subscribe to the Government loan.

Meanwhile from Baltimore came the claim of subscribers including:

most notable subscribers were one from the Trustees of the world renowned barings’ American Estate, one from a distinguished member of the Baltimore Benaparte family, and several from officers of the army and navy on duty in

scrapbook in the hands of the United States treasury that contained articles from 86 different newspapers from November and December 1862 advertising the loan. Unfortunately, this scrapbook has seemed to have disappeared in the interim, as consultation with Franklin Noll at the treasury reveals that the scrapbook is nowhere to be found; Larson, *Jay Cooke*, 177.

¹⁴⁰ *Philadelphia Press*, April 28, 1863.

the South and Southwest...Probably the most gratifying feature in connection with the subscriptions to this popular loan may be found in the fact, that the amount taken by the border states daily increases, especially is this so in Kentucky and Missouri. In Ohio and Indiana there are also free takers. If capitalists in the immediate vicinity of the war have confidence in the Government, as these subscriptions indicate, those of the North should no doubt nor pause.¹⁴¹

Claims from St. Louis declared: "Thus is St. Louis coming up and sustaining the Government—furnishing, thus far, her quote of the 'sinews of war' to pay our brave and faithful soldiers who are fighting the battles of their country." The fact that such claims came from outside the established financial centers of New York, Boston, and Philadelphia reveal the depths of the sales to reach wide swaths of the North. Daily reports detailed the various contributions from regions throughout the North, including the border states.¹⁴²

Newspaper reports peaked in the spring of 1863 as setbacks on the military front for the Union brought morale down significantly. The newspapers all strove to promote bond sales as something larger—an attempt at something that had never been done before and the power of confidence to dictate sales selling back in upon itself. Such efforts at confidence emanated from the highest levels of government and made their way down to the everyday citizen. The *Fitzgerald City Stern* spoke of the issue at hand:

We have had two grand uprisings of the loyal people, equally significant. The first was when the first gun was fired on Sumter, and the 'North rose as one man' to defend the honor of the nation. The second is now, when men of all classes, the capitalist and the laborer, are investing their hard earned dollars in Government Securities.... The confidence of the people proves the wisdom of his plans. If an American does not know the value of money, who does?¹⁴³

¹⁴¹ *Inquirer*, April 5, 1863; *Baltimore Clipper*, April 25, 1863; *Philadelphia Ledger*, April 25, 1863, May 13, 1863.

¹⁴² *The Democrat*, May 16, 1863.

¹⁴³ *Fitzgerald City Stern*, April 18, 1863.

Confidence was a common theme in newspaper articles. The *Allentown Democrat* spoke to this after detailing daily sales of \$2.25 million. “This response,” the *Democrat* claimed, “shows immovable confidence in the Government,—and affords most unmistakable and overwhelming proof of the unabating zeal for the right, the sterling integrity, and the undying devotion to the Union, the strong adherence to the Government, the immortal patriotism, and the illimitable resources of the American people.” Similarly, the *Philadelphia Commercial Dispatch* remarked “The enormous weekly investments in the 5-20 loans show the confidence of the people in the stability of our Government.” While other newspapers warned the public to procure the bonds while they lasted, one even noting, “The superiority of these bonds over any and every form of investment must be apparent to all and laggards will regret not having procured them whilst they were to be had.” Others spoke to the confidence of border state purchasers close to combat and how that could permeate to more secure regions of the North. “Probably the most gratifying feature in connection with the subscriptions to this popular loan,” the *Philadelphia Ledger* proclaimed, “may be found in the fact, that the amount taken by the border states daily increases, especially is this so in Kentucky and Missouri. In Ohio and Indiana there are also free takers. If capitalists in the immediate vicinity of the war have confidence in the Government, as these subscriptions indicate, those of the North should no doubt nor pause.”¹⁴⁴

Still another paper emphasized the power of western deposits on the eve of reports of the fall of Vicksburg:

A large proportion of this amount comes from the west, which continues her noble support to the government in subscriptions, which amount to about half a million dollars daily. While her sons are doing gallant and arduous service in the valley of the Mississippi, her sturdy capitalists and farmers do

¹⁴⁴ *Allentown Democrat*, April 24, 1863; *Philadelphia Commercial Dispatch*, May 26, 1863; *State Gazette*, April 4, 1863; *Philadelphia Ledger*, May 13, 1863.

not neglect the equally important duty of supplying the government with means to support the army and navy.¹⁴⁵

But it was the *National Guard* that most aptly hit on the power of the

5-20 loan:

The success of the National Loan answers the question ‘Are the people of the loyal States in earnest?’ very emphatically. Were they not in earnest two hundred millions of dollars would not have been subscribed in little more than two months, nor would we have reason to believe that the entire investment will amount to more than three hundred millions before the first of July, when the opportunity of subscription expires by legal limitation. The Five-Twenty loan establishes the fact that the Government can thoroughly depend upon the patriotism of the people. It is a test of their resolution, and an evidence of their wealth. Its success means that the war is to be ‘prosecuted with redoubled energy, and that the United States has within itself all the resources needed for the suppression of the rebellion. It means, victory, peace, and Union.’¹⁴⁶

¹⁴⁵ *American Gazette*, July 3, 1863.

¹⁴⁶ *National Guard*, June 25, 1863; Another wonderful article was published in the *Philadelphia Press*, April 8, 1863. A rather lengthy article, it is here in its entirety: “The present condition of our finances is one of the most gratifying indications of the stability of our cause and the strength of the public virtue. Money and credit being at the basis of our social system, anything that affects society demoralizes them. When the war broke out, the first consideration that pressed upon the Government was the necessity of providing means to meet its vast and sudden expenditures. It commenced the war by asking the people for a loan of fifty millions of dollars. This was deemed to be sufficient for the suppression of the rebellion; but the disaster at Bull Run only widened the breach, and presented to us a rebellion of enormous proportions, disciplined, strengthened, and powerful. Our fifty millions were swept away in a very few months, and the Secretary of the Treasury found it necessary to appeal to the patriotism of the country, and to take possession of its resources. The history of the Administration’s subsequent policy in relation to the finances, is the most extraordinary chapter in the history of the war. It involved one of the most overwhelming and embarrassing problems that ever engaged the attention of a statesman. The Secretary of the Treasury found before him a new country, unused to war, comparatively free from taxation, with crude and undeveloped resources, and wedded to the arts of peace. He might have gone to Europe and obtained the aid of the foreign capitalists, whose former confidence in our securities promised him an open and liberal market. But the honor of the country required that we should fight our own battles, pay our own bills, build our own ships, and manage our own affairs. The Secretary of the Treasury remained at home... When Mr. Cooke entered upon the duties of this position it was a thankless task. Bankers and capitalists were timid and hesitating, and gave to the stock market the interest that should have been given to the Government. Knowing that to carry out the designs of the Treasury Department it was only necessary to reach the hearts of the people. Mr. Cooke established

These reports likewise had to be educational for the northern populace, for your average “common man” in nineteenth century America had little to no knowledge of investing. Jay Cooke stepped into this breach as well, spreading the gospel of investing to the public through various articles, most notably his famous pamphlet “The Best Way to Put Out Money on Interest.” Such articles became commonplace for Cooke as the principal method by which he sought to educate the public to their new financial duties (and opportunities.) In “The Best Way to Put Out Money on Interest,” Cooke responded to a letter from a clearly fictitious “Berks County Farmer,” who had supposedly written into Cooke headquarters with a series of questions. “What sizes are the bonds?” the farmer asked. “As I cannot come to Philadelphia how am I to get the Bonds? [and] Do you take country money, or only Legal Tender Notes, or will a check on Philadelphia or New York, answer for subscriptions?” In his responses, Cooke answered such nuts-and-bolts questions but also played to patriotism disguised as self-interest and self-interest disguised as patriotism. And the newspapers played along. As one editorial in the *Lane Express* noted, a large subscription “strengthens the nation. These small subscribers... will pinch and save and work to buy more, and thus weave themselves into the very life and interests of the Government.” Still another newspaper noted, “It has been found by experience that,

agencies in all parts of the country, occupied every avenue of the intelligence, appealed to the patriotism of loyal men everywhere, and by reasoning, entreating, educating, and explaining—by showing to the people the great good that would come from sustaining the Government—the folly and the shame that any other course of action would exhibit—by taking advantage of the patriotic feeling we see in the great reaction now sweeping over the North—he succeeded in popularizing the great give-twenty loan, and now finds the people so anxious to convert their currency into bonds that it is only with difficulty he can meet as sudden and increasing demand.... We congratulate the country upon the present prospect before us. The skies are bright, the loyal men are asserting their loyalty; our armies are about to advance, and the people are giving abundantly of their substance and store. Let us have victory at Charleston, Richmond, Chattanooga, and Vicksburg, and peace will greet the [.]”

through private agencies, Government loans could be made attractive to the mass of the public.” Yet, a piece in the *Daily Evening News* out of St. Louis perhaps put it best when they remarked:

Money is the great power in war and will conquer at last, and he who contributes his money to aid his country in her hour of danger may thereby evince as much patriotism as he who marches to the battle field. The widow’s two mites told more of goodness of heart than the rich gifts of those who cast in only of their abundance.¹⁴⁷

One article entitled “A Day at the Agency for the Five Twenty Loan,” gave a glimpse in the spring of 1863 into the war finance via Cooke’s Philadelphia house. Such an account revealed the disparate nature of buyers to the cause.

The people are there to give aid and comfort to the government by investing their savings and their capital in the Five-Twenty bonds. They are giving lively exercise to the agent and his clerks, bookkeepers and cashiers.... There they sit amidst piles of orders by mail, flights of orders by telegraph and incessant orders by word of mouth.... Here is a letter from a lady in Camden who orders \$300 and there is one from St. Paul, Minn for \$12,500. Here lies one from Pottsville, PA for \$1,000 and another from Pittsburg for \$75,000.... Near one of the desks is a nursery maid who wants a bond for \$50 and just behind her placidly waiting his turn is a portly gentlemen, one of the ‘solid men’ of Philadelphia, at whom you can scarcely look without having visions of plethoric pocketbooks and heavy balances in bank. He wants \$25,000... Whatever misgivings they may have had in the dark days of the war have all passed away and they are now laying their treasure on the altar of their country with patriotic confidence and generous hands.¹⁴⁸

May 1, 1863, proved an exceptional day for bond sales to date as investors wanted to be on “even coupon” with the May 1 and November 1 interest payments. Accordingly some

¹⁴⁷ Larson, *Jay Cooke*, 127-29, *Public Ledger*, March 27, 1863; Oberholtzer, *Jay Cooke*, 1:244, 1:248-49, *Philadelphia Inquirer*, April 9, 1863, *Evening Bulletin*, June 1, 1863; quote from Lawson, *Patriot Fires*, 59; Quote from “Financial,” *Intelligencer*, February 1, 1864; *Daily Evening News*, May 19, 1863.

¹⁴⁸ *Philadelphia Inquirer*, April 9, 1863.

“5,000 persons, the names of farmers and mechanics being side by side with bankers, capitalists, members of the cabinet and congressman, ordered through Jay Cooke upon that day, their subscriptions aggregating more than five millions of dollars.” These sales were followed up by \$700,000 in sales on May 7th and over \$1 million on May 8th. The sales reached such profound degrees that discussions were had over hiring individuals whose sole job was to sign the bonds—alleviating the registrar of the treasury from this responsibility.¹⁴⁹

¹⁴⁹ Quoted in Oberholtzer, *Jay Cooke*, 1:253-54; Confederates also attempted to finance their war expenditures through loans—albeit on a much smaller scale that did not meet with great success. Even foreign sales, (discussed in chapter 4) reveal the great frustrations had by Confederate agents abroad. One Union agent (and former Secretary of the Treasury) Robert Walker, wrote from London in May 1863, reporting, “I have learned, confidentially that the rebel agents here got but 47 cents on the dollar for their loan, nearly all in acceptances at various dates not matured of the projections + if I can destroy the loan, they will break + cannot pay. This would stop the building of 10 war vessels for them make them odious here, + ruin their cause here, + on the continent,” Robert Walker to Salmon Chase, May 8, 1863, Chase Papers, HSP; George Harrington, the assistant treasurer in Washington wrote to the Secretary regarding the possibility of hiring an individual to sign the bonds: “I have consulted Mr Chittenden and now submit to you whether it will not be necessary to engrave the Signature of the Register. He states that an average of one million per day is all that he can []. The amount in dollars is no criterion of labor thus today an order for 500.000\$ will be filled of which 30.000\$ require seven hundred bonds while the balance of 470.000 require but 450 bonds. If an order is received for 200.000\$ to be satisfied in bonds of small denominations it would require 4000 bonds of 50\$ ea or 3000 if equally of 50’s + 100’s which with his other signatures is all he can give. I therefore suggest that the Registers signature to the 5.20 bonds so be issued bearing a date subsequent to the 30 April be engraved. The 1st of May is the date of semi annual payment of interest and a good starting point. In this connection the question of engraving the signature to the coupons presents itself. 39 signatures are required to each coupon. We now have forty ladies signing. If engraved much time and expense would be avoided. The personal signature has this advantage. We know and can tell at any time who signed any particular coupon. If a rogue had a coupon before him to counterfeit, signed by a Adams the number of which was say 2960, he would vary the numbers upon his counterfeit and 2860 or 3960: of the genuine + original would bear another name unknown out of the Dept. To this extent we have a check other than by comparison. I can see no objection to the Registers name being engraved on the bond itself. The question of Coupons is also submitted. If you approve either of the enclosed, Mr. Cisco will deliver. By reference to the act of 25 Feby 1862 sec. 3 p. 346 it will be seen that the law requires the signature of both the Treasurer and register or for them both or to be engraved. The act of 11 July 1862 sec 1 p. 532 authorizes the issue of bonds of the US + c without reference to signatures. The 5.20 bonds are issued as are all other bonds with the signature of the Register only as authorized by the act of 11 July. It would not be

While sales were advertised in the Confederacy, so too were they promoted in regions of the North with decidedly copperhead or “secesh” sympathies. In early May 1863, \$1.5 million in 5-20 sales in Baltimore alone were widely heralded. In order to sell such arrangements to skeptics, some marketing emphasized the primacy of government bonds—and that if they were not good, no financial instrument would be sacred. A local newspaper claimed “The one important idea seems to be forcing its truth upon the people and that is if the government loans are not safe and good no others will be. When the nation goes down all else sinks with it.” Another sale of \$10,400 in Indiana was, according to the banker sending along the money, “from a Copperhead neighborhood and I doubt if a single person who subscribes for the bonds ever had a real Union pulsation of the heart since the rebellion broke out.”¹⁵⁰

The sales of 5-20s were unheralded at the time. During the fiscal year ending June 30, 1863, 5-20 sales totaled \$175,037,260—a stark contrast to fiscal year 1862 that only totaled \$13,900,000. As summer turned to fall, number exceeded even the great sales of May 1863. On October 21, 1863, 5-20 sales totaled \$2.364 million—rounding out a week of slightly more than \$12 million in sales.¹⁵¹

On a basic level, sales of Union bonds emerged in northern cities at the various United States sub-treasuries. Citizens could buy direct from the sub-treasuries and in doing so ensure prompt access to these funds. Subtreasuries in New York, Boston, Philadelphia, Pittsburgh, Cincinnati, Baltimore, Chicago, St. Louis, and San Francisco became anchor points for future sales. Yet, in doing so these types of sales also revealed the wide reach of

well to change it now even if you thought it necessary but continue under the 11 July act,” George Harrington to Salmon Chase, April 22, 1863, Salmon Chase Papers, HSP.

¹⁵⁰ Baltimore *American*, May 9, 1863; *Baltimore Clipper*, May 12, 1863, also quoted in Oberholtzer, *Jay Cooke*, 1:250.

¹⁵¹ Stats drawn from Oberholtzer, *Jay Cooke*, 1:263, 1:279.

bond sales and ideals of Union. Moving beyond the traditional northeastern financial networks of Boston, Philadelphia, and New York and the political network of Washington, the spread of 5-20 bond sales into the Midwest and west coast truly extended the war's aims from coast to coast. Furthermore, those who purchased the bonds expanded outside of the traditional urban landscape as well, revealing the wide, disparate nature of bond sales to cross gender, racial, social, and economic boundaries.¹⁵²

While sales reached unprecedented levels in New York, Philadelphia, and Boston (See Table 3.1), the sales in other regions of the country are perhaps more illuminating. The Assistant Treasurer in San Francisco, D.W. Cheeseman, negotiated nearly \$2.5 million in 5-20 sales alone. Most of these sales were tied to vast shipping conglomerates primarily concentrated in far eastern shipping such as George Howes and Co., E. Spicer and Co., Flint, Peabody and Co., J.R. Britton and Co., William Sherman and Co., Flint, Peabody and Co., Cameron Whittier and Co. Simon Kinkelspiel and Adler. This does not include other firms such as the clothiers Neustadter Brothers and the booksellers H.H. Bancroft and Co. (the namesake of UC Berkley's Bancroft Library). But the sales also incorporated others living in more rural areas, such as the farmer A.B. Abel, who lived in the San Francisco suburb of Vallejo. The sales on the west coast did spread beyond the Bay area and even California. Sales also emerged in Oregon, chief among them being Campbell Chrisman—a farmer who had emigrated from Missouri and purchased \$2,500 in 5-20s. The sales listed

¹⁵² 5-20 sales did revolve around the major urban centers even if those who purchases them may have lived outside the cities. Nevertheless, there was a significant shift to smaller national banks by the time of the 10-40 loan in 1864—largely a product of the National Banking Act of 1863 and something that will be discussed to a more significant degree later in the chapter.

Chrisman's home as Eugene City, Oregon, although he appears to move around within the state at times. Other 5-20 sales in Oregon took place in Corvallis as well as Albany.¹⁵³

Table 4: 5-20 Primary Sales by Sub-Treasury Region¹⁵⁴

Location	Agent	Quantity
Philadelphia	Jay Cooke	\$365,952,950
New York	John J. Cisco	\$107,630,350
Boston	Ezra Lincoln	\$26,306,450
Washington	F.E. Spinner	\$2,589,000
San Francisco	D.W. Cheeseman	\$2,478,600
Chicago	Luther Haven	\$2,297,050
St. Louis	Benjamin Farrar	\$2,241,900
Philadelphia	A. McIntyre	\$1,691,250
Baltimore	W.W. Hoffman	\$1,387,150
Cincinnati	Enoch F. Carson	\$1,250,700
Pittsburgh	C.W. Batchelder	\$450,050
Buffalo	C. Metz Jr	\$445,000
Pittsburgh	Joshua Hanna	\$293,100
Cleveland	Second National Bank	\$141,650
Detroit	H.H. Sanger	\$71,000
Philadelphia	First National Bank	\$71,000

¹⁵³ "Records Relating to Issuing, Transmitting, and Registering Coupon Bonds for Loan, 1861-1865," UD 66, Record Group (RG) 53, Bureau of the Public Debt, National Archives and Records Administration (NARA) 2, College Park, Maryland. 1860 United States Federal Census Records.

¹⁵⁴ "Register of Bids for 5-20 Bonds," UD 48, RG 53, Bureau of the Public Debt, NARA II, College Park, Maryland.

St. Louis	First National Bank	\$51,300
Cleveland	First National Bank	\$25,000
St. Louis	First National Bank	\$50

But even examinations of other northern cities prove invaluable for understanding the cross section of individuals who bought into the cause fairly early on. Take for example Cincinnati, Ohio. A Population of approximately 161,000 at the time of the 1860 census and home to a diverse economy, the purchasers ran the gamut of life in the Queen City. John Besler, a clerk in town, purchased \$100 in 5-20s early in the conflict, but also purchased them for other members of his family as well including wife Caroline (\$200), as well his daughter Louisa (\$200.) Esther A. Baldwin, a schoolteacher in Cincinnati and quite possibly widowed as a result of the war put \$50 towards 5-20s. Cynthia Haughty, a farmer, likewise put down \$50 towards 5-20s. Abijah Watson, whose occupation was listed as “stewart” in the 1860 census, invested \$100. Immigrants composed a large segment of Cincinnati’s population and this was no different when it came to the composition of bond sales in the city. Maria Martin, an Irish immigrant and wife of a laborer purchased \$100 in 5-20s. Similarly, Mary Hine, a German immigrant whose husband was German as well and a local carpenter, purchased a \$50 bond for the family. Another German immigrant, Mary Fry, who was most likely a servant, purchased \$100 in 5-20s. Other immigrants included Catherine Seybold (\$100), a Prussian immigrant and farmer and Cordelia Andrews (\$100), an immigrant from England and wife of a “finer.”¹⁵⁵

¹⁵⁵ Bond quotations drawn from “Register of Bids for 5-20 Bonds,” UD 48, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. 1860 United States Federal Census Records. For all assertions made with regards to individuals, professions, and nationalities, these are made with as much certainty as possible. I have avoided common surnames such as

Further sales in Cincinnati reveal the disparate nature of the sales. Sarah E. Owens, a mother of three, wife of a physician, and owner of a boarding house dabbled in the 5-20 market by purchasing a sizable \$450. Mary A. Todd, a servant in Cincinnati for a local minister (although originally from Virginia), bought \$500 worth. Charles S. Royce, a schoolteacher and father of four bought \$150 in 5-20s, while George Gault, an eighteen year old son (one of six children) of a miller who moved to Cincinnati from South Carolina invested \$100 towards the drive. Merchant William Drennan purchased a sizable amount of 5-20s for his family during the drive including for his wife Hannah (\$500), children George and Mary (\$100 each), as well as most likely his mother Eliza (\$500.) While William was a merchant at times during the war, it appears he was also the sutler for the 64th Ohio infantry, a regiment with several men who invested including Captain William Sarr (\$800). Just as curious were those who invested that leave behind little historical record of their occupation, just a residence in Cincinnati—including individuals such as Roxanna Ross (\$100) and Sarah A. Brooks (\$600.)¹⁵⁶

Moving northwest to Chicago, sales covered myriad occupations. Cyrus R. Hagerty, a father of two born in Pennsylvania and a carpenter by trade pledged \$200 to the Union cause. Sales also emanated from residents outside of Chicago, including Merchant Matthew Griswold (\$100) from Nearby Peoria and farmers Orren and Sarah Disbrow (\$100 each) from Alden, Illinois and Gerry Battes (\$100) from Peoria. Just like in Cincinnati, immigrants

Smith when providing examples from various locations, trying to find instances of individuals who are the only one on the census in 1860 in that locale (or surrounding areas.) It is possible that I have misidentified individuals here, but the names and purchases amounts do remain valid.

¹⁵⁶ Bond quotations drawn from “Register of Bids for 5-20 Bonds,” UD 48, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. 1860 United States Federal Census Records.

also contributed to bond sales in Chicago. English immigrant Eliza Davis—married to a clerk—contributed \$50, while Scottish immigrant and merchant James Nicol put in \$100. Charlotte Varphol—a Prussian immigrant put \$100 in for herself as well as funds for her children, Rudolph and Robert (\$100 and \$50 respectively.) Last but not least, Hungarian (and highly regarded photographer) Alfred Pattoini invested \$150. Still other investors in Chicago included physician Ephraim Ingals (\$150) the Reverend John Woodbridge (\$100) of the North Presbyterian Church, Louisiana born clerk Charles Philbrik (\$50), farmer Matthias Loos (\$50), physician Franz Mergler (\$400), and farmer Virginia Stevens (\$150). Last but not least was Charles C.P. Holden, a ward leader in Chicago as well as veteran of the Mexican War who picked up \$200 in 5-20s during the drive proper.¹⁵⁷

Other cities contain similar stories, no matter how small the investments might have been. Even in the old northwest enclave of Detroit, Michigan there were some investments in the 5-20 drive. While only nine individuals/banks invested in the 5-20 drive via primary sales, it included people like David Cooper—a merchant who resided downtown at 21 Michigan Avenue. Although a Canadian native originally, Cooper (who at this time was in his early 70s) invested \$5,000 in 5-20s. Heading east to Pittsburgh, further sales emerged. George Ammond, a tailor and father of three invested \$400 in 5-20s. Sophia M. Dean, the wife of a steamboat captain, put down \$100 towards bonds. Reuben Miller—a twenty-one year old machinist packaged \$150 together to put in towards the drive, while a Philip Bentel (occupation unknown) from nearby Freedom, Pennsylvania, invested \$500 in 5-20s. Presbyterian minister (and future chaplain of the 102nd Pennsylvania infantry) Alexander M. Stewart, deemed it providential to place \$200 in bonds towards the cause. Pittsburgh sales

¹⁵⁷ Bond quotations drawn from “Register of Bids for 5-20 Bonds,” UD 48, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. 1860 United States Federal Census Records.

also incorporated Austrian immigrant and civil engineer Felician Slataper—a recent transplant from the nation’s capital—who purchased \$400 in 5-20s.¹⁵⁸

St. Louis and Baltimore offered similar narratives. Waldemar Strauss, a St. Louis salesman, purchased a \$50 bond, while Alexander Dienst—a dentist from the Baden region of present day Germany purchased \$100. Janet Simmons, the wife of a confectioner bought \$100 worth, while a Dr. Lewis Huffell bought a modest \$50 bond. Emil Ulrici followed up the signing of his loyalty oath in 1862 and bought \$1,000 in 5-20s. In Baltimore, a Methodist Episcopal Minister named Joseph France purchased \$200 in bonds. Dr. Augustine Darlymple, an Irish immigrant bought \$500 while Caroline Stafford, the wife of a “master sailor” bought \$200. Finally, Ann Stoner, the wife of a farmer in nearby Frederick, Maryland, bought \$100. These western sales from a variety of northern cities and states revealed the changing nature of war finance at this time. In under a year, Union war finance had moved away from solely seeking funds from the established financial elite of New York, Philadelphia, and Boston, to incorporate other segments of the northern population. While some were undoubtedly of the financial capitalist class, a closer examination of these sales reveals just how widespread the sales were becoming— drawing on men and women, native

¹⁵⁸ Bond quotations drawn from “Register of Bids for 5-20 Bonds,” UD 48, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland; While Felician Slataper purchases were noteworthy (\$400) it was actually his wife—Eliza Lee Slataper—who became more well known. Eliza Lee (of the Virginia “Lee” family) developed a close relationship with Mary Todd Lincoln in the post war period. In the aftermath of the war and the assassination of President Lincoln, the two corresponded frequently on the topic of loss and mourning and most likely had been a connection regarding Tad Lincoln and Daniel Slataper, who were of the same age. For more on the Slataper/Lincoln dynamic, see Justin Turner, “The Mary Lincoln Letters to Mrs. Felician Slataper,” *Journal of the Illinois State Historical Society* 49 no. 1 (Spring 1956): 7-33.

sons and daughters and immigrants alike—to fill the coffers of the Union in order to undertake the war.¹⁵⁹

Jay Cooke's actions were not without their critics. Shortly before Christmas, 1862, Representative Charles R. Train (R-MA), moved on the floor of the House of Representatives for an investigation of the Treasury Department:

Resolved: that a select committee of five be appointed to inquire whether any officer or employee in any Department of the government is a partner, or interested directly or indirectly in any banking house, money corporation, or other business firm having contracts with the government, or dealing in stocks or other property; and that said committee have power to send for persons and papers and to employ a stenographic clerk at the rate of compensation usually paid to such an officer; and that said committee have authority to report at any time by bill or otherwise.¹⁶⁰

While the investigation did not go any further, it nevertheless revealed the desires of some within the administration's own party to undercut Cooke and his success. One newspaper vocal in its criticism was the *New York World*. Even in the midst of wild success for the loan in May 1863, the *World* came down harshly on Cooke and his larger network. While levying heavy criticism on Cooke & Co., the paper also reserved the right to criticize the Union populace:

But our people seem to delight in being cheated. The serenity with which they swallow the false statements of the success of our arms; the puffs of upstart generals manufactured to order; the success of the Mexicans; the success of the Poles not less than the repudiation and cunning contrivances of the Treasury Department leave little doubt that the luxury of being humbugged is only equaled by that of being imprisoned without law, wasted by war, and impoverished by taxes.¹⁶¹

¹⁵⁹ Bond quotations drawn from "Register of Bids for 5-20 Bonds," UD 48, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. 1860 United States Federal Census Records. "Native Sons and Daughters," could also be taken quite literally as various Native American organizations throughout the North purchased 5-20 bonds as investments at various levels.

¹⁶⁰ *Congressional Globe*, 37th Cong., 167.

¹⁶¹ *New York World*, May 20, 1863.

Even as the 5-20 loan wound down, renewed calls emerged from Congress to investigate Cooke. Alexander H. Coffroth (D-PA), introduced a resolution on January 5, 1864 calling for a full investigation of the bond issue and the profitability to be had if the Treasury had gone about it on its own. “Resolved,” began the resolution, “That the Secretary of the Treasury be requested to report to this House what have been the services of Jay Cooke and Company to the government in the sale of United States securities and what has been the rate and whole amount of compensation therefore.” The resolution also called for a monetary comparison of what it would have cost the Treasury to conduct all sales and advertising on its own. To such inquiries Cooke and Chase were more than willing to present the numbers—revealing a cost of \$1.4 million to the federal government, while noting that expenses before Cooke assumed the agency were at a pace twenty-five times that number.¹⁶²

Yet even before Cooke and Chase could provide this rejoinder, criticism and calls for investigations was also emanating from the Senate. Senator (and future Vice President) Thomas Hendricks (D-IN), took to the floor of the Senate on February 11, 1864, to call out Cooke & Co.—otherwise known as the “rich banking firm which has been made rich by the drippings from the Treasury.” The Senator bemoaned that fact that “perhaps a million dollars has been made by the firm of Jay Cooke and Company by being made the special and exclusive agent of the Treasury Department in disposing of the bonds of the government which might have been disposed of by the ordinary machinery of the Department.” Such a stinging critique did, however, afford Senator and close Cooke ally John Sherman (R-OH) the opportunity to defend his Ohio brethren. “The firm of Jay Cooke and Company is an

¹⁶² Quoted in Oberholtzer, *Jay Cooke*, 1: 299-300.

old, leading banking house in the city of Philadelphia” proclaimed Sherman—although “old” is certainly open to interpretation for by this point in 1864 its founding was less than four years ago. Sherman continued further “The people everywhere, in all parts of the country, came with their little earnings, some more, some less, and poured them into the Treasury, taking in return the pledge of the government to repay their loans. The money of the people in little streams and rivulets poured into the national Treasury, and thus sustained the national life.” Despite the defense promoted by Sherman, Cooke’s actions did beg the question of what Cooke’s true motives may have been.¹⁶³

None of the financial enterprise undertaken by Cooke & Co was unproblematic in conception or execution. Certificates from state or local financial institutions, never mind counterfeit bills, could be tremendously difficult for Cooke. In addition, the thousands of agents who had no direct connection to Cooke per se, nor any governmental regulatory control, reveal the problems that Cooke faced on a daily basis. That said, by far the largest problem that plagued Cooke revolved around securing legal tender to properly make payments to the government. Cooke remained ever cognizant of the fact that his control of greenbacks could have a devastating impact on the money market of the Union writ large. For one example, on November 21, 1863, Cooke had nearly \$17 million in various currencies residing in various banks throughout the East but not enough legal tender by which it could be relayed to the Treasury at Washington or the subtreasury in New York. Cooke forever had to walk a fiscal tightrope when it came to his usage and cornering of

¹⁶³ *Congressional Globe*, 1046.

greenbacks. Despite these challenges, by January 1864, the \$500 million subscription had been reached and the 5-20 loan came to a close.¹⁶⁴

While examining Jay Cooke's network is a valuable experience, a more detailed examination of bond sales from a consumer standpoint provides a rather interesting account of how these bond sales played out on an empirical and practical level. In order to undertake such an examination one must consult the vast array of ledger books housed in the records of the Bureau of the Public Debt at the National Archives. The accounting from the war bond drives encompasses over 500 volumes and even then contains omissions of some of the data. Even so, invaluable insights can be extracted.

Take for example the registered bond sales of the 1862 5-20 loan scheme (sales ran from of May 1862 to January 1864.) The total sales of the 5-20s amounted to \$514,771,600. The registered portion of these sales were \$74,995,150 or 14.6% of the overall 5-20 sales. (5-20 sales comprised 22.6% of the total sales of Union bonds (and treasury notes) during the war that amounted to nearly \$2.28 billion.) Registered bond sales are more worthwhile from

¹⁶⁴ Jay Cooke revealed this precarious financial situation to his brother Henry Cooke, November 21, 1863, Jay Cooke Papers, HSP; Jay Cooke to Salmon Chase, January 16, 1864, Jay Cooke Papers, HSP, Larson, *Jay Cooke*, 146-48. One letter from Henry to Jay Cooke dated October 3, 1863, reveals the precarious nature of transfer of funds to the government. "WG [Moorhead] went yesterday to Washn to see if we couldn't arrange with the Sec'y to take mint certificates in N.Y. & Boston & c in payt for bonds—and also certified B'k checks—as it is an absolute impossibility to get legal tenders enough to pay for Subns. The sales since he left have been \$21,500,000-\$6,600,000 yesterday, and \$15,100,000 today—We deposited [in government depository] today here \$2,600,000 and in N.Y. Boston & c \$5,000,000—in all 7,600,000. And Monday will deposit as much more—so as not to swell our balance at the Treasy too much. We have not yet encroached on your mint certificates at the bank (F & M0—but will have to do so Monday—We made McIntyre take \$1,700,000 certified checks today, which he carries till Monday, when we will arrange for him to hold them and let the banks pay the l.ts in instalments so as to prevent too great a stringency in the money market—for want and relieve the banks—Our deposits would have been much larger today, but for the impossibility of abstracting from the circulation of the 3 cities named more than 7 or 8 millions in a day without creating a panic," Henry Cooke to Jay Cooke, October 3, 1863, Cooke Papers, HSP.

an investigative standpoint owing to the far more detailed records associated with the sales. From the first recorded sale of May 1, 1862 to the initial closure of the sale on January 30, 1864 there were 8,825 purchases (or “warrants” in the parlance of the ledger books) and 511 transfers of the bonds. 17% of the purchases can be traced to organizations of varying sorts, from banks to literary societies, to insurance companies, masonic organizations, and other business and philanthropic entities. Such organizational purchases averaged \$26,100, certainly a large sum. The remaining 83% of purchases can be traced to individuals. Because 5-20 bonds were often more expensive (selling well above par at times) the purchaser lists are admittedly a “who’s who” of northern socialites, politicians, and senior military officials. Purchasers included several Union generals (including future President James Garfield), an admiral (David Farragut), cabinet members (Gideon Welles and Salmon Chase), prominent socialites (George Templeton Strong), President Abraham Lincoln, French nobility (Comte de Dion), Cubans, Haitians, and even a future president of Peru (Francisco Calderon.) But in addition to these relatively well-heeled purchasers, literally thousands of other individuals purchased at far lower levels. More fascinatingly, women comprised a surprising number of the purchasers, accounting for 26.1% of all registered 5-20 bonds with the average bond purchase amount per female at \$2,400. (Male subscribers to the 5-20 registered bonds (comprising 73.9% of individual sales) had average purchases of \$5,500.) Of course such ledgers cannot answer the question of why women were buying bonds in such unprecedented numbers, but it is often the questions raised by such data mining that are important. Perhaps women were inclined to find safe havens for family income? Civil War Historians such as Nina Silber and Judith Giesberg have posited that northern women asserted their economic role during the war in an effort to stimulate the northern economy and contribute to the war effort as they entered previously male domains and spheres.

Similarly, some of these women could also have very well purchased bonds from soldier's pay making its way home. Certainly it is a question that deserves more scrutiny.¹⁶⁵

Likewise examining coupon sales is interesting. There were 23,295 initial primary sales of coupon bonds. While organizations comprised a larger portion of coupon sales (30.9% percent) this is not terribly surprising considering bank requirements to tie some of their funds to deposits in bonds as a result of the National Banking Act. With a slight deviation from the registered sales, female purchases (averaging \$1,500) represented some 11.9% of individual sales. However, factoring in averages for coupon sales is problematic because of the remarkably active and lucrative secondary market that skewed heavily to smaller purchases of \$50 and \$100. Further examination of the registers in time will afford some opportunity to track coupon bond sales, although individuals were under no obligation to share this information with the government, as was the case with registered bonds.¹⁶⁶

Nevertheless, examining the register books for coupon bonds reveals a tremendous amount about some of the purchasers. No fewer than twenty-one members of Congress (from both major political parties as well as some Unconditional Unionists) invested in

¹⁶⁵ All data compiled from "Accounts for the Loan of 1862," ledger books, Vols. 124-25, Bureau of Public Debt, RG 53, NARA 2, College Park, Maryland; While the statistics behind the 5-20 registered bond issue offer valuable insight into an attempt at quantifying this large endeavor, a more detailed look at the names of the drive offers an even richer text for analysis. While banks and insurance companies comprised the majority of organizations to purchase bonds, academic institutions (Oberlin, Harvard, and Columbia) as well as historical societies (The Library Company of Philadelphia, Historical Society of Pennsylvania, and the Portsmouth (NH) Athenaeum) comprised a segment of investors. For further reading on women as economic actors on the Northern homefront, see Nina Silber, *Daughters of the Union: Northern Women Fight the Civil War* (Cambridge: Harvard University Press, 2005), 41-86 and Judith Giesberg, *Army at Home: Women and the Civil War on the Northern Home Front* (Chapel Hill: University of North Carolina Press, 2009).

¹⁶⁶ All coupon sales records located in "Accounts for the Loan of 1862," ledger books, Vols. 78-83, The Bureau of Public Debt Records, RG 53, NARA II, College Park, Maryland. For more on national banks, see, David Gische, "The New York City Banks and the Development of the National Banking System 1860-1870," *The American Journal of Legal History* 23 no. 1 (January 1979), 21-67.

bonds. Still others included renowned writer Nathaniel Hawthorne, socialite PT Barnum, future Mark Twain character Bloodgood Cutter, *Chicago Tribune* editor Joseph Medill, publishers Thurlow Weed and Evert Duyckinck, and prominent businesses such as the clothiers Brooks Brothers and the parent company of Guinness Brewery of Dublin, Ireland. Still other purchasers included countless army and navy officers as well as soldiers and sailors in the rank and file. Ministers account for many purchases in the 5-20 ledger books and various masonic organization do as well. Other intriguing organization include the Ebenezer Society—a pacifist group located in upstate New York that would shortly be bound for Iowa, but whom had apparently no qualms in providing the government with funds to purchase the arms of war. International firms also waded into the domestic market, including British and Dutch banks, as well as miscellaneous German firms—not to mention other firms such as Dane, Dana & Company and the Chinese Mutual Insurance Company with deep ties to the Chinese trade.¹⁶⁷

While coupon bond sales are significantly harder to track within the records of the Bureau of the Public Debt, on very rare occasions bank ledgers from the period have survived and detail sales. One example of secondary sales for 5-20 coupons can be seen through the surviving accounts of Brown Brothers & Co. out of New York City. While the surviving ledger records are relatively small compared to other financial institutions based in New York at the time (Brown Brothers' sales in 5-20 coupon bonds come in at just over \$100,000 according to the surviving records) they nevertheless offer some invaluable insight into 5-20 coupon sales. In keeping with the registered bond sales, Brown Brothers sold a sizable portion of their bonds to women (38% of sales.) Additionally, some bonds can be

¹⁶⁷ All coupon sales records located in "Accounts for the Loan of 1862," ledger books, Vols. 78-83, The Bureau of Public Debt Records, RG 53, NARA 2, College Park, Maryland.

tracked relatively easily through various sales. For instance a \$1,000 coupon bond #48495 was originally sold on November 26, 1863 to a Howard Potter Tread. The bond eventually made its way back to the bank on July 15, 1865, via the Ladies Relief Society of Jersey City, (NJ).¹⁶⁸

The closure of the 5-20 loan, however, led to increased market action on the New York Stock Exchange. Market transactions were few and far between while sales out of Cooke's office were ongoing. For instance, even as late as September 15, 1863, only 2,000 5-20 bonds sold on the New York Stock Exchange. By January 1864, however, following the formal closure of the 5-20 scheme, sales thrived on the NYSE as a secondary market emerged. By late February, 19,000 bonds sold on the exchange in the morning session. By mid May, that number had jumped to 30,000, by mid June, 54,000, and by July sales on the exchange numbered over 100,000 bonds sold. On one morning in January 1865, bonds sales topped 250,000. Not only were more bonds being sold on the exchange, their valuation was progressively on the rise. Bonds selling at par or slightly above par in the fall of 1863 were peaking north of 110 by the summer of 1864.¹⁶⁹

¹⁶⁸ Securities Ledger, Vol. 106, Brown Brothers & Co Records, Manuscripts & Archives Division, New York Public Library, New York, New York.

¹⁶⁹ New York Stock Exchange Sales of September 15, 1863, February 24, 1864, May 16, 1864, June 13, 1864, July 22, 1864, and January 20, 1865, New York Stock Exchange, Stock and Bond Sales and Quotations Price Records (Record Group 1-3), 1818-1952. New York Stock Exchange Archives, NYSE Group, Inc, New York, New York. For more on stabilization funds see, Charles Geisst, *Wall Street: A History from its Beginnings to the Fall of Enron* (New York: Oxford University Press, 2004), 56; The drives proved fruitful for Cooke on a personal level as well, netting him a commission of approximately \$220,000 during the five-twenty campaign alone. However, additional money was to be had in the form of interest on the bond payments being held on deposit in his own account, or accounts of trusted acquaintances. His role as a government transfer agent and delays with the physical delivery of bonds by the Treasury enabled Cooke to accrue an incredible amount of capital at the government's expense. On numerous occasions Chase wrote to Cooke requesting him to deposit the funds collected from the bond drives into the federal treasury. Cooke assented, only to have to be reminded once more just weeks later. On several occasions

At the end of the 5-20 sales, congratulations flooded into Jay Cooke's office. Cooke's warm congratulations to the various agents emphasized the power of the 5-20 issue as an unheralded democratic success. "Never before in the history of this or other countries has any financial emergency so vast in its proportions been so promptly met," Cooke remarked. He added "I think we may regard the success of this loan as the herald of the approaching day of Peace, Reunion and permanently established Prosperity in which the citizens of every section shall participate." Cooke's agents replied in kind. New York financiers Fisk and Hatch replied "We congratulate *you* on the successful termination of the grandest financial triumph the world ever saw." F.P. Handy, President of the Merchants Bank of Cleveland, similarly replied, "Allow us to congratulate you on the glorious success of the popular 5-20 loan...Looking to the future, we join with you in regarding its success as 'the herald of peace and reunion.' Such bonds can never be broken." Similarly, newspaper also praised Cooke and his network. The Philadelphia *Inquirer* declared, "This loan constitutes one of the most remarkable features in the financial history of any country and its success has no parallel..."

Henry Cooke covered for his brother with Chase and other politicians in Washington for the tardiness on the part of Jay Cooke. By December of 1862, calls began to emerge from the halls of Congress to investigate Cooke for his alleged improprieties by delaying payment to the government and the monetary windfall Cooke gained from these actions. While the charges never resulted in a formal investigation, they nevertheless served as a call to Chase that Cooke needed to be reigned in—something that was accomplished through a reduction in his commission. Following the conclusion of the five twenty drive, Cooke was not subsequently enlisted as an exclusive agent for sales by Chase with future bond sales. This was a point of contention with Cooke and one that he took as a personal affront. This practice continued with the acrimonious departure of Chase from his position as Secretary of Treasury and his replacement by Maine Senator William Pitt Fessenden. When Fessenden enacted the seven-thirty campaign (7.3% interest), he relied on the National Banks to sell the loan issue. It was his hope that the banks would see the benefit to the loan scheme so aptly demonstrated by Cooke without forcing Fessenden to resort to one individual. For some of the examples stemming for this issue see, Salmon Chase to Jay Cooke, March 22, 1862, Salmon Chase to Jay Cooke April 26, 1862, Henry Cooke to Jay Cooke, May 13, 1862, Henry Cooke to Jay Cooke, November 12, 1862, Salmon Chase to Jay Cooke, April 23, 1862, Salmon Chase to Jay Cooke, July 29, 1863, all of these letters reside in the Jay Cooke Papers, HSP; *Congressional Globe*, December 22, 1862, 167.

No nation on the face of the Earth can boast of success so complete and at the same time so safe and satisfactory to all parties concerned.”¹⁷⁰

But the war continued in 1864 with little sense of resolution in the early months of the year. Continued military operations across a landmass the size of western Europe required more funds and the end of the 5-20 drive meant the Treasury needed to start a new drive to refill the coffers. In the midst of the 5-20 drive Congress had already begun to account for future loans. In March 1863, Congress approved a loan for \$300 million for the current year and \$600 million for the succeeding fiscal year. The bonds were to be issued for not less than ten years but no more than forty and the issue was not to begin until the completion of the 5-20 issue (far from over in March 1863.) However, once the 5-20 issue ended in January 1864, Chase did not opt to immediately begin the 10-40 issue. As historian Albert Bolles stated, “Though he [Chase] had now been at the head of the treasury department more than two years, he had learned but little, and was just as unwilling as ever to listen to an adviser.” Chase opted to issue the bonds at 5% (when the law afforded him the opportunity to do so at 6%.) Unsurprisingly, the public at large, and especially the financial sector had little interest in a 5% loan when a 6% issue had just been completed and could be had on the secondary market. Between January 21 and July 1, 1864, only \$73,337,750 of the bonds sold. Chase was reticent to acknowledge the error of his ways and opted to flood the market with even more greenbacks, thus creating an inflationary situation. Chase’s hope of debasing the currency to garner favor amongst investors in the 10-40s did

¹⁷⁰ Jay Cooke to subscription agents, January 29, 1864, Jay Cooke Papers, HSP, also quoted in Oberholtzer, *Jay Cooke*, 1:293-95.

little but alarm the market—and without Jay Cooke at the helm, to utilize his widespread sales force and marketing genius, the confidence struggled to emerge.¹⁷¹

After the wild success of the 6% 5-20 drive, a 5% bond issue was not of great interest to the populace. Jay Cooke himself did not have the agency for the loan and was not particularly inclined to take on the issue. On one thing almost all were in universal agreement, the 10-40 issue should not begin in earnest until the Treasury had accumulated approximately \$100 million in bonds to avoid a delay in delivery. While Cooke stressed the national banks and subtreasuries would be the best avenue for sales—a letter from a financier revealed what deep down Cooke knew—“I don’t believe they [the bonds] will go unless you take hold.” Despite Cooke not taking the issue, he was actively involved in promoting it. He frequently traveled from Philadelphia to Washington to consult with the Secretary, his brother Henry remarking “He [Chase] has about concluded to do so [sell the bonds through the National Banks] but will determine upon nothing positive until he has a full and satisfactory talk over the whole matter with you.” Cooke’s efforts in Washington as well as New York to stabilize financial confidence—“like a shuttlecock,” as he described—went a long way in the days of financial uncertainty following the end of the 5-20 issue. While Cooke pledged “urging all within my influence to engage in its sale,” reality was far different.¹⁷²

¹⁷¹ On passage of 10-40 loan act see Bolles, *Financial History*, 100-104.

¹⁷² Oberholtzer, *Jay Cooke*, 1:386-89.

Figure 1: Map of 10-40 Sales by National Bank Locations

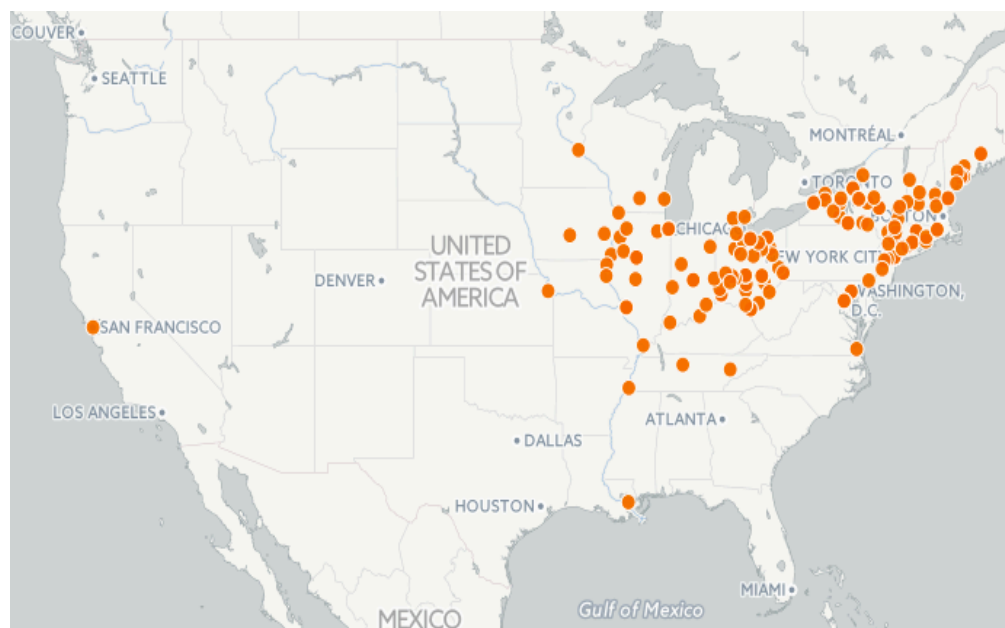
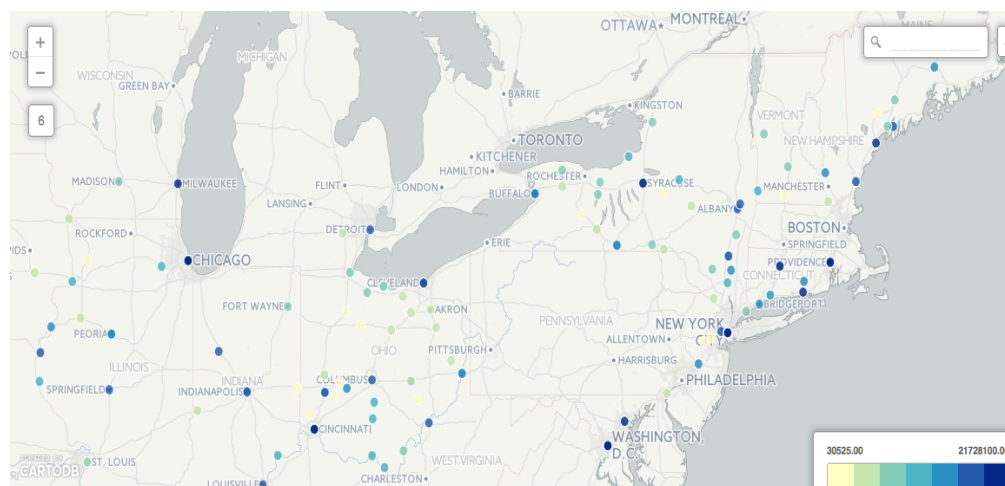


Figure 2: Quantity of 10-40 purchases by National Bank by Dollar Amount



Reports flooded in to Cooke regarding problems with the 10-40 issue when it was not in the hands of Cooke personally. From Baltimore, John Wills reported, "The new ten-forty goes slowly here and simply because it has not been rightly put upon the market. The people have gotten so accustomed to your mode of distributing loans that they can scarcely be brought to anything else." The *Evening Telegraph* in Philadelphia took it one step further:

We do not think that the plan of taking subscriptions to the new loan of 10-40 at the rate of interest at which it is put upon the market, is wisely done or maturely thought over. Jay Cooke & Co., by their wide-spread business relations, the prestige which is attached to them from their success with the 5-20 loan and the indomitable energy which characterizes the head of that house, would have secured ten millions where the present mode will secure one. To be sure, we do not believe that so sagacious a man as Mr. Cooke would have advised a 5 per cent loan at all, and we can only wonder what pernicious influence has induced the head of the Treasury to try it.¹⁷³

Despite the sluggish sales for the 10-40 issue, records reveal purchasers nevertheless permeated a wide swath of the North and beyond. The sales, in keeping with the prior 5-20 issue, revealed a wide array of purchasers across gender and socio-economic lines ranging from the small \$50 bond to purchases by individuals in the four or five figure range. Because of the driving force that National Banks became starting with the 10-40 drive, a whole host of National Banks across the country sold bonds to the northern populace. In keeping with the 5-20 issue, sales found great strength in the northeast. While a bulk of sales came out of Boston, New York, and Philadelphia, there emerged a very healthy market in smaller communities throughout the Northeast. Out of the shipbuilding town of Bath, Maine, sales accumulated amongst the merchants, shipbuilders, and sea captains associated with the industry. At the same time, however, sales also found their way to other members of the community. Schoolteacher Eliza B. Fisher purchased \$100 in 10-40s, while the booktrader

¹⁷³ Oberholtzer, *Jay Cooke*, 1:392-93.

Elisha Clark procured \$200 in 1864. Other sales in Bath included James Tibbets (\$200), a “mainer” according to the 1860 census, as well as twenty year old Cora Rouse (\$100), the daughter of a local pump and block maker. Moving down the midcoast to Brunswick, Maine, Caroline Weld purchased \$100 in 10-40s most likely from the proceeds of her boarding house in town which included amongst her boarders, Leonard Woods, the President of nearby Bowdoin College.¹⁷⁴

Other portions of Maine also included sales from a wide array of individuals. From Bangor, Maine came a whole host of sales from individuals from in town and beyond. Rufus Gilmore, a farmer from nearby Holden, Maine, purchased \$150 in 10-40s. Similarly, Prentiss Allen from Corinna, Maine, put together enough funds for \$200 worth. Josiah Crosby, a lawyer from Dexter, Maine, also bought \$100 in 10-40s, while Lemuel Bradford, a sailmaker from Bangor proper purchased \$300 in bonds. Migrating south to the largest city in Maine, Portland, revealed even further disparate sales. Some higher sales in the Portland area included Sylvan Shurtleff (\$1,000) a “boot, shoe, and leather dealer,” as well as Neal Dow (\$1,000) the former Mayor of Portland and “Napoleon of Temperance,” who was instrumental in the passage of the 1851 prohibition law in Maine. Other professionals also invested out of the Portland region, including local jeweler Oliver Garrish (\$200) and Mary Cumpston (\$100) a local schoolteacher in Portland, while Lydia Thayer—most likely a widow in her early 70s by 1864 also invested \$100 in 10-40s. Purchasers were also made as a small nest egg for the children of Portland. Mary Campbell (age 6 in 1864), the daughter of an Irish immigrant mother and Canadian steamboat captain father had \$100 purchased in her name by her parents. The faith and confidence held by these immigrants to America

¹⁷⁴ Sales figures from “Records of Subscriptions,” UD 36, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. 1860 United States Federal Census Records.

being something that they hoped they might pass down to their young daughter through the act of investment.¹⁷⁵

Still, because of the importance of Portland to the southern Maine economy, many sales were to individuals from further afield. Neighboring communities like Westbrook and Gorham saw subscribers coming into Portland. Edward Knight (\$50) and Moses Dale (\$100) were both farmers from Westbrook who purchased 10-40s in Portland while Lucy Hall (\$200)—the wife of a Westbrook farmer, also invested in the bonds out of Portland. The wealthy towns of Kennebunk and Kennebunkport also had their fair share of investors in 10-40s. Maria Rounds, the wife of a local farmer, purchased \$500 in 10-40s while William Sewall, a local lawyer in Kennebunk, bought \$300 worth. Eliza B. Perkins, the wife of a local merchant in Kennebunk, procured \$100 in Portland. Other purchasers such as Barnabas Freeman (\$400) a lawyer from Yarmouth, and Emery Lombard, a shoemaker from the mill town of Turner, Maine, show how widespread these purchasers were. Indeed, Sales during the spring of 1864 revealing a large investment out of the Pine Tree State. Investments would total in the region of hundreds of thousands of dollars in 10-40 sales out of National Banks in Maine in 1864 and provided an example of what was to come in 7-30 sales.¹⁷⁶

Elsewhere in New England, sales also developed. In Barre, Massachusetts, widow Elvira Wood purchased \$100 in 10-40s. Maria Ruggles, the wife of a farmer, and Mary B. Grosvenor, wife of a clerk also invested in Barre in \$100 worth of the bond issue in 1864. Moving further south to Providence, Rhode Island and the surrounding area, bond sales also met with success. Ebenezer Richmond, a local miller, invested \$150 in the 5% issue while

¹⁷⁵ Sales figures from “Records of Subscriptions,” UD 36, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. 1860 United States Federal Census Records.

¹⁷⁶ Sales figures from “Records of Subscriptions,” UD 36, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. 1860 United States Federal Census Records.

local merchant Stephen C. Arnold procured \$400 of 10-40s. Ruth Anne Simmons, a local “sew factory worker” curiously found the means to purchase \$500 in 10-40s despite the fact her wages more than likely did not support such a purchase. Local grocer John Remington bought \$200 in 10-40s. George G. Hood, a seed gardener in his early 70s pulled together the requisite funds to buy a \$50 bond—the same went for a local wool dealer with the distinct name Royal Chapin as well as Providence cashier Edwin Knight. Others from the surrounding area also opted to conduct their business in Providence. Augustine Root, a Congregational minister most likely from Middlesborough, Massachusetts purchased \$50 in 10-40s, while Ansel Holman, the town clerk of nearby Smithfield, Rhode Island, purchased \$100 himself. David Waldson (or Waldzon depending on a given census over several decades), a local manufacturer from Taunton, Massachusetts, purchased \$100 in 10-40s while Elizabeth Camm, a housekeeper from the nearby town of Bristol, Rhode Island, procured \$200 in this bond issue. All said New England was a sizable contributor to 10-40 sales.¹⁷⁷

Moving outside of New England, sales continued to emerge. In Buffalo, Levina Dodge, the wife of a physician, purchased \$50 in 10-40s, while Charles L. Able, a local liquor store owner bought \$250 and Lawrence Van Wyck, a local boarder in nearby Niagara, also chimed in with \$100 in purchases. Mary Ann Metz, a local farmer in Clarence (\$200) also contributed through a national bank in Buffalo. From Washington Stonebraker (\$200), a blacksmith in Monkton, Maryland, to Isaac Caswell (\$200), a farmer from the small upstate New York town of Ridgeway, bond sales permeated most of the North. Yet, what really started to set the 10-40 drive apart from its predecessors was the quantity of sales occurring

¹⁷⁷ Sales figures from “Records of Subscriptions,” UD 36, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. 1860 United States Federal Census Records.

in “the West,” otherwise known as areas west of Pennsylvania. Small Ohio towns like Columbus, Cadiz, Gallopis, and Dayton all became fertile grounds for bond sales. In Cadiz, Ohio, a Canadian immigrant named Elizabeth Beck from nearby Rumley purchased a \$50 bond. Moving further west to sales in Peoria, a plethora of individuals from the surrounding communities bought into the cause. Charles Holtcamp, a Prussian immigrant and clay potter from nearby Decatur bought \$150 in 10-40s. Peter Dolan from Kickapoo contributed \$50 to the cause. Miles Smith (\$500) a merchant from Knoxville, Illinois and Charles Day (\$200) a bookkeeper from nearby Brimfield also chimed in with his mites. Moving into further reaches of the old Northwest, James Nobert (\$300) a peddler, and Antonio Baars (\$150) a Dutch immigrant and physician were some of the few small scale individual purchases to come out of Detroit during the 10-40 drive. Milwaukee, Wisconsin similarly had sales from the surrounding communities including the farmer Denison Baker (\$150) from nearby Summit and Squire Sackett (\$250) a farmer from Wauwatosa whose daughter Sarah (\$150) also purchased 10-40s from this remote northern outpost.¹⁷⁸

Sales also began to emanate in substantive numbers out of the even more remote region of St. Paul, Minnesota (Population 10,400 in the 1860 census.) Henry W. Towle, a blacksmith living in Dayton, Minnesota, following a move from Maine put together funds to buy \$100 in 10-40s. Jane Cutter, the wife of a carpenter in St. Paul purchased \$300 in 10-40s. Likewise, Alfred Foster, a farmer from Ramsey, Minnesota, also put in \$100 towards 10-40 sales. An overwhelming proportion of sales out of the St. Paul national bank were done by women, although census records for Minnesota are somewhat shaky and offer little in the ways of occupations for many individuals. For the records that do exist, we see that several

¹⁷⁸ Sales figures from “Records of Subscriptions,” UD 36, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. 1860 United States Federal Census Records.

of these women were immigrants. Margaret Hanna, an Irish immigrant living in Stillwater, Minnesota, purchased \$100 in 10-40s while Sarah Geisenger, a Canadian immigrant living in Rochester, Minnesota put down \$500 for 10-40s. For such a small and remote region of the North during the war, sales reached high levels.¹⁷⁹

Finally, sales of 10-40s also made their way into the border states and regions of the Confederacy itself. While the evidentiary gap makes it somewhat difficult to match as many bond sales in places through the border states and Confederacy, especially as many bonds were in fact purchased by Union soldiers themselves, some conclusion can be drawn. In Knoxville, Tennessee where 10-40 sales amounted to \$30,750, some sales could be attributed to individuals such as Andrew Goodard (\$500) a local farmer, and Brigadier General Davis Tillson—a Maine native and active raiser of USCT units. Moving over towards the Mississippi River and Memphis, sales amongst the local Irish immigrant population did emerge. James Pierce and James Hammon were both local laborers and Irish immigrants who each purchased \$100 in 10-40s contributing to the cities overall sales of \$77,650. Finally, moving down the river to New Orleans there were sales amongst the Union Army, including Lieutenant Jacob Franzman (\$400) of the 62nd USCT and General Gordan Granger (\$1500). Other purchasers such as Horace Bell (\$200) could also have been a soldier as well. All told, some \$1,005,150 in primary sales of 10-40s occurred in the Confederacy and vital border state of Kentucky—to say nothing of the other border state Missouri as well as secondary sales in these regions which were significantly more. Such sales revealed the migration of purchases beyond the northeastern financial hubs and into the country as a whole. While the drive fell short of expectations, to merely chalk it up to sales in New York,

¹⁷⁹ Sales figures from “Records of Subscriptions,” UD 36, RG 53, Bureau of Public Debt, NARA II College Park, Maryland. 1860 United States Federal Census Records.

Boston, and Philadelphia misses a key point. That, just like the marketing campaign projected, the financing of the war was rapidly evolving into more and more of a people's contest, in which everyday citizens from far and wide in the North and beyond were contributing to the war effort and purchasing bonds to ensure the financial solvency of the Union as it pursued a hard war in 1864.¹⁸⁰

These sales help to tell a narrative of disparate purchases, but disparate, small-scale purchases did not make for large scale sums of money for the government. From March 26th to May 7th, slightly more than \$44.5 million in 10-40s were sold and by the end of 1864 fiscal year \$73,337,100 had been distributed. But third quarter sales of the bonds only amounted to \$7 million. The relatively poor performance of the sales meant that a decision was made to end the drive on January 7, 1865, rather than a set amount. When the books finally closed, \$135 million in 10-40s were sold—a rather paltry amount considering authorization had been made for up to \$900 million in sales. While the sales did spread across a wide area of the country—the fact that Jay Cooke did not hold the reins undeniably played a role not only in the poor performance of the 10-40s, but the ultimate decision to bring in Jay Cooke for the future 7-30 drive.¹⁸¹

The 5-20 and 10-40 drives marked a seismic shift in the scope of Union war finance. Bearing little resemblance to Union war finance policy in 1861, Chase and the Treasury Department eschewed a reliance on the northeastern financial elites that had proven the bedrock of United States war finance since the Revolutionary War. Under the able guidance of Philadelphia financier Jay Cooke, the war's finances fell into the hands of everyday

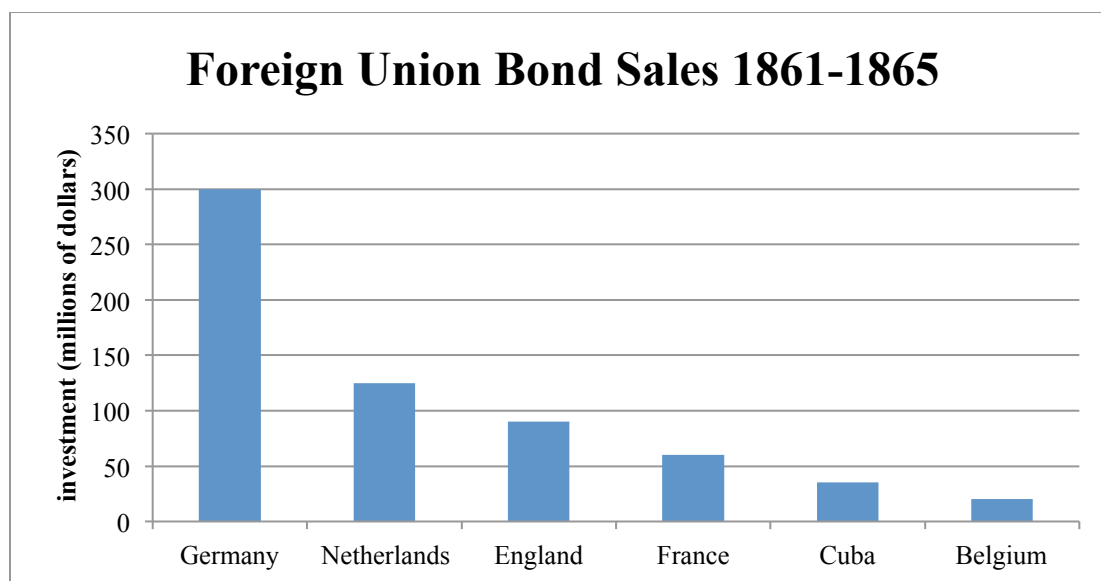
¹⁸⁰ Sales figures from "Records of Subscriptions," UD 36, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. Curiously sales out of San Francisco did not match 5/20 numbers as only \$125,000 in primary 10-40 sales came out of the San Francisco sub-treasury. 1860 United States Federal Census Records.

¹⁸¹ Oberholtzer, *Jay Cooke*, 1:393-94.

citizens spanning the country who contributed their meager to modest earnings to the Union cause. In doing so, the line had been drawn and the war had become one of the people, by the people, and for the people. The “people” had spoken with their acts of financial agency and in doing so marked the stark transition of the war—simultaneously asserting their rights to civic inclusion while also ushering in a new era of financial capitalism. For while this was the people’s war, make no mistake that the war’s financial circumstances also ushered forth a new era of finance capitalists. The war debt forever changed the composition of capital markets, the banking institutions behind the movement, and the role of the federal government in the fiscal operations forever cemented in New York. Such actions were only enhanced by foreign sales of 5-20s and the subsequent 7-30 drive—both of which played essential roles in dictating post-war finance for the remainder of the 19th century.¹⁸²

¹⁸² One newspaper article summed it up as: “[Cooke] occupied everyone avenue of intelligence, appealed to the patriotism of loyal men everywhere, and by reasoning, entreating, education, and explaining—by showing to the people the great good that would come from sustaining the government—the folly and the shame that any other course of action would exhibit—by taking advantage of the patriotic feeling we see in the great reaction now sweeping over the North—he succeeded in popularizing the great five-twenty loan, and now finds the people so anxious to convert their currency into bonds that it is only with difficulty he can meet the sudden and increasing demand,” *Philadelphia Press*, April 8, 1863.

CHAPTER 4: INTERNATIONAL BOND SALES DURING THE WAR

Figure 3: Foreign Union Bond Sales 1861-1865

The war years were good for Rowland Gibson Hazard. In the winter of 1864-65, the textile magnet invested heavily in Union bonds. Operating in Europe and utilizing the services of the Dutch bank Hope & Co., Hazard invested in both 5-20s as well as '81 National Loan bonds. While Hazard traveled throughout Europe conducting business in England, France, and the German states, Hope & Co. passed word along of their various purchases on the Amsterdam exchange. Word reached Hazard via other financial houses such as Bethmann Bankhaus in Frankfurt, Baring Brothers in London, and Hottingeur & Co. in Paris. All told

Hope & Co. purchased some \$110,000 worth of bonds on Hazard's account in slightly over a month long period. What makes this case remarkable is the fact that Hazard was in fact American, based out of Rhode Island, and traveling through Europe at this point in time. These European travels nevertheless presented an opportunity for Hazard to purchase American securities on the European continent. Eschewing the better-known market of London, Hazard's investments through a Dutch banking house operating on the Amsterdam exchange reflected the increasing importance of continental European sales to the Union cause. Once more, such sales reflected a larger integration of global capital markets that resulted from Union bonds in Europe.¹⁸³

Chapter three focused on the ultimate success Cooke & Company had in selling bonds domestically. But critical to that success was international sales. While representing only fifteen percent of the overall bond market, international purchasers represented a critical recognition abroad of the validity of and confidence in the Union. At the war's outset, European capitalists viewed Confederate cotton-backed securities as a more reliable investment—an act that had a crippling effect on Wall Street. Gradually, however, the market in Union bonds stabilized and then accelerated, providing a powerful imprimatur on the Union war effort as an international financial effort. All told, several hundred million

¹⁸³ Hope & Co to Rowland G. Hazard, December 8, 1864, December 10, 1864, December 12, 1864, December 16, 1864, December 20, 1864, January 5, 1865, January 6, 1865, Rowland and Caroline Hazard Papers, Rhode Island Historical Society. I want to offer my sincere thanks to Dr. Seth Rockman for making me aware of this particular collection. Hazard wrote several propaganda pieces on the value of the American economy more broadly, that although they did not address American securities directly, nevertheless played an important role in supporting American securities abroad and the overall confidence in such purchases by Europeans. Hazard's pieces in newspapers were combined and published in London and Amsterdam (in English and Dutch respectively) and were entitled: "Our Resources. A Series of articles on the Financial and Political Condition of the United States." Dutch translations entitled "Financien en Hulpbronnen der Vereenigde Staten." *Amsterdam Courant*, December 8, 1864. The same, in *Jj-en Amstellode*. December 17, 1864.

dollars worth of these bonds made their way across the Atlantic; large amounts of Union bonds were sold in Britain, France, Belgium, the German States, and the Netherlands. Most historians have presumed that Britain was the primary financial hub for such sales, but it was the underappreciated continental sales in the Netherlands and German states which constituted the more critical market. To be sure, international sales came couched in different colors. Wherein the sales made stateside were often overlaid with notions of patriotic duty and service for the northern public, international sales were driven primarily by pursuit of profit.

Beyond the geopolitical and diplomatic dimensions of the conflict, the sale abroad of Union bonds opened a new chapter in the history of international finance. While European investors had purchased American securities in the antebellum period on everything from municipal bonds to railroad issues, the war itself witnessed a dramatic shift away from the lure of the City of London to Amsterdam, Frankfurt, and other continental markets. While the Dutch had a history of American investment, the war significantly upped the stake of these Dutch houses. Working in concert with New York based firms, Dutch and German firms invested heavily in American bonds. Such investments and relationships forged during the war would play an important role in the post-war period as such partnerships formed formal syndicates to sell post-war bonds.¹⁸⁴

¹⁸⁴ David Landes's *Bankers and Pashas: International Finance and Economic Imperialism in Egypt* began to describe the integrated nature of capital markets within Europe at the time of the American Civil War. That said, there was little conversation surrounding the impact these European firms had on American markets, and no discussion of American firms and their inroads into Europe—something that really did not occur until after the Civil War. Thus, I view this work as building on that of Landes, and more fully elaborating on this narrative of globally integrated markets and the importance of Germany to this equation. For more see, David Landes, *Bankers and Pashas: International Finance and Economic Imperialism in Egypt* (London: Heinemann, 1958), 10-23.

Studying international bond sales during the Civil War does not come without significant difficulty. Whereas the ledgers housed at the National Archives carry meticulous records of initial purchases, subsequent purchases become much more difficult to trace. Furthermore, Wall Street financial firms on behalf of international clients could hold bonds, so that the physical bonds never traveled overseas. That being said, some bonds undoubtedly made their way overseas on to foreign exchanges in London, Paris, Frankfurt, Amsterdam, and Munich to name but some of the exchanges. The mere fact that these bonds were quoted on the exchanges—and even came to incorporate mid day quotations on the exchanges reveals an active and dynamic market.¹⁸⁵

Despite its critical importance in establishing and legitimizing Union bonds as a worthy investment, international investment in the American Civil War was hotly debated at home. Secretary of the Treasury Salmon Chase remarked that a foreign loan helped to ensure “all hopes and all fears that the existing rebellion will result in a dismemberment of the American Republic are alike groundless and that whatever else may happen, the good faith of the American people, signally illustrated by the twice repayment in coin of its entire Debt, and by unvarying punctuality with which its interest on their bonds has always been paid in like manner, will be hereafter, as heretofore scrupulously maintained.” Indeed, the passage of the initial loan bill included a provision for \$50 million of the bill in a direct European loan. The Secretary vacillated extensively on the issue, however, during the course of his tenure

¹⁸⁵ For a Confederate analysis of why stock quotations and variations reveal an incredibly active market by nineteenth century capital standards see Kim Oosterlinck and Max Weidenmier, “Victory or Repudiation? The Probability of the Southern Confederacy Winning the Civil War,” *National Bureau of Economic Research Working Paper* 13567 (November 2007.) See also Max Weidenmier, “Turning Points in the US Civil War: Views from the Grayback Market,” *Southern Economic Journal* 68 no. 4 (April 2002), 875-890 and Kristen Willard, Timothy Guinnane, and Harvey Rosen, “Turning Points in the Civil War: Views from the Greenback Market,” 86 no. 4 (1996), 1001-1018.

and by the summer of 1864 seemed content to go in for a foreign loan, even though in doing so, he told Horace Greely, “galls me.” Chase’s successor, William Pitt Fessenden, demonstrated initial interest in pursuing an international loan, but by the fall of 1864, his opinion on the matter had soured, even leading him to declare in December 1864, “This nation has been able, thus far, to conduct a domestic war of unparalleled magnitude and cost without appealing for aid to any foreign people.”¹⁸⁶

Civil War general and New York City Democratic Party politician Daniel Sickles also advocated for a foreign loan, but emphasized the power of a widely held bond issue abroad. Writing from New Orleans, Sickles exclaimed “our bonds should be placed within the reach

¹⁸⁶ Salmon Chase to William Aspinwall, March 30, 1863, Salmon Chase Papers, Historical Society of Pennsylvania (HSP), Philadelphia, Pennsylvania; Salmon Chase to Horace Greely quoted in Jay Sexton, *Debtor Diplomacy: Finance and American Foreign Relations in the Civil War Era, 1837-1873* (London: Oxford University Press, 2005), 128; William Pitt Fessenden quote, in Jay Sexton, *Debtor Diplomacy*, 129; Chase also remarked in his annual report to Congress in 1861, In addition to the sums to be raised by national loan, the Secretary proposes, in case it shall be found inexpedient to provide the whole amount needed in that mode, that bonds or certificates of debt of the United States be issued to lenders in this country, or in any foreign country, at rates not lower than par, for sums of five hundred, one thousand, and five thousand dollars, or of one hundred, five hundred, and one thousand pounds sterling, not exceeding in the aggregate one hundred million dollars, or, if expressed in the currency of Great Britain, not exceeding twenty million pounds sterling. He proposes further that these bonds or certificates be made redeemable at the pleasure of the Government after a period not exceeding thirty years after a common date not later than the 1st day of January, 1862, and bear an interest not exceeding seven per cent, payable in London or at the Treasury of the United States, with exchange at such range as will make the payment equivalent to the payment in London, Salmon Chase report to Congress July 1861. One newspaper claimed just a month before the end of the war: “The most remarkable fact in the financial history of the world is presented at the present time, in the immense sales of the Government 7-30 loan through the Banking House of Jay Cooke & Co, Philadelphia, while the Government is carrying on the most expensive war ever undertaken by any other nation. That the Secretary of the Treasury has been able to find takers for amounts so large at this season of the year, when so many people are away from their homes, and all financial business so generally suspended, is a thing unequalled in the financial history of the world. We have not been compelled to go abroad in search of a dollar of the one that has been laid out on our army and navy. No American agent has had to bend before the capitalists of Amsterdam and Frankford and London, asking for money on their own terms. The wealth of America has proved equal to the part which part money has performed in the maintenance of the national integrity,” *Columbia Spy*, March 4, 1865.

of our friends in Europe by a popular arrangement that will enable the producing class to buy them in small amounts—by means of pamphlets, friendly journals, and advertisements, the inducement of a fair commission held and to judicious agents—the excellence of the security and ample return in the way of interest would be made apparent to our friends and to all who like a proposition + safe investment... The same could be done in Germany and probably in France.” Little did Sickles and others know that the United States government and financial houses abroad were already undertaking such activity.¹⁸⁷

Domestic financier Jay Cooke made a small overture for foreign sales in late 1863. William Evans, an English financier, sold a small portion of bonds (\$30,000) abroad at the behest of British politician John Bright. For Cooke, such an endeavor was an exception and a reflection on Cooke’s seeming desire to keep the bonds on this side of the Atlantic at virtually all costs. That said, Evans continued to make sales on behalf of the Cookes. In September 1864, following the prompt sale of \$100,000 worth of 5-20s, Evans wrote to Cooke to speak of the prospect of further European sales. “Demand on the continent for your gov’t securities is wonderful,” exclaimed Evans; more tellingly he ended the letter by telling Cooke, “perhaps, they [U.S. government] will follow your advice and avail themselves of the offers of the German bankers.” It would appear that Evans was mistaken, however, as Cooke was not actively promoting foreign sales as a true path of revenue for the federal government—at least not until the very end of the war. For the most part Jay Cooke really did restrict his focus domestically, despite any rhetoric otherwise—a stark contrast to his post-war rail career when he hawked bonds in Europe.¹⁸⁸

¹⁸⁷ Daniel Sickles to Salmon Chase, July 5, 1864, Chase Papers, HSP.

¹⁸⁸ William Evans to Jay Cooke, September 7, 1864, Jay Cooke Papers, HSP.

Once the benefits and interest in foreign sales were apparent, the Cookes and many others began to heartily endorse such an approach, at least in theory. Writing in August 1864 from Paris following travels in Germany, Henry Cooke (head of Jay Cooke & Co.'s Washington house) wrote to his brother Jay noting that a massive opportunity for foreign investment had been missed. "There was never a finer opportunity," lamented Henry, "for safe operations on a large or small scale with good margins in gold paid in advance." Henry went on to say that offers were made to him for purchases of 5-20 bonds in excess of \$20 million dollars, but he had only committed to \$100,000 in sales up to this point (via the British banking house Barings) and awaited further consultation with his brother upon his imminent return to the states. By 1865, Jay Cooke had been sold on the power of international sales. "If we go into the agency matter," he wrote Henry, "we must at once lay on plans to cover the whole world. France + California included." But by the time he completed his transformation, other banking houses—largely headquartered abroad—were already doing a brisk business in overseas bonds.¹⁸⁹

Britain served as the first European market of interest, and at the outset of hostilities viewed as the market of greatest importance from both financial and diplomatic perspectives. "English sympathy is very apt to follow English Capital," financier William Aspinwall remarked, "this is one good political reason for placing bonds in Europe." Union officials were well aware of the fact that any hope of international support on behalf of the Union (or the Confederacy for that matter) would be heavily tied to the financial interests of the City of London. Any efforts on the part of Parliament at Westminster would be linked closely to the actions a few miles away to the east—and relied upon several key actors who

¹⁸⁹ Henry David Cooke to Jay Cooke, August 19, 1864, Jay Cooke papers, HSP; Jay Cooke to Henry David Cooke and Harris Fahnestock Jan 24, 1865, Jay Cooke Papers, HSP.

were members of Parliament as well as a part of the financial elite of London. Once more, the actions of Britain would have a powerful impact upon their European neighbor of France and Napoleon III's subsequent approach to the matter at hand. As far as Washington was concerned, British actions held the key to Confederate recognition and the financial coffers associated with such an action.¹⁹⁰

British markets would largely be governed, however, by the famous British banking house of N.M. Rothschild & Sons and the American voice in the matter was reserved for the Rothschild agent in New York, August Belmont. Having been the Rothschild financial agent in America for nearly twenty-five years by the time of the Civil War, Secretary Chase valued Belmont's opinion as to international financial support. Belmont claimed early on that there was little possibility for a formal European loan—in fact it was “not at all propitious.” This said, Belmont wanted to support the Union war effort, most especially because, as an active antebellum Democrat, he needed now to tack with the political winds if he was to remain cozy with the administration. Belmont knew his comparative advantage was in financial diplomacy, particularly on the question of how to forestall foreign recognition of (and thereby loans to) the Confederacy. The May 6, 1861, declaration of British Foreign Secretary Lord John Russell to treat Confederate privateers as belligerents (and thereby open the door for a possible conversation regarding Confederate recognition) provided Belmont with the excuse to begin a lengthy conversation with his London banking associate Baron Lionel Nathan de Rothschild, who also represented the City of London as an MP in the House of Commons. “An interference, or one sided neutrality such as foreshadowed by Lord John Russell's speech,” Belmont warned, “can only prolong the fratricidal war and entail ruin not

¹⁹⁰ William Aspinwall to Salmon Chase, March 21, 1863, Chase Papers, Library of Congress (LC), Washington D.C.

only upon both sections of our Country, but upon the material interests and commerce of the world.” Belmont was usually at his best when making arguments like these that made the self-interested position seem also the righteous one.¹⁹¹

Belmont’s other chief concern was the precarious state of Union finances at the war’s outset. An incomplete recovery from the Panic of 1857 and tremendous uncertainty over the very future of the United States led most investors (foreign and domestic) to shy away from Federal securities. Confederate securities were regarded as a better bet in the bond market early in the war owing to the power of cotton as collateral. The immediacy of the situation became readily apparent when five days after Fort Sumter the Confederate Congress authorized a fifty million dollar loan raised through a combination of the sale of eight percent bonds and non-interest bearing treasury notes. Belmont immediately went on the offensive with his London counterparts to dissuade them from pursuing such an investment by attacking several Confederate states who had repudiated their debts in the antebellum period. “Who will take a dollar of a Confederacy of States,” Belmont exhorted, “of which 4 have already repudiated their debt and the remaining five will in less than three months be in default of their semiannual dividend.” Belmont lambasted the ulterior motives of the Palmerston government to M.P. Rothschild. “If the cotton supply is at the bottom of this unaccountable policy [of British intervention], then, I must say that it is a very shortsighted one and one which must bring untold ruin and desolation upon the material interests of both hemispheres.” Four days later, Belmont reiterated his fears of English intervention further by dangling the moral hazard of slavery. “This cursed poison of

¹⁹¹ Irving Katz, *August Belmont: A Political Biography* (New York: Columbia University Press, 1968), 3-6. For the most comprehensive analysis of N.M. Rothschild & Sons, see Niall Ferguson, *The World’s Banker: The History of the House of Rothschild* (London: Weidenfeld & Nicolson, 1998.); Katz, *August Belmont*, 100-101; August Belmont to N.M. Rothschild (NMR), May 21, 1861, Rothschild Archives London (RAL), London, England.

slavery,” Belmont determined, “will be fostered as a political and social institution upon this continent from the Chesapeake to the Cordilleras if the British Government continues in the course which it has begun.”¹⁹²

Gradually Belmont opened a dialogue with Secretary Chase about the feasibility of a foreign loan to the federal government. (This after Belmont and other northern financiers had successfully brokered a domestic loan arrangement with Washington in the summer of 1861.) Belmont remained highly skeptical of a foreign loan’s viability among European banks, and he was certainly aware that Chase could not send a government treasury agent abroad to test the waters without it looking like the Union was already in need of a bailout, which would have disastrous ramifications on the already shaky American securities market. Walking the line of European financial support of the Union without it coming across as an act of desperation on the part of the Lincoln administration became the challenge. That said, Belmont believed himself to be in a position to aid the administration in just such a task. Given his preexisting plans to travel to Europe (for his wife’s health), he suggested an arrangement wherein he would travel abroad with the authority to negotiate a foreign loan on behalf of the United States government should the opportunity present itself. Few eyebrows would be raised as travel plans had already been made and the condition of his wife was known in inner financial circles. The plan was approved not only by Chase but also by Secretary of State William Seward and on June 17, 1861, Belmont boarded the steamer *Persia* out of New York harbor bound for England as the voice of an administration he had vowed to defeat just eight months prior.¹⁹³

¹⁹² Belmont to NMR, May 21, 1861, RAL; Belmont to NMR, June 7, 1861, RAL; Belmont to NMR, June 11, 1861, RAL.

¹⁹³ Katz, *August Belmont*, 100-01.

Once in London, Belmont secured an hour-long audience with Prime Minister Palmerston who quickly cut to the chase—“We do not like slavery, but we want cotton.” In other words, the British government (and financial institutions) were wary of Union securities and their potential impact on relationships with Southern cotton firms (both during the war and in a potential post-war Southern nation.) Belmont heard the same message as he traveled through France and the German-speaking states and at the end of his tour he made the situation abundantly clear to Chase—the European market was not (at least in 1861) a favorable one for Union securities as long as cotton remained a precious commodity and the South the prime supplier.¹⁹⁴

Belmont, then, was in a precarious political position. He was, apparently, of little use to the Lincoln administration, having done little to smooth the way for foreign loans. Republican journalists continued to remember him primarily as chair of the Democratic National Committee, and he became swept up in charges of disloyalty that ran the gamut from being a mere “copperhead” to actively encouraging Confederate bond purchases in Europe. Meanwhile more moderate Democrats criticized him for his seeming lukewarmness on the question of Union, while Peace Democrats lambasted him for being a “traitor” to his own party. Belmont was a political ‘outsider’ for more bigoted reasons as well. The *Chicago Tribune* ran an article critical of any “dishonorable peace” designed to “enrich the Belmonts, the Rothschilds, and the whole tribe of Jews.” Still another damning anti-Semitic (and politically critical) remark came from former President James Buchanan. In the midst of the war, Buchanan was quoted as saying “what can be expected from a party at the head of which is a speculating German jew.” The prominent New Yorker George Templeton Strong

¹⁹⁴ August Belmont to William Seward, July 30, 1861, William Seward Papers, University of Rochester, Rochester, New York.

offered a stinging critique in his own diary when he remarked that Belmont, “well deserves hanging as an ally of the rebellion.”¹⁹⁵

Although Lincoln initially appreciated the efforts of Belmont on behalf of the Union cause, he quickly soured on the German financier whose criticism of Union war policy included a barb directed at the President regarding an “intermeddling of civilians in military affairs.” Such language ended the correspondence between Belmont and Lincoln, perhaps not coincidentally as the North moved toward the midterm elections of 1862. Although the Democratic Party made gains at the state and national level in the midterms, they failed to secure the larger prize of the Presidency in 1864. Lincoln’s handy win under the banner of the “National Union Party” was something Belmont had foretold. He strongly endorsed a McClellan presidency, but he believed the Democratic Party had grossly erred in adopting a peace platform and insisted that only a hard war policy would secure victory for the party.¹⁹⁶

Belmont’s overriding goal was the health of his financial house. Interestingly he had more confidence in the Union than his superiors, Rothschild & Sons, who were unwilling (as a firm) to underwrite the war effort. Even so, Belmont began to purchase 5-20s on behalf of his own house and Rothschild personal accounts in the spring of 1864 on both the New York and London Stock Exchanges (depending on his location.) In a three week span he purchased \$250,000 5-20 bonds and by the fall he was adding to the bond portfolio through purchases from brokers such as Peter Cazenove and Co. of London (\$350,000), Amsterdam banking agent for the Rothschild’s Becker and Fuld (\$140,000), as well as smaller purchases

¹⁹⁵ Rudolf Glanz, “The Rothschild Legend in America,” *Jewish Social Studies* vol. 19 no. 1 (January-April 1957): 21; James Buchanan to John Blake, December 31, 1863 in John Moore, ed., *The Works of Buchanan, Comprising his Speeches, State Papers, and Private Correspondence* 12 vols. (Philadelphia: J.B. Lippincott, 1911), 11: 353; Nevins and Thomas eds., *Diary of George Templeton Strong* 4 vols. (New York: Octagon Books, 1974), 3:256.

¹⁹⁶ August Belmont to Abraham Lincoln, September 4, 1862, Abraham Lincoln Papers, Library of Congress, Washington D.C.

from Behrens and Sons, Helbert Wagg and Co., and L. Cohen and Sons. Such purchases often occurred off market. Many of these firms also made sales on behalf of Belmont, especially on the Amsterdam exchange. By the end of the 1864, Belmont's investments on behalf of the firm in U.S. government securities had brought in over £5,000 pounds apiece for him and Nathan Rothschild (~\$50,000 each in 1864 dollars). Despite the inability to convince the London Rothschild's to actively invest in the northern cause, August Belmont fared much better with Baron James de Rothschild—head of the Paris house—whom Belmont later claimed was one of the most active investors in the Northern cause overseas from the start. James de Rothschild even convinced prominent Russian political thinker Alexander Herzen to invest in US securities.¹⁹⁷

In addition to the Rothschilds, George Peabody and J.S. Morgan also undertook extensive investment in the Union bond market. Peabody and Morgan were expatriate bankers based in London. Their investments began as early as the spring of 1862 (significantly earlier than other international investments in the cause) and carried forward through the course of the war gradually amounting to millions of dollars worth of investment in the 5-20 bonds (not to mention sizable investment in the national loan of 1861 and 7-30 notes.) Interestingly, the firm created a personal wire service to provide word from Liverpool regarding events in America as reported by transatlantic ships. Thus, the firm had the edge over other London houses that had to wait for news to be set in type by

¹⁹⁷ Rothschild & Sons American Accounts, II/3/8, 127b, 140 a, and 140 b, RAL; Glanz, 21. The account books of James de Rothschild are located at the Archives Nationales du Monde de Trevail, Roubaix, France. While Belmont made a claim regarding James Rothschild's active investment in Union bonds during the American Civil War, no surviving materials at the archive in Roubaix would seem to reinforce this assertion; For more on James de Rothschild and Alexander Herzen, see Derek Efford, "The Correspondence of Alexander Herzen with James de Rothschild," *Toronto Slavic Quarterly* no. 19 (Winter 2007).

the London press. Peabody & Co, then, were the nineteenth-century equivalent to today's high frequency traders who use their quicker access to information to turn tidy profits.¹⁹⁸

On April 14, 1862, George Peabody's firm purchased \$2,000 in 5-20s—a small investment that was followed up by a purchase of \$5,000 just five days later and a larger investment of \$49,000 on May 14, 1862— for a total of \$56,000 in 5-20s by mid May 1862. The firm followed this up with at least \$60,000 in additional purchases by years end. The year 1863 included at least \$200,000 worth of 5-20 purchases, and the house bought even bigger in 1864, investing at least \$653,500 more in 5-20s in the final quarter of the year alone (again with many purchases off market.) The final months of the war and the subsequent years tallied millions more worth of investments in the 5-20s and other American securities. These investments on the part of Peabody and Morgan represented one of the largest, if not the largest, investment in American securities in Britain during the American Civil War. Such purchases on the part of the firm within three months of the initial bond issue as part of the Legal Tender Act reveals a distinct commitment to, and confidence in, the Union.¹⁹⁹

Whereas Jay Cooke went out of his way to ensure that American bonds sold at a minimum on par (in some cases legislation mandated this be the case), bonds overseas sold below par on both the London and Amsterdam exchanges during the war. Rothschild

¹⁹⁸ For more on Peabody and Morgan from the Civil War Era, see Sexton, 75,77, 102-3; While some historians have claimed it is not possible to locate Peabody sales records, some at the very least are located at the London Metropolitan Archives, see George Peabody and J.S. Morgan Co., Ledger of Overseas Banks, London Metropolitan Archives, London, England. One point of concern for British financiers—as well as Wall Street Bankers—was that a belief emerged that the interest of the bonds was to be paid in “greenbacks,” the new currency implemented as a result of the Legal Tender Act. However such concerns as raised in a January 18, 1862 editorial in *The Economist* were not reality, as the interest in the bonds was to be paid in gold—a fact that seemed to be lost in translation across the Atlantic. For more see, *The Economist*, March 14, 1863.

¹⁹⁹ Numbers are stressed with “at least” owing to the fragmentary financial records that remain. J.S. Peabody & Co Records, London Metropolitan Archives, London, England.

banking agents Becker and Fuld based out of Amsterdam wrote daily reports to London detailing 5-20 quotes on the Amsterdam exchange. In the months of 1863, for instance, 5-20 bonds fluctuated between $64 \frac{1}{4}$ and $72 \frac{1}{2}$ – certainly below par (even when factoring in a slightly different valuation owing to bills of exchange) but advantageous for the firm who purchased the securities for their own portfolio as well as selling to other firms such as August Belmont and Co.—another Rothschild subsidiary. Such below par sales, however, can be misleading. On a practical level, these bonds were issued in dollars as no formal European loan ever emerged, yet the transactions would occur in local currency and involve exchange rates that tended to fluctuate on currency, despite a clear exchange rate with gold. Thus, while European quotes of American securities were always below par during the war years, when properly exchanged they were often at a premium to New York markets. Additionally, while on one side of the Atlantic, Americans were telling the story of the Union bond drives as the triumph of the everyman investor, the success of those drives depended in no small way on informal nineteenth century equivalents of dark pool exchanges and primitive approaches to high frequency trading across the Atlantic. Nevertheless, European confidence, in whatever form, however below par, helped to create and sustain American confidence.²⁰⁰

London was not the only hub in the English exchange. The port city of Liverpool, a massive center for slave trading and cotton shipments destined for the mills of Lancashire, was also of great importance to the Union cause (and to the Confederacy). The US Consul, Thomas Haines Dudley, arrived in Liverpool in 1861 and quickly set to work counteracting

²⁰⁰ Quotes derived from letters from Becker & Fuld to Nathan Rothschild & Sons, February 16, 1863 and February 28, 1863, XI/38/47b, RAL. For more on exchange rates see L.E. David and J.R.T. Hughes, “A Dollar-Sterling Exchange Rate, 1803-1895,” *Economic History Review* 13 (1960), 52-78.

Confederate efforts, which were already gaining traction. Of great concern was the floating of a Confederate loan that came to fruition in 1863 on the part of the Paris Banking House Erlanger. In December 1862, Dudley wrote to Secretary of State Seward regarding the early vestiges of Confederate loans in Britain. "Referring to previous dispatch and the raising of money for the Rebels on Confederate bonds in England I have now to report that there is no doubt about the matter," Dudley solemnly reported. He added further "from what I learn seven hundred thousand pounds sterling have been raised." "Perhaps," Dudley concluded most ominously, 'the worst feature about it [the bond issue] is that every man who holds a bond has an interest in the success of the Confederacy. It is just that much stock invested in the concern, if it succeeds the bonds are good, if it fails they are worthless, that is the war, they will regard it and will use all their means and efforts to secure its success.'" By December of 1862, Dudley was able to confirm that a £3 million bond issue had been successful in raising funds for the Confederacy. Nevertheless, Dudley worked tirelessly with a group of informants (as well as American ambassador to Brussels Henry Sanford) to undercut Confederate financial efforts in England. These police officers and other individuals for hire brought information to Dudley's attention that could then be directed to the British government in an effort to quash the construction of ships for the Confederate cause. Thus, while Union bonds did not flourish in Liverpool, the market remained vital to understanding British markets writ large.²⁰¹

²⁰¹ Thomas Haines Dudley to William Seward, December 5, 1862, Thomas Haines Dudley Papers, Huntington Library, San Marino, California; Dudley to W. Seward, December 8, 1862, Dudley Papers; Examples of Dudley's work with informants to flood the British government with information regarding the Confederate outfitting of ships can be seen in, Dudley to W. Seward, July 25, December 2, December 5, and December 8, 1862, Dudley Papers. Concerns also arose in Europe regarding the prospect of counterfeiting of bonds, bills, and treasury notes that would take shape and make its way across the ocean to the United States. US Consul in Liverpool Thomas Haines Dudley, voiced his concerns in the

France also proved invaluable as a source of information for financial machinations on the continent and the power of rumor to expose market volatility—as well as a market for securities sales. Of crucial importance was United States Consul to France, John Bigelow (himself a bond holder courtesy of George Peabody) who wrote regularly to Secretary of State Seward. Of particular concern to Bigelow were the Confederate efforts to inflate French (and by extension European) markets in their favor through false information or deliberate sabotage of American markets. In September 1863, Bigelow wrote to Seward,

There was a lively excitement produced at the Bourse on Saturday by a rumour that the emperor had recognized the South. The agitation was so great that the Minister of Foreign Affairs had to have posters put up contradicting the report. No doubt the report was issued with a view of testing the effect of such a measure upon the public. If so the inquirer seemed to have received a prompt reply.

Still further in July 1864, Bigelow wrote to Seward noting the false report of a battle between the *USS Kearsarge* and the *CSS Florida* as “having the double design of raising the price of

matter as early as January 1862. “A man residing in Liverpool called on me this day and informs me that certain parties in this place and London are now engaged in counterfeiting US treasury bills,” reported Dudley, “the business is being conducted upon an intensive scale; and that large quantities of them will be issued here and circulated and also sent to the United States.” Dudley wrote of similar concerns in the fall of 1862, this time in regards to counterfeiters working in Dublin, Ireland, who were about to embark for the United States. John Bigelow spoke of counterfeiting concerns from his position as the US Consul to Paris. Regarding counterfeiting efforts taking place in France and efforts being made there to combat the problem—Bigelow proposed that the United States invest in patenting a French product that had proven successful as a anti-counterfeiting measure. Such evidence further supports the power that these bonds held on the international arena and the possibilities that counterfeiting afforded individuals who undertook the lucrative enterprise, Dudley to William Seward, January 24, 1862, Dudley Papers, Huntington Library; Dudley to Seward, October 4, 1862, Dudley Papers; John Bigelow to Salmon Chase, February 17, 1862, Chase Papers, HSP. For more on the Erlanger loan and the perspective that the Confederacy’s defeats on the battlefield and policy on withholding cotton from the European market contributed to their own downfall, see Richard Lester, “An Aspect of Confederate Finance during the American Civil War: The Erlanger Loan and the Plan of 1864,” *Business History* 16 no. 2 (1974): 130-44.

American freights and confederate bonds.” Such claims on the part of Bigelow also had ramifications in the North directly such as his claim of October 1864:

I am told that a Mr. Newman goes out to New York by the “Washington” under an assumed name. He is reported to me to be one of a party who have undertaken to carry gold on the day before the election to 300 and who claim to have \$15,000,000 in greenbacks to operate with. Belmont is represented to me as the financial manager of the scheme. Newman is from St. Louis, said to be very rich, about 35 or 40 years of age, small in size, light complexion and light moustache. He relies upon the friendship of Captain Duchesne with whom he has made a voyage to land without a passport. It is the talk at the Grand Hotel that gold is to reach 300 the day preceding the election.²⁰²

Bigelow took a very proactive role with the French press as a representative of the federal government, forming a close relationship with financial writer André Cochut. Cochut, whom Bigelow referred to as “a faithful friend to the United States,” wrote extensively on the conflict and the financial repercussions as the financial writer for *Le Temps* (Time) and *Revue des Deux Mondes* (Review of Two Worlds). *Le Temps* circulated widely throughout Paris and contained numerous pieces written in support of the Union cause. Bigelow seized the opportunity and reach of the newspaper, offering to feed Cochut information—thereby making Cochut an unofficial mouthpiece of the United States government.²⁰³

In one of his most famous pieces in September 1862, Cochut’s “Les Finances des États Unis” outlined how the Union had financed the war to that point and the need for a strong North to ensure an economic partnership with France remained viable in the years to come. “There is one thing that became as necessary to Europe as cotton,” declared Cochut, “they are ‘food stuffs,’ the *bread stuffs*, as they say in America, and the northern states have

²⁰² John Bigelow to William Seward, September 14, 1863, July 15, 1864, and October 15, 1864, John Bigelow Papers, New York Public Library, New York, New York.

²⁰³ John Bigelow to Salmon Chase, September 2, 1862, Chase Papers, HSP.

the privilege of producing them.” Cochut also praised the Union bond efforts, noting that early sales of the 6% bonds (these could be 5-20s or ’81 National Loan) had raised over a billion francs in capital.²⁰⁴

In December 1862, Cochut wrote two separate pieces on the respective financial situations of North and South. The two-part piece, entitled, “La Situation Aux États-Unis” provide detailed figures pertaining to both the financial situations of North and South and built off of Cochut’s broader piece from September of the same year. Perhaps most importantly, the piece foretold an ominous post-war order if the fight did not end soon. In the Northern half of the piece Cochut opined

The conclusion if one takes the point of view of European interests is that the Confederates are not a nation, whatever may have been said, but just an army, ably commanded, valiant and patient: the fight extends the army unevenly that his defeat is only a matter of time. Encouraging slavery by semblances of sympathy was a political mistake among statesmen, an aberration of the moral sense of individuals. Industrial prosperity of Europe will not recover, there will be raw cotton factories and selling when the North has taken decidedly top products, when American democracy will be put in this broad way that leads to such great destinies.

The words of Cochut aided by Consul Bigelow undoubtedly impacted French circles as much as rumor and speculation on the part of Confederate agents.²⁰⁵

Such remarks on the part of Cochut caught the attention of individuals stateside—perhaps most notably the Cookes. Referring to the work of Cochut, Henry Cooke remarked, “His ideas are clear and comprehensive and I know you would be pleased with him. Should we ever undertake a foreign negotiation he would be of great use to us, as he has the entrée to columns of the leading journals of Paris the ‘Opinion National’ the Revue des Deux

²⁰⁴ André Cochut, “Les Finances des États Unis,” *Revue des Deux Mondes* vol 41 (September 1862), 208, 206.

²⁰⁵ André Cochut, “la Situation Aux États-Unis” *Le Temps*, December 27, 1862. This Union perspective followed the Confederate-centric part one in the December 13, 1862 issue of *Le Temps*.

Mondes, La Prepe le Patre + c.” Thus, even Cochut’s work carried across the Atlantic to the influential circles of power of American finance.²⁰⁶

Despite the allure of the London and Paris financial markets, in order to truly understand the primacy of Union sales abroad during the war, one must focus on the German states and Holland. For, above all else, the market for U.S. bonds flourished in the German States and Holland owing to the work of U.S. ministers William Murphy and James Pike in Frankfurt and at The Hague respectively. William Murphy, a fervent anti-slavery man, assumed the position of U.S. Consul in June 1861 and used his prominent position to host patriotic gatherings that also doubled as multi-level marketing parties for Union bonds (his German guests were ready investors given their deep anti-slavery ties). Murphy also paid editors of local newspapers to cover Union finances and the Union cause more generally in a very positive light. To be sure, the state of affairs in Frankfurt tracked the military fortunes of the Union army. The perceived setback at Shiloh had as much of an impact on finance as that of the great victory of the capture of New Orleans later that month. By the summer of 1862, as Union forces approached the gates of the Confederate capital of Richmond, Murphy could report “the feeling in favor of the Union [was] constantly increasing, notwithstanding the agony like efforts of Southern agents to misrepresent the rapid progress of our cause for the restoration of the Union.”²⁰⁷

²⁰⁶ Henry David Cooke to Jay Cooke, January 23, 1865, Cooke Papers, HSP.

²⁰⁷ For more on Shiloh and New Orleans impacting American securities in Frankfurt, see William Murphy to William Seward, May 5, 1862, Record Group (RG) 59, National Archives and Records Administration II (NARA II), College Park, Maryland, William Murphy to William Seward, May 19, 1862, RG 59, NARA II; William Murphy to William Seward, June 2, 1862, RG 59, NARA II. As early as October of 1863, the *New York Times* reported that “about one half [of domestic 5-20 sales] was taken for England and the Continent, chiefly for Holland and Germany,” *New York Times*, October 7, 1863

By 1863, such actions paid tremendous dividends. Murphy reported to Secretary of State William Seward that the demand for bonds was “so extensive as generally to exceed the supplies in the market.” Such interest in Germany accelerated following the Union victories at Gettysburg and Vicksburg in July 1863. “The transactions in U.S. bonds,” Murphy reported that summer, “assumed, in fact, an astonishing extent.” The activity in Europe more broadly spiked beginning in the fall of 1863, largely owing to the rumor that a large German bank would float a loan to the federal government—something that would create a snowball effect of further financial support for the North. On October 3, 1863, Murphy wrote to Secretary Seward regarding the 10 million sterling (slightly under \$50 million) 6% loan that was potentially going to be offered by the Bank for Commerce and Industry in Darmstadt. The bank was of “good reputation and credit” as far as Murphy had uncovered and had the potential to open the floodgates for European loans to the American government—causing some excitement on European exchanges. The efforts in Germany were fairly widespread— even Karl Marx purportedly purchased bonds in 1864. In addition, the efforts on the part of the French bank Erlanger to finance a cotton loan on the part of the Confederacy can be seen in a somewhat different light when one realizes that Erlanger was purchasing Union bonds at the exact same time on the Frankfurt Bourse.²⁰⁸

²⁰⁸ August Belmont to Salmon Chase, August 15, 1861, August Belmont Papers, Library of Congress, Washington D.C.; For more on Murphy and Pike see, Sexton, 121-25; William Murphy to William Seward, July 27, 1863, RG 59, NARA II; Murphy to Seward, October 3, 1863, RG 59, NARA II; Niall, Ferguson, *The Cash Nexus: Money and Power in the Modern World, 1700-2000* (London: Basic Books, 2001), 5-6; Murphy to Seward, January 20, 1863, RG 59, NARA II; Germany could even lay claim to have the resident with the single largest investment in Union bonds. According to his obituary, George William Whistler, half brother of famed American artist James Whistler, was allegedly the largest investor in Union securities during the war from his retirement home in Frankfurt. The capital stemmed from Whistler’s work in Russian railroads. Obituary, Pennell-Whistler Papers, Library of Congress. While this claim has been made, the above obituary could not be located at the Library of Congress within the Pennell-Whistler papers, and consultation with the most recent

Alexander W. White, future co-founder and inaugural president of Cornell University, commented on the success of Murphy and Union securities during his travels through Germany in 1863. “William Walton Murphy of Michigan,” remarked White, “had labored hard to induce the Frankfurt bankers to take our government bonds, and to recommend them to their customers, and had at last been successful.” Upon his departure from Germany in late July 1863, White recalls one of his last experiences in Germany being a stroll with Murphy to the *Zeil*—a busy Frankfurt thoroughfare not far from the Bourse (and currently the home to American fast food restaurants and European mid-end chain retail stores) and encountering the Vice Consul who handed Murphy a newspaper. Murphy “tore it open, read a few lines, and then instantly jumped out into the middle of the street, waved his hat and began to shout. The public in general thought him mad... but as soon as he

authority on the Whistler family, Daniel Sutherland, confirmed that there is no evidence to support the notion that George William Whistler actively supported the Union cause, and in fact, the family was far more sympathetic to the Confederacy; Murphy even went so far as to correct a piece in an 1863 *Harper's Weekly* piece on German bankers. In the piece entitled “Rothschild and Union,” Murphy remarked, “...but here the firm of M.A. Von Rothschild & Son are oppose to slavery and in favor of Union. A *converted Jew*, Erlanger, has taken the rebel loan of £3,000,000 and lives in this city; Baron Rothschild informed me that all Germany condemned this act of lending money to establish a slaveholding government, and that so great was public opinion against it that Erlanger & Co dare not offer it on the Frankfurt bourse. I further know that the Jews rejoice to think that none their sect would be guilty of loaning money for the purpose above named; but it was left, they say, for apostate Jews to do it.” *Harper's Weekly*, April 25, 1863; One *New York Times* article reprinted before news had reached Germany of the end of the war quoted at length a piece circulating in Frankfurt papers: We perceive quite often in the New York Times some important statistics touching financial affairs in the United States, and some of which are transferred to our paper. They are got up with great care and we commend their perusal to our readers. In addition to this, the Consul-General of the United States at Frankfort, now takes great pains to keep the German public advised of the course of events in the United States, and he has contributed very powerfully to render the American securities popular on the leading Bourses of Germany. From the leading journals of New York he has always procured the best information regarding the finances, and by well-selected articles has made it an easy task to turn public opinion on the right course,” *New York Times*, April 10, 1865.

could get his breath he pointed out the headlines of the newspaper. They indicated the victories of Gettysburg and Vicksburg...’’²⁰⁹

Marketing in Germany also escalated in 1864 owing to the depreciation of Austrian securities. Indeed by the end of 1864 the *Der Aktionär* (The Shareholder) proclaimed “the amounts invested in United States bonds by way of trade-ins of Austrian securities exceed anything ever seen here in such a short period of time.” The bonds issues were floated in Frankfurt and absorbed by some of the larger houses such as Karl Pollitz, M.A. Gruenebaum & Ballin, Lazard Speyer-Ellisson, and Seligman & Stettheimer to name but a few of the banks. Murphy used the press to his advantage such as the *Neue Frankfurter Zeitung* (New Frankfurt Newspaper) and *L’Europe* (Europe) so as to prop up Union bonds sales while simultaneously downplaying efforts for a Confederate bond floated by Erlanger. The end result was the claim that “hundreds of millions” of dollars were invested in American securities on the Frankfurt exchanges alone—a claim that seems on the surface to be quite credible. The New York *Tribune* published a piece in the spring of 1865, commenting on reports of counterfeit Union bonds in Germany. Such a report, according to the *Tribune*, “grew out of the jealousy of the popularity of our bonds, and was resorted to by brokers in their efforts to aid the sale of home securities.” The article went on to claim, “There are now held in Germany a loan of about three hundred millions of dollars in our 5-20 bonds, and

²⁰⁹ Quoted in Margaret Sterne, “From Jonesville to Frankfurt on the Main: The Political Career of William Walton Murphy, 1861-1869,” *Quarterly Review of the Michigan Alumnus* 65 no. 18 (Spring 1959), 256-57. Alexander White famously noted in his autobiography of an instance while in London where he tried to exchange greenbacks for sterling and was sternly rebuked by the cashier. “Don’t offer us any of those things; we don’t take them; they will never be good for anything,” Alexander White, *Autobiography of Alexander White* 2 vols (New York, 1905) 1: 94.

the demand has been so great that for weeks past exchange has been 1-2 per cent in our favor.”²¹⁰

While encouragement and support for the Union cause may have been a factor for continental purchases, it was also undoubtedly the case that the incredible discount that the bonds were trading at initially certainly played a role in their price. The Frankfurt based French language newspaper *L'Europe* often reinforced such sentiments. On February 10, 1865, *L'Europe* remarked:

But as fast as rising has been on Austrian values, it has not reached the surprising proportions of rising which occurred on the Americans. These funds supported by many orders provoked by the good news and new financial policies of America, or the restoration of peace seemed to finally crown the heroic and generous efforts of abolitionists, mounted a 49 3/8 closing price on 30 January...the funds of the Union, then the reaction that always follows, too sudden recovery, came down to 54, which further gives a very nice difference about them compared to the previous week.²¹¹

In the height of the activity in March 1865, the newspaper remarked,

“This indifference [in state funds] has not extended nevertheless to all values, and this time even the Americans made a new exception to the general law. These funds have consistently given rise to purchases, although they would testify during some firmness, it

²¹⁰Udo Heyn, *Private Banking and Industrialization: The Case of Frankfurt Am Main, 1825-1875* (New York: Arno Press, 1981), 274-75; Ernst Korach, *Das Deutsche Privatbankgeschäft* (Berlin, 1910), 31; Handelskammer Frankfurt ed., *Geschichte der Handelskammer zu Frankfurt am Main: (1707-1908)*, (Frankfurt, 1908), 1141-42. The newspapers are also enlightening in other regards. For instance, a September 1, 1864, ad in the *Neue Frankfurter Zeitung* contains in very large font the word “Verloren” (“lost”) regarding \$10,000 in 5-20 bonds bound for Amsterdam on the Steamer *Scotia* from New York City for the account of a Phillip Abraham Cohen in Frankfurt. The ad appears several times in September 1864 before disappearing. It is worth noting that the \$10,000 worth of bonds contained within this group of \$1,000 and \$500 bonds were initially purchased by Jay Cooke & Co. in May 1863, as part of a batch of \$2 million worth of \$1,000 bonds; New York *Tribune*, n.d., Cooke Papers, HSP. Based on its location with the newspaper scrapbooks, its reasonable to assume this article was published in May 1865.

²¹¹*L'Europe*, February 10, 1865. Many thanks to my sister Ellen Thomson for examining the *L'Europe* newspapers at the Library of Congress on very short notice.

must be attributed firstly to what we would call happy new american oscillations about the restoration of peace, on the other part in the over-abundance of titles of said values.”²¹²

The majority of these bonds surely made their way overseas via New York City houses that had German connections. One prime example is that of J and W Seligman Co. Joseph Seligman originally emigrated from Germany to the United States in 1837 and quickly built a dry goods empire. By the time of the war, Seligman’s company was producing a large quantity of uniforms for the Union Army. That being said, Seligman recognized the potential to become a significant player in international finance. As such, Joseph sent his brother Henry to Frankfurt in 1862 in the hopes of establishing a German house and Joseph subsequently followed him across the Atlantic spending a significant amount of time in the region during the war. While the firm did not formally establish a banking house in Frankfurt until 1864, Joseph became active in the securities market during his visit. Seligman conveyed his confidence in American securities early on. “Now I confess,” admitted Seligman, “that altho' I know the U.S. to possess unparalleled resources, I sometimes doubt whether any people in any nation can successfully go on for years adding 1000s of millions to their National debt. If such a nation however does exist, there is no doubt but that the U.S are that nation.” In March 1863, Seligman wrote from “Mainz on the Rhine” detailing interest in American securities already at that point.

It is of course impossible to foretell the course of events, the fate of our beloved Union is in the keeping of an all wise Providence as clay in the potter’s hands, but this much seems self-evident that if our people know their interest and remain loyal to their flag and they country, the seceded states will be forced to listen to reason and rejoin the Union. People in Europe are getting more and more satisfied at this fact, and hence their willingness lately to interest themselves in our stocks.²¹³

²¹² *L’Europe*, March 2, 1865.

²¹³ Joseph Seligman to “My dear brother,” February 20, 1863, Seligman Family Papers, New-York Historical Society, New York, New York.

Furthermore, Seligman commented from Mainz in May 1863, that the firm should invest (in New York) more heavily in securities—at this point '81 National Loan issues as 5-20s still did not have a tremendous market just yet. Yet Seligman was still not entirely convinced at this point that the market would fully develop. “Respecting investment of US 6’s [National Loan],” Seligman opined, “I would say that I am perfectly satisfied what you three brothers may agree upon, but at any rate I would prefer subscribing for 50 m[thousand] in place of 100 m. Still I shall not object to the latter amount if you all think proper.”²¹⁴

Seligman’s tune began to change just a couple months later in the summer of 1863.

While William Murphy jubilantly celebrated the twin victories of Gettysburg and Vicksburg on the *Zeil* in Frankfurt, Seligman commented from Soden outside of Frankfurt with advance knowledge of the events:

... Speyer Ellison received telegram from [] on Sunday a day before Frankfurt heard the news. They immediately employed [] and bought all the '81 6's they could get hold of at 73 + 72 $\frac{3}{4}$. Of course on Sunday evenings [] + Monday [] none could be had, those who sold got 75 $\frac{1}{2}$. In view of my wishing to withdraw some money from Paris I have given orders to f 15 m US '81 coupon 6's at 75 $\frac{1}{4}$ to 75 $\frac{1}{2}$ provided they can be got today. with gold at 31 $\frac{1}{4}$ would bring them to 99 in N.Y. and as they will always raise 2 to 5% higher there the? 5/20s 6s which James no doubt bought after hearing the news of the fall of Vicksburg, I deemed it best to order above \$15 m.²¹⁵

While the exact total of Seligman sales remains a mystery owing to the destruction of pertinent materials by archivists some fifty years ago, the firm undoubtedly played a critical role in financing Union bonds in the German states.²¹⁶

Joseph Seligman to W.V. Stout, March 5, 1863, Joseph Seligman Letterbook, Seligman Family Papers, New-York Historical Society.

²¹⁴ Joseph Seligman to “Dear Bro,” May 29, 1863, Joseph Seligman Letterbook, Seligman Family Papers.

²¹⁵ Joseph Seligman to “Dear Brothers,” July 19 and 21, 1863, Joseph Seligman Letterbook, Seligman Family Papers.

²¹⁶ The exact quantity of sales on the part of the Seligman’s is a source of great debate. In 1931, journalist Linton Wells completed his institutional biography *The House of Seligman*, in which he claimed that the firm sold \$200 million in securities during the war in Germany. Others have subsequently used this number as well. While Wells appeared to reference

By August 1864, the *New York Times* was reporting (on the authority of the London *Times*) that “estimates that \$150,000,000 of these Bonds (5-20s) have already been taken in Holland and Germany.” A piece in the London *Times* also from August proclaimed “The accounts from Germany show that the demand for United States Bonds has not experienced the slightest diminution. The parcels brought to London by the weekly steamers and transmitted to Frankfort are absorbed as fast as they arrive, at prices which yield a good profit to the importers.” Yet another *Times* piece revealed the power of Murphy to swinging the market when accompanied by a representative of the Treasury visiting Frankfurt. While the bonds, it was to be noted, were held in the hands of permanent investors of all classes, the “bears and bulls of the Bourse” were reassured by Murphy’s presence on the exchange—as his presence alone increased the value of the 5-20 bonds on the exchange by 10%. “The pains taken by Mr. Murphy to keep the German public well informed on the progress of events in the United States,” the article proclaimed, “has contributed powerfully to this popularity of American stocks at the leading German Exchange, and we are taught by his efforts how easy it is, with a little well directed and truthful publicity, to keep public opinion in the right rack.” The article ended by boldly stating, “In the present situation of affairs at

material that contained specific numbers, regrettably the Civil War era material related to the Seligman businesses has largely been lost and rumored to have been thrown away by an archivist in the subsequent decades following the completion of Wells’s work. The only material that exists are a couple of letterbooks (business and personal) that only reach April 1864. Based on these books, however, it would seem to question the figure \$200 million. Delores Greenberg’s work has also questioned this figure, and rather convincingly. For more on Greenberg’s questioning of the Seligman figure, see Delores Greenberg, “Yankee Financiers and the Establishment of Trans-Atlantic Partnerships: A Re-Examination,” *Business History* vol. 16 no. 1 (1974): 17-35.

Frankfort, a loan of a hundred Millions could be negotiated there by the American government at a day's notice."²¹⁷

One financial institution from Frankfurt that provides us with some of the most concrete numbers from this period is that of Bethmann Bankhaus. While more commonly associated with financing the Eiffel Tower in the 1880s, Bethmann actively traded in Union securities throughout the war. Beginning with National loan '81 bonds, by the second quarter of 1864, the house rapidly advanced their position in 5-20 bonds. All told, the house purchased \$620,000 in 5-20 securities on the Frankfurt Bourse between April 1864 and June 1865. This does not also factor in some \$35,000 in National Loan '81 purchases during this same period and significantly more than that in the previous two years. These records come from just one surviving ledger and does not necessarily indicate that these are the only purchase undertaken in securities by the bank during this period. Regrettably very few records exist for the bank in terms of who purchased these bonds as they were all tied into a larger indexing system. While a "M. Guntekunst" purchased some '81 Loans in June 1863, and a "Geo Haas" purchased \$500 in 5-20s in May 1864, little else remains from the Bethmann index from this period tying individuals to the hundreds of thousands of dollars in purchases. Nevertheless, such activity on the part of the Bethmann's reflects just one houses active involvement in Federal securities during the war itself. Examining the

²¹⁷ *New York Times*, August 18, 1864; *London Times*, August 15, 1864; An October *New York Times* article even went so far as to describe the scene on the floor of the Bourse with the arrival of John Slidell, "John Slidell has been stopping for some days in Frankfort. A few days since Baron Erlanger, of rebel loan notoriety, took him to the Bourse, wishing to introduce him to several prominent men in the city, most of whom, however, declined the honor. Five-twenty bonds are in demand at 44 1/8 to 44 1/2 . The sales are not quite as brisk yesterday as the day before. Coupons, due in November, are bought now at 2 florins 21 kreuzers, without guaranty, and 2 florins 23 kreutezers with guaranty. The par is of course 2 florins 30 kreutzers, which is called a dollar here.," *New York Times*, October 9, 1864; "Our Paris Correspondent: American Bonds in the German Market," *New York Times*, August 6, 1864.

Frankfurt stock quotations for Union bonds (known as the Börsen-Kursblatt) reveals the interest in American securities. While the National Loan had found its way onto the exchange by 1862, the 5-20 bonds were not listed on the exchange until August 31, 1863, and did not reflect prices until September 8, 1863. To demonstrate the volume of trading and general interest of 5-20 sales, by August 1, 1864, mid-day trading prices for 5-20s were being listed (the only non German security listed aside from Austrian state securities, which eventually dissipated.) A month later, the kursblatt was also listing the price of the 5-20 on the Berlin exchange, one of only six securities being quoted. Thus, by the late summer and early fall of 1864, American securities on the exchange were a remarkably popular commodity, rivaling any German state securities. The appeal of these securities made Germany the single most important international market for Union securities during the war—a feat that carried over into the post-war period as well.²¹⁸

Sales in the German states reached their height in February 1865, on the occasion of George Washington's birthday and the simultaneous report of the constitutional amendment to ban slavery. This important news arriving on a symbolic holiday for Americans in Germany led to the United States flag being flown over the American consulate—an unusual occurrence at the time. While some skeptics were of the opinion that such an action was undertaken to bull the market, an official telegram from the United States confirming the passage of the 13th Amendment led to a palpable energy permeating the entire exchange. Almost immediately, 5-20s rose 1% on the Börse and within two hours over \$800,000 of 5-20s had been sold. Additionally, rumors spread that the war had in fact concluded, leading to even further sales on the exchange in Frankfurt, as well as in Amsterdam, Munich, and

²¹⁸ Bethmann Bank Collection, Institute für Stadtgeschichte, Frankfurt, Germany; stock quotations drawn from Kursblatt records, Frankfurt Börse Papers, Hessisches Staatsarchiv, Darmstadt, Germany.

Berlin. In fact, Berlin sales of 5-20s reached a point that was 8-10% above New York City quotations.²¹⁹

So what quantity of bonds were sold in Germany? A March 1865 *Philadelphia Daily Bulletin* article (ironically about the importance of keeping the loan domestic) stated \$200 million of the loan could be found in Germany and nearly \$100 million in England, “with a demand so rapidly increasing not only in these countries but in other parts of Europe that it is expected before long the aggregate total will exceed 500 million.” In June of 1865, former Secretary of the Treasury Robert Walker declared in a letter to Secretary of the Treasury McCulloch, “more than one hundred and fifty millions of our securities were sold, during less than two years in Europe. In 1867 former Secretary of Treasury Robert Walker wrote of his exploits traveling through Europe. Accepting “any call for a loan would be defeated by the machinations of France & England,” Walker subsequently visited “nearly every city of Holland and Germany, giving [an] opportunity to discussed the question personally with these bankers... the result was that in a brief period the people of Germany, emphatically the great masses of the people, took several hundred millions of our loan at the same rates as our own citizens.” Similarly, years later, Otto Van Bismarck could boast:

It was reported to me that Lincoln could not keep the war going if he did not receive financial aid from Germany. His commissioners stated that they had been rebuffed in London & Paris. We wished the Union to be restored. The North seemed to me to be morally right, but, quite apart from that, we desired a strong prosperous and united Nation on the other side of the Atlantic.

Meanwhile the *New York Tribune* declared in 1870 that “seven or eight hundred million dollars” were invested by Germans alone during the war. All of these various estimates should be taken with extreme grains of salt, and barring any definite proof of the

²¹⁹ Oberholtzer, *Jay Cooke*, 1:515.

actual quantity of bond sales estimates are unfortunately the best that can be done.

Nevertheless such proclamations and a clearly liquid and active German market reinforce the importance of German investment in bonds.²²⁰

The situation was equally optimistic in Holland as U.S. Minister to The Hague James Pike reported a large amount of interest in government securities. “The money men of Holland have begun to buy our government securities,” Pike reported, “There have been no large operations, but each capitalist is taking a modern sum and laying it away to wait for results.” By the spring of 1864, Pike estimated that weekly transactions of Union bonds numbered \$2 million in the city of Amsterdam alone. Such investment on the part of the Dutch reflected an attitude that was willing to avoid war-time circumstances and focus on the profit to be had from Union securities. “The Dutch capitalists, unlike many of the English” reported Pike, “have no prejudices against us, and have larger and more liberal view in regard to our resources, and believe in our ability as well as disposition to pay than I have expected to find.” However, Pike also warned the United States that one of the biggest stumbling blocks to European investment revolved around the use of greenbacks to discharge debts. “The act of making government paper legal tender raised a general distrust in commercial and financial circles in Europe,” Pike exclaimed, “which a promise to pay the interest on Government bonds in coin failed to allay.” Pike continued by noting in January of 1864, “we have no better friend in Europe than the Dutch, nor any who would be more glad to see our stocks a mile high,” while “the Jews” were purchasing the bonds at nearly a

²²⁰ *Philadelphia Daily Bulletin*, March 29, 1865; Robert J. Walker, “Our National Finances—An Open Letter to the American People,” dated November 30, 1867 (Washington D.C., 1867), quoted in John Hawgood, “The Civil War and Central Europe,” in Harold Hyman ed., *Heard Round the World: The Impact Abroad of the Civil War* (New York: Knopf, 1969), 151; Bismarck quote from Hawgood, “The Civil War and Central Europe.”

\$2 million weekly clip by March of 1864. By November 1864, U.S. government bonds “commanded an almost unlimited amount of capital” on the Amsterdam exchange.²²¹

Just like American bonds finding their way onto the Frankfurt Bourse, so too did American Bonds make it to Amsterdam via the New York brokers. One of the largest sellers to the Dutch banks was none other than Cooke ally Fisk & Hatch. In the spring of 1864, the firm wrote to Cooke on the matter. “We have lately been doing a very heavy business with the Foreign Bankers with many of whom we have confidential relations,” the New York bank boldly proclaimed, “These ‘Dutch’ friends of ours are very decided in their preferences for the old agencies, and are waiting to make their subscriptions through us.” The firms work in the Dutch market in their mind paid serious dividends, one that necessitated a firm control on the gold exchange to ensure the fluid demand emanating from Amsterdam. The firm concluded their letter by stating, “We have done a magnificent business in Foreign orders during the past month, and sincerely hope for a continuance of the same.” Thus, the demand from Amsterdam was not something to ignore and continued to represent a method of finance wherein the bonds were coming from New York and sold secondarily in Amsterdam to eager investors, even in the midst of the depths of the Union’s war campaigns and the uncertainty surrounding Lincoln’s election by the fall of 1864.²²²

But who purchased these bonds in Amsterdam? Unfortunately evidence is scarce in that arena. While some widely publicized purchases on the part of R.G Hazard provide easy evidence on the matter, translating that into hundreds of millions of dollars is no small

²²¹ James Pike to William Seward, February 25, 1863, Foreign Relations of the United States (FRUS), 1863, 3, 810; Pike to Seward, March 4, 1863, FRUS, 1863, 3, 811-812; Leonard H. Courtney, “On the Finances of the United States, 1861-1867,” *Journal of the Statistical Society of London*, 31 (June 1868), 173-75.; Pike to Seward, January 27, 1864, RG 59, NARA II; Pike to Seward, March 9, 1864, RG 59, NARA II; Pike to Seward, November 2, 1864, RG 59, NARA II.

²²² Fisk & Hatch to Jay Cooke, March 25, 1864, Cooke Papers, HSP.

matter. To be sure some smaller purchases can be noted. For instance, an Emile Testa purchased \$1,000 via Hope & Co. in January 1865. Similarly the Sillem family purchased \$13,000 in stock of the National Loan on December 4, 1861. Even though the material record may not still survive to the degree present in England, the role of Union securities on the Amsterdam exchange cannot be underestimated.²²³

What accounts for these relative successes in Germany and Holland? *The Times* speculated that the interest in Union Bonds resulted from devious work on the part of Union agents preying on ignorant investors. That being said, the anti-slavery sentiment within Germany and close connection that the Frankfurt Bourse had with government securities (*something* had to replace Austrian securities) deeply influenced the success of American bonds, especially on such a severe discount.²²⁴

By March of 1865, it was estimated that \$250 million of the \$320 million in U.S. securities abroad were held in German and Dutch hands (a low estimation in this author's opinion.) Even many of the sales in Britain were on behalf of German and Dutch markets. One shining example occurred during the war when the aforementioned Joseph Seligman sold bonds in London. On one occasion, he happened to encounter Emmanuel Lehman (of Lehman Brothers fame) hawking the Confederate equivalent in the British capital. Both men knew what the other was doing, but nevertheless exchanged abrupt pleasantries and continued on their respective mission. While the Leipzig based house of Knauth, Nachod & Kuhne provided the aforementioned estimate, they also pushed for a permanent American

²²³ After some significant effort, I was able to procure access to the Amsterdam stock quotations from the Civil War era that have been digitized by the Amsterdam Bourse. Much like was the case in Frankfurt and the Kursblatt records, by the summer of 1863 there were quotations for various Union bonds on the Amsterdam exchange and mid day quotations similarly emerged. OPC-Database/Stichting Capital Amsterdam, Netherlands.

²²⁴ *The Times*, November 4, 1863, and July 12, 1864, Also, Sexton, *Debtor Diplomacy*, 123.

agent connected to a trust-worthy banking house in Frankfurt to ensure that sales of U.S. Securities remained honest on the exchange, and did not devolve into pure speculation—a figure they put at \$100 million worth of bonds at that present time.²²⁵

Writing many years after the war, the established Frankfurt banker Saemy Japhet wrote of his introduction at a young age to American securities:

There was hardly an investor in South Germany who did not buy United States bonds... They all believed in the ultimate victory of those who identified themselves with the cause of liberty... The profits made in American securities and American trade were one of the stepping stones on which the newly enriched world of Germany could tread.²²⁶

Japhet's commentary at the turn of the century revealed the deeper impact of war bond sales abroad during the Civil War. They represented a key turning point in the integration of global capital markets brought on by American securities, something that would amplify in the remaining decades of the nineteenth century as the United States emerged as the world's largest economy.

Bonds also were marketed internationally outside of Europe. For this Moses Taylor is especially informative owing to his connections with Cuban sugar markets. The banker and merchant hailing from New York City (who also controlled the National City Bank of New York) had extensive connections to Cuba through his import business Moses Taylor & Co. Taylor purchased bonds (both 5-20s and the National Loan) on behalf of several hundred investors out of Cuba. These sales ranged from as few as \$300 to well into the millions. Taylor's ledger book provides detailed accounts of the sales and indicates that his

²²⁵ Sales estimate located in Knauth, Nachod & Kuhne to Jay Cooke, March 30, 1865, Jay Cooke Papers, HSP; For more on the Seligman/Lehman exchange see, Stephen Birmingham, *Our Crowd: The Great Jewish Families of New York* (New York: Harper & Row, 1967), 78.

²²⁶ Quoted in Stanley Chapman, *The Rise of Merchant Banking* (London: George Allen & Unwin, 1984), 46.

investors, while Cuban residents, may have hailed from wide reaches of the Atlantic world. A “J.P.C. Thompson” invested some \$150,000 while a “Miss Rosa Céspedes” invested a tidy sum of \$700. A “Mrs. James Owens de Knight” purchased \$73,300 in combined 5-20s and 6% National Loan issues and a “Pablo Herrera” likewise dabbled in both securities to the tune of north of \$1.2 million. Prominent Cuban residents such as Tomás Terry (himself a native Venezuelan) and Susana Benitez de Parejo each invested close to \$5 million in 5-20 bonds over the course of the war. Other investors included presumably Dutch, French, Italian, British, American, and Spanish expatriates. All told the Cuban sales via Taylor amounted to some \$32 million. Such a sizable investment in the Caribbean is a testament to the power United States securities were able to garner even among those who traditionally shied away from finance and had stuck to dry goods living in the middle of a slave economy. Such a commitment on the part of these individuals reflected shifting attitudes for some towards greater investment in pure finance.²²⁷

In other regards bond sales within the United States were made expressly for certain foreign clients. Most notably these purchases were made on behalf of future Peruvian president Francisco Calderon, Robert College in Constantinople, Francis Tudor Hall of

²²⁷ Moses Taylor Ledger Book, Moses Taylor Papers, New York Public Library, New York, New York; One of Taylor’s clients, Joseph Albright, wrote to Taylor in May 1862 inquiring as to whether or not investing in 7-30 treasury notes would be of benefit, Joseph Albright to Moses Taylor, May 13, 1862, Taylor Papers; Sales occurred as well in Canada with R.J. Kimball Bankers based out of Toronto proving a sizable banking house in government securities. Their investment reached a point that R.J. Kimball requested to become official subagents—a request that was supported in a subsequent letter by the U.S. Consul in Toronto. Even Canadian distiller J.P. Wiser got in the act by the summer of 1865, asking for \$7,000 in the subsequent 7-30 issue. For more on R.J. Kimball’s relationship to the sale of government securities, see R.J. Kimball bankers to Jay Cooke, July 12, 1865, Jay Cooke Papers, HSP. For the letter from the U.S. Consul, see David Thurston to Jay Cooke & Co., July 13, 1865, Jay Cooke Papers, HSP. For J.P. Wiser, see J.P. Wiser to Jay Cooke & Co, May 6, 1865, Jay Cooke Papers, HSP.

Bermuda, “AN Sewall” and “AZ Bananae” of Port au Prince, Haiti, and the Comte de Dion of France. Such disparate purchases reveal the truly global reach of these bond sales.²²⁸

Bonds could also be utilized for missions undertaken by representatives of the federal government. Such was the case of William Aspinwall and John Murray Forbes. In the spring of 1863, Aspinwall and Forbes traveled to England at the behest of the Naval Department, but under the official auspices of the Treasury Department. This distinction was important, for Aspinwall and Forbes traveled to England in an attempt to purchase Laird rams being constructed in Liverpool to prevent them from falling into Confederate hands. That said, these rams were not “officially” being bought by the Federal government, and hence the men were not traveling on behalf of the navy. Aspinwall and Forbes did receive permission to attempt to negotiate a \$50 million loan directly with any international bank that may entertain such an offer. In March 1863, Chase wrote to the two Americans. “There are some advantages,” Chase exclaimed “in having a portion of our securities held abroad which should not be overlooked; and now that it has been sufficiently proved that a Foreign Loan is not necessary to us, I am quite willing to sanction a limited negotiation, on terms which will place European takers of our Bonds on an equal footing with original takers in New York.” Such a loan never came to fruition. They did, however, begin a line of credit with Baring Brothers in London through an initial deposit of \$4 million of Union bonds (out of a total \$10 million brought with them.) Secretary Chase also authorized Forbes and Aspinwall to float a £10 million loan of bonds with a British house should they find one willing to invest. This loan never came to fruition. While the mission ultimately failed and the bonds were returned to the United States (where they were subsequently sold by Cooke),

²²⁸ Accounts for the Loan of 1862,” ledger books, Vols. 124-26, RG 53, The Bureau of Public Debt, NARA II, College Park, Maryland.

this failed mission demonstrated the diplomatic power bonds held as a way of financing less than forward operations overseas during the Civil War. Forbes and Aspinwall also traveled under the authority to negotiate a \$50 million foreign loan with a foreign banking house. This loan was to consist of a new issue of the popular five twenties through public subscription. Yet even a relatively modest loan of \$50 million failed to gain traction in Britain with a large sticking point being the fact that the interest was not paid in sterling.²²⁹

Another financier, Robert J. Walker was enlisted by the United States government chiefly to disparage the efforts of Confederate financiers. This especially became the case once Walker realized that negotiating a foreign loan (something he had the authority to do) was not going anywhere. Walker did his utmost to undermine Confederate efforts by

²²⁹ For more on the Aspinwall-Forbes mission see, Douglas Maynard, "The Forbes-Aspinwall Mission," *The Mississippi Valley Historical Review* vol. 45, no. 1 (June 1958): 67-89; For Chase's instructions on a foreign loan see, Chase to Forbes and Aspinwall, March 18, 1863, and Chase to Forbes and Aspinwall, March 30, 1863, both Chase Papers, HSP; For more on Walker's take on European continental investment, see Walker to Chase, February 20, 1864, Chase Papers, HSP and Walker to Chase, February 26, 1864, Chase Papers, HSP. Aspinwall and Forbes also saw the larger value in the Dutch and German markets. On April 28, 1863, they wrote: "The disposition to invest in our bonds is better in Holland + in Germany than here + we intend going over to Paris + Holland in about 10 days," it is unclear what success they met with on the continent. Aspinwall and Forbes to Chase, April 28, 1863, Chase Papers, HSP. Likewise, John Murray Forbes wrote from London in June 1863, regarding a recent trip to Amsterdam. In the letter Forbes states, "I have just returned from a flying visit to Amsterdam Where I had an interesting [] with some of the monied men. They are hardly ready there yet for a great operation but the small scale of American stocks steadily continues in that direction + it is now thought almost entirely of investment rather than speculation," John Murray Forbes to Chase, June 13, 1863, Chase Papers, HSP. Robert Walker also wrote with great excitement regarding the continental markets. In February 1864, Walker wrote on two separate occasions remarking on the great interest on the continent. "My financial news from Frankfurt on the Main, Stuttgart, and Amsterdam is very good. There is more enquiry in London and augmented investments in 5 20s in Holland and Germany," Robert Walker to Salmon Chase, February 20, 1864, Chase Papers, HSP. Likewise, less than a week later Walker again reiterated this sentiment: "... The demand in Europe for U.S. 520s increases, and will be unprecedented on the overthrow of the rebellion.... Nearly all investments in Europe in stocks are made by or on the advice of Bankers who to a great extent, control the market," Robert Walker to Salmon Chase, February 26, 1864, Chase Papers, HSP.

stressing the past repudiation of state debts within the Confederacy (something alluded to by Belmont as well) including Jefferson Davis's native Mississippi. While Walker's evidence did not necessarily completely indict Davis when held under close scrutiny, it nevertheless was enough to irreparably damage Confederate financial efforts in Europe—especially when coupled with failures on the military front. The publication of *Jefferson Davis, Repudiation, Recognition and Slavery* undoubtedly impacted the subsequent decline in Confederate bonds in the summer and fall of 1863—so much so that Walker could proudly report back to Chase “slavery and repudiation are identified and all feel now completely that their own hope of ever receiving anything from the repudiated states of Mississippi and Arkansas and Florida is by emancipation and the success of the union.”²³⁰

Walker also traveled to continental Europe to promote Union bonds. While on the continent, Walker distributed a selection of pamphlets entitled, *American Finance and Resources* that espoused the benefits of the northern economy, governmental fiscal policies, and the importance of Union war bonds. Walker's time in Europe was equally valuable in some of the ideas that he transferred back across the Atlantic to Secretary Chase and others. Walker could also be credited with pushing for the democratization of bonds that became increasingly more commonplace by the fall of 1864 with the 7-30 issue. Working off a British savings bank model for the working classes, Walker proposed a bond issue through a very large popular loan that encouraged all members of society to get involved. While his mission to Britain met with mild success in discrediting the financial stability of the

²³⁰ Quoted, Sexton, *Debtor Diplomacy*, 120, Walker to Chase, July 18, 1863 and August 5, 1863, Chase Papers, HSP.

Confederacy, his work on the continent revealed the great interest bonds held in Germany and Holland.²³¹

Domestically the various bond drives funded the daily operations of the war at its most basic level. But more than that, they were both cause and effect of a new economic order. The traveling agents that came knocking on doors and tent flaps, the advertisements plastered across the country's newspapers, all effectively spread a new gospel: one of the key rights of citizenship was the right to invest and value in a modern economy is rooted not merely in commodities but in confidence. From the beginning, while some of the messaging abroad may have been designed to achieve similar ends, the result was far different. Utilizing evolving financial techniques and heavily boosted by speculators on the various European exchanges, international bond sales appear to have been driven by an ulterior motive to that of the work done at home by Jay Cooke and his financial agents. Rather, the international bond sales represented an evolving global marketplace—one in which powerful firms relied on faster access to information and dark pool arrangements to make large speculative purchases driven less by politics than profiteering. Nevertheless, such sales opened new doors of opportunity for financiers throughout Europe whose strategies would ultimately be employed in the United States by war's end. In so doing, these conscious acts on the part of European financiers had an effect on the domestic market. For in instilling confidence via their purchases in the Union, they unknowingly strengthened the crucial domestic market—something that only accelerated in the latter part of the war.

²³¹ For more information on Walker's mission, see Amos Taylor, "Walker's Financial Mission to London on Behalf of the North, 1863-1864," *Journal of Economic and Business History*, 3 (February 1931), 296-320; Walker to Chase, December 9, 1863, Chase Papers, HSP.

CHAPTER 5: 'LIKE A CORD THROUGH THE WHOLE COUNTRY':

THE 7-30 BOND DRIVE

In the summer of 1864, the Union cause found itself in dire straits on multiple fronts. General Ulysses Grant plodded his way through Virginia during the costly Overland Campaign only to find himself digging in by June of 1864 around the city of Petersburg. In the Western Theater, William Tecumseh Sherman's Union armies slowly made their way through southern Tennessee into north Georgia in their quest for the Confederate rail hub of Atlanta. On both fronts, military progress was slow and casualties high, doing little to comfort the Northern public, a Lincoln administration seeking reelection in the fall, and the cause of Union war finance.

The 5-20 loan drive had ended on a high note in January 1864, but subsequent efforts at funding the war struggled to gain traction. The 10-40 loan drive continued to languish with the 5% interest rate being of little interest to financiers, and a general unwillingness to extend the agency to Jay Cooke to right the financial ship proving a stumbling block to sell the loan to the general public. The world of Union finance was further upended by the resignation of Secretary of the Treasury Chase in June 1864. Filling the void would be Senator William Pitt Fessenden of Maine, a prominent member of the Senate Finance Committee—although not the first choice of the president, nor a person eager to step into the void. Fessenden assumed his role in July 1864, and immediately set to work trying to finance the war with a brand new loan issue of \$400 million recently passed

by Congress that included both long term bonds and short term treasury notes. The passage of such an act belied the fact that Union finances were in a particularly precarious situation and Fessenden's early fiscal policies would do little to alleviate the concerns of the northern populace.

Despite the credit due to Cooke and his army, his success in the bond market also relied upon close coordination with prominent northeastern elites. For the moneymen on the front line of this fascinating war-born economic boom, the result was a strange surge (especially given the recent panic) of faith in capitalism, all inflected through patriotic concepts of Union, democracy, a centralizing economy, and the belief above all in the basic tenets of free labor ideology. Underwriting this frame of thought were influential groups of financiers and businessman who had come to view the maintenance of the Union as (above all else) an economic necessity. These men formed organizations (initially Union leagues) in Philadelphia, New York, and Boston that attempted to assert the authority of the monied interests in the hopes that such ideas would pass down amongst the larger populace. These men also had a vested interest in the cause as they assumed a significant burden of the war debt. While Main Street increasingly invested in government bonds, it was the financial elite who facilitated access to these "governments." Cooke & Co and his network of financiers centered in New York City came of age in a new speculative era that redefined not only Wall Street, but how America viewed this financial center. Moving away from being merchant focused, the end of the war solidified American investment banking coming into its own to reap tremendous windfalls in government bonds and railroad stock. The ever dangerous Gold Room also reaffirmed this speculative mania and often found itself at odds with Cooke's Army who acted as a central bank check on the gold mania. It was a remarkably

profitable era for the big banks, something they would build off of as the war ended and they looked both east and west for new market opportunity.

Fessenden's insistence on solely utilizing national banks to fund the effort failed to gain traction and once again Jay Cooke & Co. would be called upon to save the Union finances from themselves. In so doing, the 7-30 loan campaign would become the most democratic in American war finance history up to this point in time. Building off the National Loan and 5-20 loan campaigns, this drive, more than any other, solidified the people's stake in the cause. An (ultimately) \$830 million drive consisting of 7.3% interest notes with interest paid in currency, this issue represented the largest attempt to sell the war to the northern populace who would be repaid in currency not gold, and therefore required the people's faith in a fiat currency built upon confidence in the Treasury, the government, and the prospect of an American nation. Furthermore, the marketing employed and widespread nature of sales across class, racial, and geographic divides bound the people by debt to the Union. The 7-30 Loan not only bound citizens throughout the North and West as part of a larger American nation, they also helped to present a vision of the Union that portrayed a truly American destiny that interlocked the financial strength and very future of the nation with the people writ large. Wedded in debt to the Union cause and the nation, the public and the federal government became entwined to a degree never before seen—for such an action contributed to the propagation of bond sales as an extension of state centralization and aspirations of empire.

Secretary Fessenden assumed his duties on July 5, 1864. The senior Senator from Maine, Fessenden was first elected to the Senate in 1854. A staunch anti-slavery man, Fessenden found himself in the thick of the Kansas-Nebraska debate where his star subsequently rose. Reelected in 1860 on the Republican ticket, Fessenden served on the

Senate Finance Committee. Although opposed to the Legal Tender Act in 1862, he nevertheless fell into line with the party and did his utmost to maintain a revenue stream for the Union cause. His apt handling of the financial battles on Capitol Hill endeared him to many in the administration and led to his appointment as Secretary of the Treasury in the summer of 1864. Fessenden's ascension to the role of Secretary of Treasury came as a welcome relief for the Lincoln administration that had struggled to deal with Salmon Chase's political machinations as he positioned himself for a presidential run in the fall of 1864.

Fessenden's ascension to Secretary of the Treasury came at a dire time for Union finances. By July 1864, the national debt hovered around \$1.8 billion with nearly \$72 million worth of immediate calls on the treasury accounts (whose cash accounts numbered a mere \$19 million.) The \$400 million loan would therefore prove to be essential in steadying Union finances and revenue streams. Half of the loan was to be in long bonds (5-20s) while the other half consisted of 7-30 treasury notes. Long bonds drew 6% interest in coin, while the 7-30 notes drew 7.3% interest in currency. The 7-30 notes could be converted at the end of three years into long term bonds should the government (or patron for that matter) desire. The Secretary faced a looming deadline of \$50 million due to Union soldiers on September 1, 1864—a sizable amount of money growing with the size of the army that stood at 1.2 million strong by the summer. Only three weeks into his position, Secretary Fessenden was sending backend communiqués to Jay Cooke asking for his advice and revealing his concerns over Union finances.

The two men finally sat down in Washington on July 21st to address the financial issues, and Cooke presented six practicable steps to tackle the issue, chief among them being another popular agency run by Cooke. While Fessenden earnestly listened, he strongly opposed any sort of popular agency for Cooke owing to the optics of such an appearance

and the previous bipartisan concerns raised on Capitol Hill over the agency being held by one individual and questionable ethics on the part of Cooke in terms of delivery of money to the subtreasury. When Fessenden returned to Maine in August, Cooke received several entreaties from President Lincoln to visit him and discuss Union finance. Cooke declined, however, because he was of the opinion that fiscal policy should come from the Secretary himself, and Fessenden was well aware of Cooke's views on the matter. That being said, such support from the president undoubtedly gave Cooke confidence moving into the fall of 1864.²³²

The summer of 1864 revealed tremendous struggles for the Treasury as it tried to meet the basic operating expenses of the war that were in excess of \$2.5 million daily. On August 17, 1864, the total sales of the 7-30 notes numbered some \$17 million. The 1862 5-20 drive contained some single days that neared this number. Fessenden confided in one of his associates his angst over the present financial situation: "we are not meeting with the hoped for success with regard to the loan... and I am afraid we shall find ourselves in trouble unless General Grant can help us." While Fessenden called upon the Union military to help rectify the situation, in reality Jay Cooke and his small financial army would prove instrumental in the dark days of the summer of 1864 to instill faith in the Union populace while simultaneously expanding the government's power and reach in the process across the entire continent.²³³

The treasury's situation had grown so dire that Fessenden opted to put forward a portion of the 5-20 issue for a direct bankers bid—akin to the initial act undertaken by Salmon Chase in 1861 with various northeastern banks in New York, Boston, and

²³² Ellis Paxson Oberholtzer, *Jay Cooke: Financier of the Civil War* 1:428-34.

²³³ Quoted in Heather Cox Richardson, *The Greatest Nation of the Earth: Republican Economic Policies during the Civil War* (Cambridge: Harvard University Press, 1997), 61.

Philadelphia. While the bond legislation opened the door for the securities to contain a maturation date as far afield as forty years, the success of the 1862 5-20 issue drove Fessenden's decision, hoping name recognition would be of great help. Fessenden put out calls to the major northeastern banks on October 1, 1864, for \$40 million in 5-20s but found no takers at par or better. Once again, Jay Cooke swooped in. In a rather infamous exchange, Fessenden bemoaned to Cooke his failure to recently sell \$10 million of the bonds on terms of his liking on a personal trip to New York. "What do you want for them," Cooke reportedly inquired. "I want par and your commission will be the accrued interest," replied Fessenden. "I will take them myself," Cooke bluntly replied. The name of Jay Cooke once more attached to the drive when coupled with Lincoln's reelection shortly thereafter brought confidence back to the securities market, albeit briefly. Henry Cooke wrote enthusiastically to his brother as the success of the new 5-20 issue spread. "We need not urge upon you the importance of giving an affirmative response to the option of the whole ten if you can see your way clear, opined Henry, "if this is successful other and more important negotiations will follow. Of this we are assured. We feel now is our chance." Henry followed up these remarks with a longer letter the following day with one sentence getting at the heart of the matter. "If this present undertaking be a success it will be the gateway to other vastly more important successes." Much like the firm's initial work with the 5-20s in the summer of 1862, the hope that their hard work would beget an exclusive agency and simultaneously improve the situation of Union finances remained their driving motivational force in late 1864.²³⁴

²³⁴ Harris Fahnestock to Jay Cooke, August, 17 1864, Jay Cooke Papers, Historical Society of Pennsylvania (HSP), Philadelphia, Pennsylvania; Oberholtzer, *Jay Cooke*, 1:446-49; Henry Cooke to Jay Cooke, November 7, 1864, November 8, 1864, Jay Cooke Papers, HSP.

Not all went along with Cooke's schemes—particularly hard money Democrats in New York. George Opdyke, John Cisco, and especially Morris Ketchum did not retain as blind a faith in Cooke and often questioned the monetary policy of the Lincoln Administration. Even as far back as the initial 5-20 loan campaign Ketchum spoke out against any potential increase in bonds for sale fearing that they might cause “a panic... which will sunder the Government powerless.” Ketchum had already arranged a separate sale with the Federal Government of certificates of indebtedness that had gone over very well in 1864 and he hoped to build on this further. By the time the 7-30 agency came around as a real possibility, Cooke was ready to view Ketchum as a real adversary, especially considering Secretary Fessenden's interest in the New York financier. Yet, many questioned Ketchum's ulterior motives. Harris Fahnestock wrote to Jay Cooke describing Ketchum as a “selfish man” who had not acted “as if his heart was in the success of our national finances.” Likewise Ketchum made his opinions on Cooke well known to Fessenden's inner circle, including comptroller of the currency (and successor to Fessenden as Secretary of the Treasury) Hugh McCulloch. Ketchum wrote to McCulloch in August 1864, belittling any word emanating from Cooke and his associates, proclaiming “These men [Cooke & Co] have been so long in a contaminated atmosphere that there is no health in them.” Thus, behind the scenes the two camps fed a war of words.²³⁵

Cooke opted to extend the olive branch to Ketchum figuring a joint agency was better than no agency at all. A series of letters and meetings between Ketchum, Cooke, and Fessenden put forward a real possibility for the \$40 million 5-20 agency (and later 7-30 agency). But the joint agency failed to materialize, largely owing to the power of rumor

²³⁵ Morris Ketchum to Hugh McCulloch, August 24, 1864, Hugh McCulloch Collection, Lily Library, Indiana University, Bloomington, Indiana.

surrounding a concerted effort to depress the market by Ketchum and his colleagues on the eve of a large-scale purchase by his firm and its friendly houses. What resulted was a game of financial chess in New York on the floor of the Stock Exchange as Ketchum and the “Exchange House Crowd” positioned for a depression in the valuation of 5-20 bonds to 103-104 while the pro Cooke firms—spearheaded by Clark, Dodge, and Co—did everything in their power to keep 5-20 prices at 105 or above. Another Cooke ally, Fisk and Hatch, wrote to Cooke in December 1864, praising Clark, Dodge and Company, remarking that the firm “stood firm as a rock and blocked his [Ketchum’s] game.” McCulloch (and by implication Fessenden) could read through this ploy, as the comptroller wrote to Assistant Treasurer John Stewart in New York: “I regret that our friend Ketchum, who by reason of his great wealth commanding financial influence and intimate personal relations with the Secretary, should be foremost in words and works, in support of the credit of the Treasury, should have been among the lowest instead of the highest bidders. I wish he might be induced to stand where he ought to stand in relation to the Government.” The “Exchange Crowd” of Ketchum and his allies had tried to manipulate the market, and in the process made their desires readily apparent to an unsympathetic administration.²³⁶

Ketchum and Cooke met with John Stewart to discuss a joint agency for the 5-20 loan and Ketchum flatly refused to do so. Word of such events quickly made their way back to Washington and Fessenden. Furthermore, Ketchum refused to agree to the proposed 7-30 commission terms—something that Cooke, at least publicly, agreed to enthusiastically. Cooke wrote to Ketchum though slamming the Treasury on their commission proposals. How much of this Cooke really believed, and how much was to angle and push Ketchum

²³⁶ Oberholtzer, *Jay Cooke*, 1:458-59; Hugh McCulloch to John Stewart, September 16, 1864, McCulloch Collection, Lily Library, Indiana University.

away from any further action is certainly up for debate—but his words are powerful.

Ketchum's refusal to join the loan proved to be the end largely of the New York movement against Cooke—with Ketchum's firm losing all credibility when it came out that Morris's son, Edward, was found guilty of embezzling over \$2.5 million through the firm—leading to its dissolution.²³⁷

Despite the struggles of the 7-30 Loan, Secretary Fessenden's 1864 Annual Report to Congress in December spoke confidently regarding the general public's willingness to shoulder the financial burden. "These negotiations have afforded satisfactory evidence," Fessenden remarked, "not only of the ability of the people to furnish, at a short notice, such sums as may be required, but of the entire confidence felt in the national securities. After nearly four years of a most expensive and wasting war, the means to continue it seem apparently undiminished, while the determination to prosecute it with vigor to the end is unabated." An 1864 circular reinforced this democratic message. "It is *your* war," proclaimed the circular, "you proclaimed it, and you have sustained it against traitors everywhere, with a patriotic conviction unsurpassed in world's history." Perhaps the single most important endorsement came from President Abraham Lincoln in his 1864 annual address. "Held, as it is, for the most part by our own people," Lincoln proclaimed, "[the public debt] has become a substantial branch of national, though private, property... Men readily perceive that they can not be much oppressed by a debt which they owe to themselves." Even in the midst of sluggish bond performances through the second half of 1864, Fessenden and Lincoln made it a point to emphasize the people's participation in the drive and the crucial power of confidence in the interplay between capital and the Union cause. That said, the slow

²³⁷ Caires, "The Greenback Union," 135; Oberholtzer, *Jay Cooke*, 1:451- 460.

injection of capital via bond sales was unsustainable and the Treasury found itself at a crossroads as the calendar turned to 1865.²³⁸

On January 9, 1865, Henry Cooke wrote to his brother that total 7-30 sales amounted to \$115 million, almost \$20 million of which were given to Union soldiers as payments in lieu of greenbacks. By the 12th, daily sales only averaged \$500,000 and the reality of an established agency via Cooke & Co. became more realistic. Cooke's national banks, the 1st National of Philadelphia and the 1st National of Washington, were putting up sales that exceeded all other national banks at the time. Fessenden saw all that he needed and following a new piece of legislation that opted to shift the remaining burden into 7-30 notes, Cooke was given the commission on Fessenden's last day in office before his return to the Senate.²³⁹

From his position, Cooke received a commission of three-fourths of one percent on the first \$50 million and five-eighths for the subsequent \$50 million. Further negotiations were to be had for the remaining bonds—a quantity that rose to a total of \$830 million following an Act of Congress on March 3, 1865. Most tellingly, the agreement permitted the Secretary of the Treasury to suspend Jay Cooke's appointment at any time should he deem it to be a necessity. Cooke was less than pleased by such conditions and lamented to his brother, "I am not disposed to work my life blood out under such depressing circumstances." Yet despite this apparent attack on Cooke's credibility, he accepted the agency and worked extensively to promote the new seven-thirty campaign to reach its goal

²³⁸ Report of the Secretary of the Treasury on the State of Finances for the Year 1864, 21; undated circular, quoted in Robert Cook, *Civil War Senator: William Pitt Fessenden and the Fight to Save the American Republic* (Baton Rouge: Louisiana State University Press, 2011), 176; Abraham Lincoln, 1864 Annual Message to Congress.

²³⁹ Henry Cooke to Jay Cooke, January 9 and January 12, 1865, Jay Cooke Papers. Fessenden would be replaced by Hugh McCulloch, an Indiana native and US Comptroller of the Currency.

of \$2 million in daily sales. To accomplish this, Cooke utilized similar methods from the 5-20 campaign. In so doing, Cooke helped to fashion an American vision that utilized bond sales to promote an American empire that could stand alone amongst the financial and political giants of the world.²⁴⁰

In order to truly create the most popular loan ever seen, Cooke undertook an unprecedented advertising campaign to raise awareness while organizing his network of agents across the Union. Cooke & Co. brought on board *New York Tribune* writer Samuel Wilkeson on a salary of \$6,000 to “be the manufacture of editorials, letters, notices and so forth to be used by other agents, and inserted in the papers etc.” A plethora of circulators soon emanated from the Cooke PR machine in New York City headed by Wilkeson and included the remarkably popular circular “Interesting Questions and Answers Relative to the 7-30 U.S. Loan.” Much like the “Berks County Farmer” exchange for the 5-20 drive, this circular was intended to inform the populace answering such questions as “When and how can they be obtained?” “What other advantage is there in investing in the 7-30 Loan?” and “How does the Government raise the money to pay the interest, and is it safe and sure?”, along with several other questions related to the basic logistical procurement of the bonds. The *Constitutional Union* referenced Cooke as the “Napoleon of Finance” and “Our Modern Midas” while the *New Yorker* remarked, “in these financial times, no name has a more metallic ring than that of Jay Cooke... Every farmhouse, bank, hotel, counting room and back settlement hears of the loan. The result is, that from a state of languor it springs into intense activity.” Other writers wrote extensively supporting the 7-30 drive. In the *New York Times*, Cooke had a “Mr. Norvell,” the *Brooklyn Union* contained writings from Michael

²⁴⁰ Jay Cooke to Henry Cooke, February 3, 1865, Jay Cooke Papers, HSP, quoted in Larson, *Jay Cooke*, 165-66.

Hennessy and the *Boston Commercial Ledger*, those of James W. Simonton. All told these writers helped to propagate a message of the people's loan wherein all could invest. When combined with the agents spread through the states and territories, it ensured the most democratic measure of war finance to date.²⁴¹

Cooke had an ingenious way to encourage bond advertising in newspapers far and wide by incorporating options on bonds for newspaper writers and editors. Recognizing that the funds with which he could operate for advertising would not be enough, Cooke approached several specific newspaper editors and offered them options on bond issues. The terms typically were for an option of sixty days upon some quantity of bonds. The newspapermen would reap the benefits of the transaction minus the interest. If the price did not advance to the agreed upon rate, the call was usually renewed for some period of time. Thus the newspapers themselves had a truly vested interest in the bond sales and worked hard consequently to ensure their success.²⁴²

Newspaper regaled the populace with highfalutin tales of purchases and dedication to the Union cause by every day citizens. In March 1865, the *New York Tribune* related stories of a boy who had traveled from the western part of Indiana to Philadelphia with \$10,000 in greenbacks and state bank currency to invest in 7-30s. Still another story told of a German man who walked into a national bank in Dubuque, Iowa, having traveled some thirty miles by foot from his farm in Bellevue. Dressed in ragged clothes to give the appearance of a "mendicant," he had purposely dressed as such to avoid being robbed on the road. He arrived in the office to pull out some \$13,000 of his own and neighbors' money to invest in

²⁴¹ Henry Cooke to Jay Cooke, February 6, 1865; Jay Cooke to Henry Cooke, February 9, 1865; Oberholtzer, *Jay Cooke*, 1: 483, *New Yorker*, February 5, 1865.

²⁴² Oberholtzer, *Jay Cooke*, 1:581-582.

the cause. Countless examples such as these merely reinforced the national scope of these democratic sales as part of a larger American identity.²⁴³

Cooke was always careful to detail the types of people who entered the subscription offices, including various “tottering old ladies” and War Democrats. Pieces such as “One Day’s Subscription to the Seven-Thirty Loan” regaled stories of the frantic pace in the offices as bonds were processed, as if the capitalist machine could almost not keep up with the People’s patriotism:

They [bond purchasers] are of all classes, and all degrees, and of all colors. There are black men in Jay Cooke & Co’s, and they hold money in their hands; and there is a soldier there; and there is an officer, lame, yet with an unmistakable air of command and of guardianship; and there are Quakers, who look annuity, and couple and pace, and goodness all over them; and there is a clergy man, and a woman that sews...²⁴⁴

Such descriptions reinforced to everyday individuals that they too could afford these newly democratic financial instruments and be part of the larger cause. Further examples in the paper about “German Hans” and the Irishman “Patrick” both spoke to an effort to reach out to immigrant communities in the North while emphasizing the lack of understanding on the part of the general public when it came to securities.²⁴⁵

Newspaper articles targeted the people in myriad ways, but all ultimately spoke to sacrifice and the power of the people to help maintain the Union through their financial

²⁴³ *New York Tribune*, March 29, 1865.

²⁴⁴ “One Day’s Subscription to the Seven-Thirty Loan,” *Press*, March 13, 1865. The article was originally printed in the *New York Herald*.

²⁴⁵ *New York Tribune*, July 17, 1865, also quoted in Edling, *Hercules in the Cradle*: 202; One 7-30 agent writing from Dubuque, Iowa commented on German immigrants who frequently crossed over the border from Wisconsin having seen the bank’s circular to purchase 7-30s. The agent (a bank cashier) commented that this was a frequent occurrence from members of the German immigrant community. He concluded the letter, “our government was never so strong as today and will be sustained in all the acts by the people who hold its notes,” H.M. Kingman to Jay Cooke, May 27, 1865, Jay Cooke Papers.

contributions to the cause. The popularity of the loan often proved a popular refrain in newspapers:

The sums of which the subscription is composed vary from the hundred thousand of the rich to the fifty and hundred of the poor—the merchant, millionaire, and mechanic, the lawyer and brick-layer, the minister and fishmonger, each have an interest in the means of supporting the war. The sums do not come from a few cities or heavy firms, nor from speculators and brokers; the people throughout the loyal states, from New England to California, are investing their earnings in this common cause, and pledging themselves by this action to support the common Government. The fifty and one hundred dollar notes are the means of bringing into this great Loyal League thousands who would otherwise be unable to share the profit or the responsibility. The less wealthy classes find them the best investment for their slowly accumulated earnings, and are hastening to secure so sure an investment.²⁴⁶

Such emphasis of the popular nature of the loan not only needed to cross socioeconomic lines, but emphasize how women contributed to the cause. Union widows proved a valuable subject to market the financial sacrifice that had already accompanied their sacrifice of a son or husband to the cause. “Among the soldier’s wives who have been enabled to lay up some means,” one newspaper exclaimed, “it is justly popular.” Furthermore such pieces often reinforced the providential nature of the drives and the war writ large. “We have no fears of failure, the same article proclaimed, “Our cause is just and a righteous Providence will guide us successfully to the end.” An emphasis on the dual struggle of the widow with sacrifices on the battlefield and the home front via their purses came in time to be an effective example of the ultimate sacrifice by certain members of the Northern populace.²⁴⁷

Confidence proved key to the success of securities sales during the war and it was a topic repeatedly emphasized by the northern press. “Let us furnish all the means necessary

²⁴⁶ *Evening Telegraph*, March 9, 1865.

²⁴⁷ *Richland Observer*, April 9, 1865.

to accomplish this great work,” proclaimed one Buffalo bank circular. “Let us show our unshaken and firm confidence in the Government and its credit.” The circular added further “All good citizens who desire to aid in achieving this glorious result should now come forward, and make a good investment for themselves, and at the same time discharge a patriotic duty to their country.” Such a statement conflated patriotic duty and self-interest, to be sure a common theme in some of the bond literature, but not as important as some scholars have claimed. Still other articles emphasized how financial sacrifice was but one of several ways the people could give to their country and in doing so reassert their confidence in the Union. “So the people have given to their country all that she asked—their property, their individual rights, their lives.” One newspaper exclaimed, “By this they show not only their willingness to sacrifice in her behalf, but their confidence in her power to preserve herself.” These calls of sacrifice amongst the northern populace citing specific examples throughout the North revealed the democratic nature of the financial cause that millions enlisted in.²⁴⁸

The sacrifice of the people also afforded an opportunity at emphasizing American exceptionalism on the matters of war finance. Any comparisons made with European war finance often shed a critical eye towards “big bank” finance. “In foreign lands, when a government calls for funds, it sends its requests to the great bankers of Europe,” the *Evening Telegraph* declared, “to the ROTHSCHILDS or the BARING BROTHERS; but in our Republic is it to the people, the common source of all governmental power, that the authorities in distress appeal.” Still another newspaper remarked “Whilst European monarchies have their war-loans absorbed by the few rich bankers—the American loan is so

²⁴⁸ *Circular for The Farmers & Mechanics National Bank*, n.d.; *Erie Dispatch*, March 9, 1865.

tendered that the humblest citizen may become a bondholder.” But perhaps Jay Cooke put it best when he remarked: “This loan could easily have been marketed in Germany. But what a political blunder it would have been to have sold it abroad, and what an economical misfortune. The war debt of the United States, due to the people of the United States, can be easily carried and ultimately paid. Two American national debts have been extinguished by payment. The third one will be extinguished in the same way...I hold in this fist [telegraph orders for bonds] the guarantee of permanent union between the East and the West, and the centre and the extremes.” Thus, the distinction between uniquely American loans versus their foreign counterparts became one in which the people shouldered the financial burden of war, and in so doing reflected the very best ideals of the democratic state and the burgeoning power of the American state.²⁴⁹

Quantifying in the newspaper bond sales among the people became an effective way of reinforcing the democratic nature of sales, proving that such a notion went beyond mere rhetoric. While several Philadelphia and New York newspapers often listed daily subscriptions of quantities in the \$50 and \$100 bonds, in addition to the largest subscriptions of East and West, it was the political statements made by such purchases that were most often the point of emphasis. One New Jersey newspaper exclaimed, “How sublime the thought when near *fifteen thousand* persons, with their \$50 and \$100, come forward to assist the Government with their mites in one week. This number shows how emphatically the people are interested in this loan.” Other accounts indicated the political power that the small savings individual held. Regarding a point in the spring of 1865 when Congress

²⁴⁹ *Evening Telegraph*, March 9, 1865; *Village Record*, March 11, 1865; *New York Tribune*, March 7, 1865. Despite Cooke’s pronouncements, chapter four has clearly demonstrated that European financiers played a critical role in Civil War finance—a role that would increase to the tune of close to a billion dollars in the post war period (as covered in chapter six.)

debated the value of the \$50 bond issue as part of the 7-30 loan, one newspaper brought to the attention of the general public, “the working women of one of our western counties, [who] came bravely forth and asked for fourteen thousand fifty dollar bonds, thus settling the matter to the entire satisfaction of our lawmakers at Washington.” Still another account of the power of the people attested to their political will:

While Congressmen debated on Thursday last the policy of restricting the issue of new government bonds to sums not less than \$100, and knocked back and forth the shuttle-cocks of ancient argument against and in favor of \$50 bonds, the needlewomen of the northern and western villages, cities and towns, and the mechanics and apprentices of thrifty habits and patriotic faith stepped forward and settled the question authoritatively and in favor of both issues. Thirteen hundred and fifty of them carried their little earnings to Jay Cooke’s agencies and bought \$50 bonds, and 1800 of them bought \$100 bonds. A telegram communicating this precious fact to the proper committee in Washington was accepted as a decision of the point under discussion. The provision in the bill authorizing the issue of the small bond was retained.

Other political statements such as 3,500 subscriptions on March 15, 1865, out of Portland, Maine alone reveal the depths to which the people well and truly bought into the cause of Union and by extension the true conception of an American nation. In undertaking such actions, the American populace (largely through Cooke and his network) were buying into Cooke’s attempts to sell their confidence in themselves back to them—a task that reaped Cooke and Co. a handsome profit.²⁵⁰

Newspapers also cited the effect of bonds to break the will of the Southern people, but also the opportunity such bonds afforded for sectional reconciliation. In keeping with the military-like significance of the bond sales, one newspaper quipped “The unexampled success in the disposal of this loan is not without its effect on the rebel mind, giving evidence, as it does, not only of the will of our people to see the war through, but of the

²⁵⁰ *Morristown Free Press*, March 16, 1865; *Village Record*, March 11, 1865; *New York Tribune*, February 20, 1865; *Chronicle*, March 16, 1865.

money strength of the country to render that will effective.” Yet a mere week later, still weeks before Lee’s surrender at Appomattox, another newspaper heralded the wonderful opportunities bond sales could do in bringing the nation back together again. “The circle of influences to establish the Seven-Thirty Loan, and to root down deep the credit of the Government on all American territory, disloyal and loyal—to establish it in our armies—to convert and enlist into the service of the union finances what banks the Rebellion has left alive in the South, and to induce the establishment of new ones under the National Law, where banks ought to exist—this circle is rapidly becoming complete. When finished, the nation will be hooped together with material lines of latitude and longitude, stronger than steel.” Union bonds came to be seen as a measure that not only bound the Union together, but also could possibly serve a purpose in bringing the South back into the fold once hostilities ceased.²⁵¹

Jay Cooke’s office in Philadelphia itself was often a focal point of interest for selling the loan. As Cooke’s name became synonymous with the 7-30 loan, newspaper accounts of sales in his office came to represent a microcosm of nation-wide sales that drew on all aspects of the people.

At nine o’clock briskness and activity were apparent on every hand. The people were there thick as bees in a molasses hogshead. They had come to gather honey as well as to deposit sweets in uncle Sam’s honeycomb. Bonds! Bonds! Bonds! These ruled the hour; there constituted the magnet of attraction, drawing the people in and the greenbacks out; these were cementing the citizens to their government with a power and durability of cohesion that challenged the practical application of Spaulding glue. All day long that line of citizen soldiery constantly forming in the rear as it melted away in the front marched up single file to do the nation service. It was a sight well worth witnessing. It would be interesting to know the exact number of persons who thus came, paid their cash, received their bonds and

²⁵¹ *Ledger* March 13, 1865; *New York Tribune* March 21, 1865.

departed in peace. Perhaps the number would have sufficed to send a representative to Congress or to form the basis of a territorial organization.²⁵²

Another article emphasized the wide array of buyers:

Keokuk, Iowa; \$20,000. That's well off to sundown. Good! Lowell, Mass; \$17,000. Good, also! That's from the factory girls. McConnellsville, Ohio; \$20,500, nearly all in fifties and hundreds. Lafayette, Ind; \$10,300. Augusta, Maine; Louisville, Kentucky; Des Moines, Iowa; \$20,000 Won't somebody just tell me where will be the repudiation of the national debt that is diffused East and West and North and South?'...It is this taking of this loan by the people, instead of foreigners, it is the depositing by the people of their money, and their faith, and their affections in the perpetuity of their Government, and in the boundless resources of their country, and in its power and its glory; it is this that makes these telegrams bewitching and important. It is these small subscriptions that we want not the big ones. These small subscribers won't sell their bonds. They buy to keep. Every little fifty dollar or hundred dollar bond they get is a nest egg. They will pinch and save and work to buy more.²⁵³

Such publications were not limited to English language papers only, as many immigrant communities were tapped into through various periodicals. There was hope that many immigrant communities would invest in the Union cause, and in doing so, make a statement about their own role as future American citizens. Newspapers such as the *Freie Presse* in Philadelphia represented one of several German language newspapers in the North advertising for the Union. The "Sieben-Dreissiger Anleihe" became well known throughout the German speaking community and "Jay Cooke wieder Regierungs-Banquier" became synonymous with bond sales. While claims would be made criticizing the lack of contributions of European financiers, the same would not be said of immigrants to the Union.²⁵⁴

²⁵² *American* (Media, PA) April 1, 1865—quoted in Oberholtzer, *Jay Cooke*, 1:596

²⁵³ *New York Tribune*, March 7, 1865.

²⁵⁴ *Constitutional Union*, February 15, 1865, Larson, *Jay Cooke*, 2: 169-72.

While marketing and daily reports for small sales of \$50 and \$100 are one thing, a more detailed analysis of 7-30 sales records reveals just in fact how democratic these sales became—and how the marketing and high tales of widespread democratic purchases across the continent and crossing gendered and racial lines did indeed match reality. To be sure, the majority of 7-30s found their way to New York, Boston, Philadelphia, Baltimore, Washington, Cincinnati, and St. Louis. These were the largest urban centers in the country and an overwhelming percentage of these sales at the primary and secondary level fed through these cities. But the 7-30 sales (in keeping with the shift during the 10-40 drive) represented a true movement towards many more smaller towns throughout the North, as well as more regions of the border states and the Confederacy itself with a large quantity of small savings individuals purchasing in the \$50 and \$100 range. From Bangor, Maine, to Concord, New Hampshire, Barre, Massachusetts, to Elmira, New York, Columbus, Ohio, to Galesburg, Illinois, Madison, Indiana, to Norfolk, Virginia, to New Orleans, Louisiana, and Vicksburg, Mississippi, to Albany, Oregon, bond sales touched nearly every facet of northern and southern life by 1864. In spanning far and wide across the continent, these sales truly brought the war directly to the people writ large—exposing the dramatic democratic revolution of bond sales that imposed the federal government on areas that, save the post, had very little interaction with the national government.²⁵⁵

Take, for example, sales in the town of Brunswick, Maine. Located some twenty-five miles north of the larger port of Portland, this small sea faring town that was home to Bowdoin College boasted a population of some 4,700 persons for the 1860 census. Yet, for such a small town, Brunswick contributed disproportionately to the drive. Once more, these

²⁵⁵ These locations were gathered from “Records of Subscriptions,” Vols 2-7, Bureau of the Public Debt, Record Group 53, NARA 2, College Park, Maryland.

sales came from a wide cross section of the town's populace (as well as surrounding smaller communities.) These purchases ranged widely. On the upper end one sees individuals such as Stephen Young. Young, a Maine native and 1859 graduate of Bowdoin, was a Professor of Modern Language at Bowdoin by August 1864, when he purchased \$1,000 in 7-30s from the First National Bank of Brunswick. Similarly, one Ira Merryman, a stonecutter residing on Federal Street, purchased \$600 in 7-30s. These represented higher quantities, to be sure, but are from several different walks of life. However, a deeper analysis of the Brunswick sales reveals other members of the local area. Mary Given, a mother of six and husband of a local deacon, purchased several hundred dollars in 7-30s. Likewise, Lydia Pierce, a 71 year old women who ran a local boarding house put \$100 towards 7-30 sales. These sales represent just a small portion of the sales through the First National Bank of Brunswick totaling some \$60,400 in 7-30s alone. All told 120 purchases came through the First National Bank between August 1, 1864 and February 3, 1865.²⁵⁶

Migrating further west outside of New England with the 7-30 sales reveals the increasing prevalence of immigrants and farmers as investors in the cause—and not necessarily small purchases. German immigrant August Schmidt made his way to Davenport City, Iowa, by the time of 7-30 sales purchasing \$1600 in 7-30s. Fellow German Peter Schlichting pulled together the necessary funds for \$1000 in 7-30s. Another purchaser in Davenport City, Reverend William Shand, purchased a more modest \$250. While these numbers are beyond the \$50 and \$100 sales so often trumpeted by Cooke, a detailed examination of the sales nevertheless reveal a plethora of small sales individuals, albeit with

²⁵⁶ UD 36, RG 53, NARA 2, College Park, Maryland. While the average for the purchases was just north of \$500, several 4 figure purchases skew this data. A more appropriate median reveals a quantity of \$300 with the mode, or purchase of greatest frequency being \$100. 1860 federal census records.

less information to go in (often times initials for first and middle names), thus making it far more difficult to follow. Still other areas contain even more variety. Thomas J. Watson, a wagonmaker in Leavenworth, Kansas, purchased \$200 in 7-30s. Charles Kuhns, a farmer in Lafayette, Indiana, purchased \$200 in 7-30s. A cobbler, Oliver Delancy, purchased \$300 in 7-30s in Cooperstown, New York. These examples offer just a small sample of the myriad actors who engaged in 7-30 sales even before Cooke's agency in 1865. Further examples merely reinforce the fact that these sales took on a scale never before seen in American war finance, distributed widely amongst men and women and throughout the northern states and territories.²⁵⁷

Despite the widespread marketing campaign enacted by Cooke to push 7-30 sales throughout the Union, the thousands of traveling agents in pursuit of subscribers would undertake much of the grunt work. Indeed, the 7-30 drive led to further sophistication of the sales network throughout the country. Building off of the same type of structure of the 5-20 drive, these traveling agents spanned the entire Union, both states and western territories, to sell bonds and organize offices wherein bonds could be sold—often at the local (and recently organized) national banks. In undertaking such a drastic expansion of the sales network compared to the 5-20 drive, Cooke and his associates increased the geographic and social profile of potential subscribers, but wedded, or rather indebted, the populace ever more tightly to the Union cause, and the strengthening of the Federal government in the process.

Following the requests of Cooke, many of these agents wrote back to report in on their actions. Edward Sacket, who canvassed the old northwest, reported in March 1865 from Wisconsin regarding a slew of bond offices that had been set up enticing all walks of

²⁵⁷ Ibid.

life include thousands of dollars in bond sales from the Bohemian miners outside of Green Bay. Meanwhile, traveling agent William Gallaway reported from Illinois “a total of \$160.000” worth of bonds had been procured just in three localities in the previous three weeks. Charles Tarwinkel wrote from Romeo, Michigan, relaying bond sales from the month of March, “Cassapolis 8.000, Niles 30.000, Dowagiac 10.000, Albion 18.000” Winslow Souther wrote from Davenport, Iowa, “Have visited nine counties since my arrival and have found the Loan as popular as in some of our eastern cities and there is hardly a farmer but has more or less in his possession.” GP Hopkins wrote from Indianapolis “the loan is popular and finds all the sparse cash in the place.” One such report in March 1865, witnessed the aforementioned Sacket humbly proclaim, “I flatter myself that my trip thus far, has tended to stimulate parties to greater exertion in disposing of the loan, and somewhat added to an increased confidence on the part of the investor...” Other agents wrote of great success in setting up networks to sell bonds in Kansas and Missouri, while others proudly detailed sales of \$20,000 in Detroit. Still another agent J.E. Zug, wrote from Illinois: “farmers who live in a little cabin, wear their home-spun clothes and ride to church and town in their two-horse wagons without springs have in many instances several thousand dollars loaned to the government.” Likewise Mr. DeCoursey wrote “people of both sexes, of every age, class and description, and of all colors wishing to secure a first mortgage on the property of the United States.” The impact of Cooke and his network was undeniable. The first series of the loan sold under the orders of the Treasury alone took 169 days. In fifty-five days beginning February 1, 1865, Cooke’s network exceeded the first series performance by some \$34 million. These salesmen and the subsequent sub-agents they

enlisted to the cause provide a true testament to the ever-increasing scope of the sales far and wide through the northern populace.²⁵⁸

However, the 7-30 sales marked a drastic geographic expansion as salesmen moved into western territories in pursuit of bond sales. The sales spread from coast to coast as new bank Wells Fargo & Co. pledged to sell the bonds in California, Oregon, Nevada and Washington territory. Transactions west of the Rockies were considerably more onerous than those in Europe from a logistical standpoint as transit to the west coast took considerable time. Wells Fargo & Co operated over 300 offices in the region to sell the bonds. Many banks in California were still on the gold standard, however, making it difficult to sell 7-30s since interest was to come in greenbacks. There was also the matter of a belief in the bond delivery itself, resulting in over four million in bonds sent to California in advance of the sales to overcome skepticism. Nowhere else in the Union did such an act take place to reassure a general public. One might even say that confidence west of the Rockies was hard to come by. Orders began to come in from California and interest in purchases came from the Colorado Territory. Other sales came from Sante Fe, New Mexico bought for “cow-punchers and Mexicans.”²⁵⁹

²⁵⁸ Edward Sacket to Jay Cooke, March 8, 1865, Jay Cooke Papers; William Gallaway to Jay Cooke, March 21, 1865, Jay Cooke Papers, HSP; Charles Terwinkel to Jay Cooke, March 30, 1865, Jay Cooke Papers, HSP; Winslow Souther to Jay Cooke, March 30, 1865, Jay Cooke Papers, HSP; GP Hopkins to Jay Cooke, April 4, 1865, Jay Cooke Papers, HSP; Edward Sacket to Jay Cooke, March 8, 1865, Jay Cooke Papers; Wells Fargo & Co. to Jay Cooke, March 9, 1865, Jay Cooke Papers, HSP; RA Allen to Jay Cooke, March 22, 1865, March 27, 1865, Jay Cooke Papers, HSP; JE Zug to Jay Cooke, April 18, 1865, Jay Cooke Papers HSP; quoted from Oberholtzer, *Jay Cooke*, 1:620; statistics from Oberholtzer, *Jay Cooke*, 1:507-08. Even Cooke’s PR man Wilkeson reported in news from New York City, “A huge Irish chambermaid was spelling her way through it, her duster and broom resting on her hips. ‘Put your money where it is forever safe!’ ‘Faiks’ I shall just put a hundred into that same.” Samuel Wilkeson to Jay Cooke, April 4, 1865, Jay Cooke Papers.

²⁵⁹ Oberholtzer, *Jay Cooke*, 1:597-98, 629-31. Henry Alhman to Jay Cooke, May 11, 1865, Jay Cooke Papers, HSP.

Detailed sales records out of San Francisco add further clarity to western sales. Totalling some \$750,000 in 7-30 sales, these were overwhelmingly purchases in the four figure range among the various business interests in the city. These ranged from established merchants in the region such as William Coleman and Co, and Hickox & Spear, as well as maritime insurance firms such as the Chinese Mutual Insurance Company, and other small business owners. One of these owners of note being the bookseller H.H. Bancroft (of UC Berkeley's Bancroft Library fame.) Still others include a manufacturer named Asher Rosenblatt who procured a more modest sum of \$150 in 7-30s, while a Congregational Minister from New Hampshire named Hiram Cummings procured \$1,000 in 7-30s. Still others came from outside of San Francisco in the more agricultural regions of the state, including one Amanda Culver, who was the wife of farmer Willett Culver who had moved the entire family to California from New York. The Culver family invested \$650 in 7-30s. Countless other examples from the region further reinforce the sales via the assistant treasury as well as Wells Fargo & Co and span wide parts of California and up into the Oregon territory covering towns like Albany, Corvallis, and Eugene.²⁶⁰

In stretching these sales across the continent, Cooke achieved his (and the government's) goal of unifying the nation and binding them through the promise of Union and financial gain. "The subscription should run like a cord through the whole country," Cooke proclaimed, "tying it tougher, making one interest, removing prejudices and solidifying the nation." Boots on the ground on the American frontier proved that such declaration on the part of Cooke and others was not mere rhetoric, but rather faith on the part of the populace to shoulder this burden outside the monied and more densely packed

²⁶⁰ UD 36, RG 53, NARA 2, College Park, Maryland.

northeast. Cooke's calculations confirm such an assessment. At war's end some \$230 million of the 7-30 sales came from the West—effectively anywhere to the west of Pennsylvania.²⁶¹

Seven-thirty agents also made their way into the Confederate heartland to sell the bonds as Union forces increasingly moved into the deep South. Traveling agents ventured into Tennessee, Virginia, Georgia, South Carolina, and Louisiana (especially in and around New Orleans) to peddle the commodity. Much like their 10-40 predecessors, these 7-30s found their way into the Confederacy as sales reached large levels. In Norfolk, Virginia, sales reached the military population stationed in the area, but also individuals like twenty-two year old James M. Black, the son of a “timber getter,” who purchased \$350 in 7-30s in September 1864, while the Reverend Vincent Palen also partook in the drive. But for the chief region of sales in the Confederacy, one must look at New Orleans. The city, occupied by Union forces in April 1862, became a large seed for investment by the 10-40 drive and carried over into the 7-30 campaign. Like other regions in the North, the bond sales covered a wide swath of individuals. Some, like physician Julius Gunther, purchased several thousand dollars in 7-30s. Emilie Collin, a French born resident of New Orleans and wholesale liquor dealer, picked up \$250 in 7-30s. Another liquor dealer, George Underhill, purchased \$100 in 7-30s. Catherine Benedict a Pennsylvanian transplant and a wife of a local “collector” purchased \$300 in bonds.²⁶²

The bond sales even extended to those who quite possibly bankrolled their purchases through rather unconventional means. Take for example Julia A. Cottle. Born in Maine, Cottle moved to New Orleans and by the 1860 census listed her occupation as a

²⁶¹ *New York Tribune*, March 7, 1865, quoted in Edling, *Hercules in the Cradle*, 202; Oberholtzer, *Jay Cooke*, 2:47-48. Citing the quantities of 7-30s sold in the West, Cooke noted that \$90 million of the 7-30 sales came out of Ohio, while some \$70 million originated in Illinois.

²⁶² UD 36, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland.

“washer.” However, her laundry services must have been quite extensive and prolific considering she purchased some \$2,300 in 7-30s. When this large sum is tied to the fact that she was not reporting income to the IRS (who were tracking such money in New Orleans even in 1862) and the fact that she lived with a plethora of other younger females, it’s not outside the realm of possibility that Cottle’s “washing” may have entailed the “oldest profession.” There are also numerous soldiers purchasing bonds in New Orleans as well. While some were high profile officers such as Colonel James Grant Wilson of the 4th USC Cavalry, and other rank and file soldiers such as free black private Levi Robinson from Company A of the 115th USCT, who purchased a \$50 7-30 note in October 1864, only to die the following August. All told, some \$118,000 in 7-30s were sold in New Orleans through the 1st National Bank alone before Cooke took over the agency. Once he did, nearly 1.7 million dollars in 7-30s found their way through New Orleans—although few records exist once you move into 1865 and Cooke’s agency took over the city. Similarly, it’s impossible to know the exact composition of all the various purchasers, some certainly were northern transplants—either from the antebellum years or because of military service, but undoubtedly some of those on the list of purchasers were residents of New Orleans that held Confederate sympathies, at least before the fall of the city to Union forces. Two years of occupation may have changed attitudes or at least outward perception and bond purchases were one way of demonstrating loyalty to the federal government.²⁶³

The voluminous reports that these agents submitted back to Cooke in Philadelphia not only gave him an update as to the sales in various regions, but offered Cooke a chance to take the political and social pulse of a given area. Bond sales in the South took on different

²⁶³ UD 36, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. 1860 federal census records.

forms, from Unionists looking to cement their loyalty to the Union despite their geographic location, to Confederates looking to hedge against the waning chances of their dying cause. Perhaps most importantly, these southern bond sales offered former enemies of the Union to invest in the new realities brought forward by the war. In doing so, one might even argue that it offered an opportunity (albeit a failed one) for sectional reconciliation by means of bond sales. Regardless, such an action on the part of Cooke's network revealed the extent to which the democratic messaging of sales knew no domestic bounds.²⁶⁴

Southerners also found Cooke's sales of incredible interest (even though they did not bother to learn how to spell his name.) On February 20, 1865, *The Richmond Examiner* reported:

The Federal government is now selling large amount of what they call seven-thirty bonds, being hundred dollar bills bearing interest at two cents a day. Under the auspices of an eccentric financier named Jaye Cook, who has established agencies in all the large Federal cities and under which they hold out, these bonds are selling rapidly, and are pronounced a spendled financial success... The efforts of the Yankees to sustain this explosive and inflated paper system, has so far been marked by great ingenuity, resolution, and success. Whether they will succeed in conquering the South, depends in a great degree upon their success in upholding this paper system.²⁶⁵

By July 1865, \$500,000 of 7-30s were outstanding to First National Bank of New Orleans alone. According to local agent Richard Randolph, sales of the 7-30 in New Orleans amounted to some \$839,350—although mostly to larger financial institutions and not without a significant delay of months that agitated many of the locals and “exhausted the “fertility” of traveling agents imaginations. Even in the former heart of the secession movement, South Carolina, sales were successful, albeit to a modest degree of \$10,000. Still,

²⁶⁴ Edward Rowand to Jay Cooke, May 3 and May 29, 1865, Jay Cooke Papers; *New York Herald*, March 20, 1865, *New York Tribune*, March 21, 1865, *Philadelphia Inquirer*, March 24, 1865, Larson, 166-67.

²⁶⁵ *Richmond Examiner*, February 20, 1865.

the subagent requested that the sales be widely publicized in the hopes that more sales in South Carolina (and its neighbor Georgia) may occur. Not all was this promising, however, as one subagent reported of difficulty in the interior of Mississippi where rampant violence on the part of “jayhawkers” and their adversaries still plagued the region despite a significant Union Army presence. This, according to the subagent, contributed to a “rather unhealthy” area to attempt bond sales. Another subagent (Cooke’s brother-in-law) in Missouri regaled Cooke of tales of guerrillas running amuck as late as March and April 1865 making sales difficult to come by, and resulting in him being robbed on at least one occasion. Richard Randolph’s continued sojourns through the South included the commentary on the assassination of Lincoln and the great amount of mourning on the part of African-Americans in Vicksburg, as well as complete disarray in Mobile where many former rebels still strolled the streets with firearms at their sides. Word also spread from parts of the South where its native sons offered to open their own banking houses and act as seven-thirty agents. One agent wrote from Natchez, Mississippi to report on “many of the freedmen having sums of money who would be only glad to invest in such bonds.” In April 1865 mere days after Lee’s surrender, Petersburg, Virginia based Thomas Branch and Sons wrote to Jay Cooke offering to be a banking agent in the impoverished area, although the firm did note that three members were paroled prisoners from Appomattox. Meanwhile the South Carolina Freedmen’s Savings Bank recently established in Beaufort, South Carolina even offered their services as a new seven-thirty agent. The Southern landscape thus afforded an entirely new market for securities even as the war began to wind down and many wondered what fate awaited the former Confederate states.²⁶⁶

²⁶⁶ A.C. Graham to Jay Cooke, July 5, 1865, Jay Cooke Papers, HSP; Richard Randolph to Jay Cooke, July 3, 1865, Jay Cooke Papers, HSP; J.H. Sears to Jay Cooke, July 12, 1865, Jay

As was the case with the 5-20 loan, struggles emerged with sales to heavily Democratic areas. Copperheads made life in certain parts of the North very difficult for traveling agents. J.E. Zug drew one of the short straws in the sales game for 7-30s as his travels through Delaware proved remarkably difficult. Speaking about a cashier in Milford, Delaware, Zug revealed the difficulties he faced. "I tried to induce him to try the experiment," remarked Zug, "but he was not disposed to take any special pains to sell, or make popular the Loan, the secret of his indisposition is, he is a copperhead." Two days later, Zug vented his frustrations regarding the cashier at the Bank of Georgetown, "he would have nothing to do with me he is a rebel." Alexander Robb shared similar frustrations writing from Parkersburg, West Virginia in March 1865. "General Jackson of the 2nd National is rather against the government, reported Robb, "[He] talks down its securities +c +c-is in favor of repudiation and talks queer altogether... Folks say his sympathies are with the south and call him copperhead." Yet some copperheads did come to see the light eventually. One report to the Philadelphia office reported an agent who had "just invested \$700 in seven thirties for 'a poor washerwoman, the savings of seven years which she had until now been deterred from investing by the counsel of a Copperhead friend.'" ²⁶⁷

While Zug and Robb met with difficulties in their sales, the winner might very well be Julian Brewer. Brewer's circuit involved some pro-slavery regions of Maryland and as a

Cooke Papers, HSP; Richard Randolph to Jay Cooke, June 27, 1865, Jay Cooke Papers, HSP; Oberholtzer, *Jay Cooke*, 1:604; Richard Randolph to Jay Cooke, April 21, 1865, Jay Cooke Papers, HSP; Richard Randolph to Jay Cooke, May 15, 1865, Jay Cooke Papers, HSP; Richard Randolph to Jay Cooke, April 24, 1865, Jay Cooke Papers; Thomas Branch and Sons to Jay Cooke, May 2, 1865, Jay Cooke Papers, HSP; South Carolina Freedmen's Savings Bank, April 6, 1865, Jay Cooke Papers, HSP. Evidence would seem to indicate that in May 1865 the South Carolina Freedmen's Savings Bank purchased \$80,000 in 7-30 notes on behalf of freed people, Robinson and Ogden (NYC) to Jay Cooke, May 10, 1865, Jay Cooke Papers.

²⁶⁷ J.E. Zug to Jay Cooke, March 6, 1865 and March 8, 1865, Cooke Papers; Alexander Robb, to JC, March 13, 1865; Oberholtzer, *Jay Cooke*, 1:597.

result led to tremendous difficulties in his quest for sales. One April day Brewer reported, “This morning I begun to go out among the people finding them or the most of them violent southern men and as their armies have not been very successful for them in rather a bad [], They don’t fancy 7.30 bonds.” Two days later, Brewer reiterated his frustrations regarding selling bonds in this pro-Confederate segment of Maryland. “I do not think I have ever been in a place where there has been so little interest shown in relation to the loan, as the majority of the population are strong secessionists; and do not feel any interest in any interest in any thing that has relation to the Government as to getting them to invest their negro made money in Government bonds (at present) is out of the question.” Brewer’s frustrations reached their peak with his arrest in the wake of Lincoln’s assassination and his imprisonment in Washington until he could be properly identified by Cooke’s office.²⁶⁸

The 7-30 campaign also incorporated night agencies into its marketing repertoire in an effort to cater to the needs of “workingmen” in northeastern cities and their surrounding environs. These “workingman savings banks” originated in Washington and were established in drug stores and other businesses where workers, soldiers, and others could speak with a representative and ask questions about the loan sales. As night became morning, the offices even offered coffee and doughnuts to individuals heading off (or returning from) work. Such offices catered to the workingman of the northern city, where they might exchange with one another thoughts on the merit of bonds and strategies of investments in these government securities. One seven-thirty advertisement described the scene amongst a disparate group of workingmen and women from Chinese, Irish, German, and even Native American backgrounds,

²⁶⁸ Julian Brewer to Jay Cooke, April 4 and April 6, 1865, Jay Cooke Papers. For the ordeal pertaining to Brewer’s imprisonment, see Julian Brewer to Jay Cooke, April 15, 1865, Jay Cooke Papers.

Out of 100 bond-buyers who crowd the office in Bleecker street, each waiting in turn to lend his money out on interest, at least 60 are mechanics or laborers, 20 are saloon-keepers, small dealers and soldiers, and the rest are an almost nondescript condition of venders, clerks, and even boys, mixed in with a number of women in faded calico or mourning—toil, sorrow, wrinkled thrift, or the working-woman's work-a-day written upon their features. In another arrival the proportion of dealers and soldiers is greater, but throughout the evening a tide of labor pours in through the portals of the 'Seven-Thirty,' amid a confusion of faces, tongues and opinion. Rude finance discussed with homely sense between workman and workman, political prejudice cured or silenced by a witty word tossed over the shoulder, question after question answered across the counter and the whole matter and genius of the 7:30 understood and appreciated.²⁶⁹

With such descriptions, Cooke & Co. reinforced the democratic messaging of the bond campaigns in an effort to popularize the loan. New York City had no fewer than eight of these agencies operating by the summer of 1865 and several more could be found in neighboring Brooklyn, Jersey City, and Newark.²⁷⁰

The Democratic messaging of bond sales via these night agencies became abundantly clear with further advertising. One telling example of 7-30 sales at a Bleecker Street office in lower Manhattan in July 1865 noted 157 buyers drawing from international buyers and blue collar roots:

27 were shop-keepers, 19 were machinists, boiler-makers, foundry men, etc all workers in iron; 17 returned soldiers and sailors; 12 clerks and store-tenders 10 saloon keepers; nine steamboat men, engineers, etc; five bartenders, four hotel servants, five hatters; four saddlers; four cardrivers; two cabmen; two farmers; three stall-keepers; five shoemakers; four tailors; five bookbinders; six store and working women; six barbers; four cigarmakers; one was a telegrapher; one an actor; one a journalist; 13 were Irishmen; 16 Germans, and Portuguese, Chinese, and one Moor, were part of the curiosity of nationality. These facts give only a glimpse of a world-wide democratic phase of the 7-30.²⁷¹

²⁶⁹ Quoted in Oberholtzer, *Jay Cooke*, 1:586.

²⁷⁰ Samuel Wilkeson, *New York Tribune*, July 17, 1865, Larson 167; A partial listing of these New York City area night agencies can be found in John Russell Young to Samuel Wilkeson, June 16, 1865, Jay Cooke Papers, HSP.

²⁷¹ *New York Tribune*, July 17, 1865, also quoted in Edling, *Hercules in the Cradle*, 203.

Taking a deeper look at the numbers reveals how widespread small savings individuals were by the 7-30 drive. While 5-20 registered bonds contained a total of 7,034 bond purchases of \$50 or \$100, these numbers would pale in comparison to small bond purchases as part of the 7-30 drive. In the months of February and March 1865 alone, a total of 113,392 bond purchases occurred in \$50 and \$100 increments. In fact, the small bond purchases of March 10, 1865, exceeded all small bond individual purchasers for registered 5-20 bonds. Small bond sales continued to accelerate. During the first week of May, small bond sales amounted to 28,239 purchases. Likewise, May 9, 10, and 11, 1865, yielded small bond sales of 10,651, 11,928, and 10,752 respectively. May 12, 1865, however was the single largest day of small savings subscribers as 21,307 individuals purchased \$50 and \$100 bonds.²⁷²

The bond sales also benefitted from the close coordination between Cooke's offices and the Treasury Department. On numerous occasions Cooke received formal authorization from the Treasury to buy bonds acting on behalf of the federal government in order to stabilize the market. On March 21, 1865, Secretary of the Treasury Hugh McCulloch (who succeeded William Pitt Fessenden's brief eight month tenure) wrote to Cooke authorizing him to

purchase five-twenty and ten-forty bonds and seven thirty notes in such proportions and to such amounts not exceeding in the aggregate ten millions of dollars, as, after conference with the Asst Treasurer at New York, may be deemed necessary, not only to check the decline, but to restore their value nearly to the range prevailing for these securities for the last few months.²⁷³

²⁷² "The United States Can Carry a Bigger War Debt Than Britain," undated newspaper article, Hugh McCulloch Papers, Lily Library, Indiana University; May 1863, 5-20 statistics drawn from Bureau of Public Debt Records, RG 53, NARA II, College Park, Maryland.

²⁷³ Hugh McCulloch to Jay Cooke, March 21, 1865, Jay Cooke Papers, HSP.

The persistent thorn in the government's side, Morris Ketchum, once again was the culprit. Writing from New York, John Stewart bemoaned to Secretary McCulloch "There is a very uneasy feeling in the community which it will be difficult to allay. It is said Ketchum is a large seller of Governments and the fall in gold, Governments and other securities is attributed in a considerable measure to the operations of a bear party in which his son is understood to be one of the most prominent actors." Cooke worked actively in concert with the Treasury in late March and early April 1865 to allay fears and right the market. Cooke also used money from other bonds sales to prop up any and all sales of bonds that might fall below par on the New York Stock Exchange. In doing so, Cooke helped to maintain the inherent value of the bonds and, by association, the Federal government. Once more, such actions reveal the interplay between Cooke and the Federal government over federal economic policy—foreshadowing more concerted and centralized monetary policy by the first part of the twentieth century.²⁷⁴

Democratization also meant the bonds were sold to Union soldiers. Aside from some efforts by the government to compensate soldiers in bonds, agents also followed the various armies to sell the bonds following army paydays in proper greenbacks. Bonds could be held by the soldiers themselves, mailed home with the assistance of the agents, and even held on behalf of the bondholder with the notification of the next of kin should the soldier fall on the battlefield. One soldier even wrote to Cooke about his rationalization for purchasing the bonds—a message Cooke wanted to spread far and wide in the Union

²⁷⁴ John Stewart to Hugh McCulloch, March 22, 1865, McCulloch Collection, Lily Library. The Treasury did not always act through Cooke, for instance on April 3, 1865, when Stewart purchased \$13 million in a variety of bonds and coin in order to stabilize the 7-30 market. For more on this act see, John Stewart to Hugh McCulloch, April 3, 1865, McCulloch Collection, Lily Library; D. Crawford to Jay Cooke, March 22, 1865, Jay Cooke Papers, HSP; Michael Hennessy to Jay Cooke, March 24, 1865, Jay Cooke Papers, HSP.

armies. “If I fight hard enough,” proclaimed the soldier from the Army of the Potomac, “my bonds will be good.” Still another soldier, this time from a USCT unit attached to the Army of the James, wrote to Cooke in the spring of 1865 inquiring whether or not bonds purchased by soldiers could be held by Cooke & Co. until such a time as the soldier’s service was complete and they could ensure the bonds were entrusted to reliable individuals. In addition, another letter to publicist Samuel Wilkeson spoke of \$7,000 of sales to soldiers at a night agency office on 60 Bleecker Street in New York City, and \$16,000 worth of bond sales to soldiers stationed on Hart’s Island in the modern day Bronx, while two other night offices amounted to a further \$2,000 in soldier sales. Still another subagent in Minnesota noted that thousands of dollars worth of bonds were being sold daily to troops mustering out in St. Paul, while the bonds were found in demand in Wisconsin among troops mustering out as well. Another traveling agent reported that \$30,000 in bonds were taken out by the 5th Kentucky Cavalry while another traveling agent reported that the First National Bank of Davenport (Iowa) was placing bonds at a rate of \$15,000 a day in the hands of soldiers. Still a seamen writing from the recovery ship *Princeton* asked how he might invest his wages in bonds. While another letter details the efforts to coordinate sales to soldiers at the paymaster level using them as agents to sell bonds in Kentucky and other portions of the Western Theater.²⁷⁵

The publicist John Russell Young worked arduously to sell the bonds to Union soldiers. Opening a shop run by his younger brother on Bleecker Street opposite the pay department they received special permission from General Dix to sell to the soldiers. The

²⁷⁵ W. M. Clark to Jay Cooke, March 30, 1865, Jay Cooke Papers, HSP, quoted in Larson, 167-68; *Philadelphia Press*, April 31, 1863. For more see Philip Paludan, *A People’s Contest: The Union & Civil War, 1861-1865* (Lawrence: University Press of Kansas, 1988), 116-18; *Daily Evening Bulletin*, March 22, 1865; J.R. Young to Samuel Wilkeson, June 21, 1865, Jay Cooke Papers, HSP. W.W. White to Jay Cooke, July 6, 1865, Jay Cooke Papers, HSP.

133rd New York Regiment purchased some \$27,000 in bonds. The office sold on average nearly \$20,000 of bonds to soldiers on any given day and in five weeks sold nearly \$500,000 in 7-30s to Union soldiers out of that office alone. One other quartermaster in Virginia proudly boasted of nearly \$200,000 in bond sales to northern soldiers and sailors. Still another report in from Jay Cooke's Philadelphia office reported on an officer coming in to make purchases at the Third Street office and his subsequent exchange with Jay Cooke: "The lame officer comes in," reported the editor, "and takes gold out of his vest pocket, five double eagles, and jingles them. 'One of my men asked me to bring this in' (this officer commands a camp of rendezvous and instruction for colored troops)" and put it into 7.30s. "Tardy repentance, colonel! But the white gold gamblers have been caught in the same way. Better late than never though," "And another has given me \$300 to invest." "Hurrah! Ah, colonel, it is not altogether a white man's war, is it? I am glad to have black soldiers take the Government loan." In all of these purchases of confidence, Union soldiers opted to share their financial gain with the United States government on unparalleled levels compared to the antebellum years. This in and of itself redefined how these citizens viewed their government, and the mode of financialization employed to achieve that faith. For many men in the Union army, 'Union' entailed not only a sectional reconciliation (and for some the eradication of slavery), but also a fiscal commitment to the nation's future.²⁷⁶

War finance truly became entwined when bonds became used to compensate those with vouchers owed for their materials provided to Union arms. The plan as laid out by Jay

²⁷⁶ Edward Sacket to Jay Cooke, July 21, 1865, Jay Cooke Papers, HSP; E.S. Rowland to Jay Cooke, May 15, 1865, Jay Cooke Papers, HSP; William White to Jay Cooke, June 29, 1865, Jay Cooke Papers, HSP; John Jumen to Jay Cooke, April 4, 1865, Jay Cooke Papers, HSP; Edward Rowand to Jay Cooke, April 6, 1865, Jay Cooke Papers, HSP; W.M. Clark to Jay Cooke, March 30, 1865, Jay Cooke Papers, HSP; Bleeker Street night office quotations from Oberholtzer, *Jay Cooke*, 528-29; *New York Tribune*, March 7, 1865.

Cooke to the Treasury and War Departments permitted some thirty million in vouchers to be exchanged for 7-30 notes. As part of the condition of accepting the exchange, these exchanged notes could not be redeemed for a minimum of four months so as not to disturb the 7-30 market. In putting forth such an arrangement, the end goal was one in which 7-30's would be absorbed at an even faster rate and then enable the War Department to clear its books sooner. As news emerged on the potential for these voucher exchanges, letters poured in from as far afield as Kansas requesting exchanges of vouchers for 7-30s. The great success of such a movement reflected the ingenuity of Cooke & Co. and the way that bonds increasingly came to define every aspect of war finance during the course of the war.²⁷⁷

The telegraph became the chief means by which the information of sales was relayed to Cooke's office and to people of importance in Washington. To confuse the telegraph operators who couldn't necessarily be trusted and reduce the cost of telegraph messages, codes and cyphers were employed. "New York, 15th. Total Emily Stone. Half Country. J.H. Stout, Cashier," could be translated into \$100,000 in total with half forwarded from Washington in thousand notes and the remaining balance to subscribers from Washington. Likewise a telegraph from New York bank Clark, Dodge & Co declaring "I will take at least Choctaw today to carry out instructions in regard to bonds probably Choctaw gypsy," could be construed as Clark Dodge & Co. purchasing at least \$1 million 7-30s but more than likely \$1.5 million. When coupled with Cooke's ability as a wire house, such acts revealed the

²⁷⁷ For more on the initial arrangement see, Jay Cooke to Henry McCulloch, March 15, 1865, Jay Cooke Papers; For more examples of voucher exchange requests see, A Ives & Son to JC, March 13, 1865, Jay Cooke Papers, S.E. Jones to Jay Cooke, March 13, 1865, Jay Cooke Papers, A Beattie & Co to JC, March 15, 1865, Jay Cooke Papers, A Caldwell to JC, April 6, 1865, Jay Cooke Papers, Edward Rowand to JC, April 22, 1865, Jay Cooke Papers. For a detailed account of nearly \$200,000 of vouchers paid off in the Louisville area see, EW Clark + Co to Jay Cooke, March 27, 1865, Jay Cooke Papers. See also Edward Rowand to Jay Cooke, April 6, 1865, Jay Cooke Papers.

nuanced approach to bond sales that Cooke & Co. employed that foreshadowed the advent of the stock market ticker just after the war and the far more advanced high frequency trading of modern times.²⁷⁸

Economic matters also made their way into Houses of God. New England Baptist minister George Ide famously spoke to his congregation about the ever presence of “the pillar of God’s Providence...arranging all, overruling all”, a notion that extended to the world of finance. “How signal has been the interposition of Providence,” mused Ide, “at the very point in time when the wants of the Government required extraordinary revenues, and the sources were closed from which treasure had been wont to flow in from abroad, the almighty disposer of events...caused the tide of wealth to set strongly upon our shores.” Ide commented further, “brought about by divine interference... enterprise is active. Business thrives. Labor is in demand, and well rewarded.” One subagent wrote in to Cooke relaying his efforts to enlist various clergy in the Hudson River Valley to encourage their congregants to subscribe to the loan scheme. Of the forty-five clergy he purportedly visited, all but two agreed to share this benevolent message. Thus, the rewards of finance and investment even made its way into sacred houses of worship all throughout the North, with agents on hand ready and willing to assist those in answering God’s call to invest.²⁷⁹

The excitement of Lee’s surrender at Appomattox was quickly dashed by the assassination of Abraham Lincoln. While sorrow and anger filled the nation’s capital and other regions of the North, of critical importance to Secretary McCulloch was the stabilization of the overall credit of the United States in wake of this horrendous act. On

²⁷⁸ Oberholtzer, *Jay Cooke*, 1:594, Clark, Dodge & Co to Jay Cooke, March 24, 1865, Jay Cooke Papers.

²⁷⁹ George Ide, *Battle Echoes or Lesson from the War* (Boston: Gould and Lincoln, 1866), 137-38, 41-42, 43; Isaac Steven to Jay Cooke, July 18, 1865, Jay Cooke Papers, HSP.

April 15th, Henry Cooke wrote his brother “A night of horrors and a day of impenetrable gloom!” Henry’s letter further authorized Jay to do all necessary to stabilize the New York markets. However, Jay did not need such permission for in his mind the task was of utmost necessity. Cooke opted to travel to New York personally to take control of the financial situation writing ahead to his ally houses “it is important that government securities stand like a rock.... Poor Lincoln—a noble soul has gone.” Cooke arrived in New York prepared to buy as many bonds as necessary in order to stabilize the market, but the exchange did not open on Saturday, as financiers and dockhands alike mourned the death of the President. On Sunday the 18th, Jay received a letter from his brother, “you have *carte blanche* to manage the market as you may deem best.” Jay Cooke remarked later in life in his memoir regarding the active days surrounding Lincoln’s assassination: “The first day my agents brought me some three millions and it required the purchase of less than twenty millions in the space of seven or eight days to end the panic. The bonds were resold and the money was replaced in the treasury at a profit to the government, as I had directed an advance each day of one-eighth on the old issues of bonds, so that the spectacle was presented to the world of a nation with its credit unimpaired and its securities advancing in price while suffering from a terrible calamity. The London *Times* and other influential European journals commented with surprise upon this wonderful exhibition of confidence on the part of the American people. I have always regarded this as among my greatest successes in finance. The world was not informed as to the particulars of this movement until long afterward. I preferred that the national credit should enjoy all the advantages of this action on my part...”²⁸⁰

²⁸⁰ Henry Cooke to Jay Cooke, April 15, 1865, JC Papers; Oberholtzer, *Jay Cooke*, 1: 532; Henry Cooke to Jay Cooke, April 18, 1865; quote from Jay Cooke Memoir, Jay Cooke Papers, Baker Library, Harvard Business School.

In the wake of Lincoln's assassination and the initial fears over a panic having subsided, sales entered a phase of unparalleled success. In the last two weeks of April (including no business on the day of Lincoln's funeral), Cooke's agency procured over \$40 million in sales. However, May eclipsed the April numbers with the first six days of sales in May exceeding the aforementioned \$40 million in sales. Once more, these sales found their way to a wide segment of the populace as \$50 and \$100 subscribers numbered some 28,239 subscribers in the period May 1-6, 1865. The end result of these small savings purchases in late April and early May of 1865, led to the second series of \$300 million 7-30s being sold by May 13, in thirty working days and well in advance of the deadline of July 10. The third and final series took slightly longer owing to some bond supply issues, but it too came to a close rather rapidly on July 26, 1865, for a total of \$830 million.²⁸¹

Newspapers throughout the North sang the praises of Cooke and his army of agents. The *Boston Bulletin* proclaimed "The Treasury people as well as the Loan Agent and his 'subs' all over the country have ample reason to be proud of this extraordinary triumph," while the *Constitutional Union* declared "the fame of Jay Cooke now world-wide will be as enduring as time." While the Philadelphia *Inquirer* said "let us not forget that among our benefactors we must reckon not only the brave soldiers and sailors who took us through the contest by their courage and devotion, but also the skillful financiers who, through every discouragement, furnished us with 'the sinews of war.'" Lastly, the Philadelphia *Press* exclaimed, "Now that we have come out of the struggle successfully no one who appreciates the genius and

²⁸¹ Oberholtzer, *Jay Cooke*, 1:538-542.

patriotism which led us through the fiery ordeal will hesitate to place the great financier of the war alongside its greatest generals.”²⁸²

In the war’s aftermath, Cooke proclaimed “out of three million subscribers to our various public loans, over nine-tenths are of the class called *the people*.” While Cooke’s word is open for reassessment, there is no doubt that the people carried a significant burden of the war expenses, and this came to especially be the case with the 7-30 issue. For the 7-30 loan drive reflected the march towards democratization of war finance that originated with the National Loan and ’81s from 1861. Slow to start, as the war progressed to become the people’s cause, so too did it become intimately tied financially to the people. The various bond drives funded the daily operations of the war at its most basic level. The traveling agents that appeared at doorsteps and tent flaps and advertisements that filled papers and windows far and wide, revealed the great depths of the bond campaign to reconstitute how individuals interacted with the state and a new dimension in American war finance. These bonds provided an opportunity for large quantities of individuals to buy into the Union cause. And buy into the Union cause these individuals did, and in doing so opened a new chapter in American war finance—one that extended securitization to the public at large and tied the American citizenry via bonds into a larger national narrative.

²⁸² Oberholtzer, *Jay Cooke*, 1:572-74. Even General Grant allegedly got in on the compliments directed towards Cooke. In the spring of 1864, Jay Cooke’s son visited the Union front and met General Grant. Upon identifying himself and his relation to Jay Cooke, Grant purportedly said “tell your father I appreciate his message and his services. Tell him that he is doing more than all the generals in the army; for without his aid we could not do any fighting,” quoted in Oberholtzer, *Jay Cooke*, 1: 495.

CHAPTER 6: CIVIL WAR DEBT DURING RECONSTRUCTION AND BEYOND

In an 1866 political pamphlet *Soliloquies of The Bondholder*, the author, Brick Pomeroy, regaled the reader with tales of the life of the bondholder. “Here I am, a rich, prosperous, loyal man, with nothing to do but to enjoy myself. Egad, what a blessing the war was to me! It killed off my poor relations, and left me in luck.” The fictitious bondholder went on to proclaim, “How I love my government! It is the best the sun ever shone on! These bonds average me eight per cent, interest in gold.... And the beauty of it is, I don’t have one cent of taxes to pay. Isn’t it nice? This is the best government the world ever saw. Rich men hold bonds—poor men pay them.” After detailing the pervasive nature of the income tax in American life and the “fools” who paid such taxes, the bondholder concluded his thoughts by remarking, “And now I sit in my parlor—I smoke my cigars—I drink my wine—I enjoy myself, and have no taxes to pay.”²⁸³

²⁸³ Brick Pomeroy, *Soliloquies of The Bondholder, The Poor Farmer, The Soldier’s Widow, The Political Preacher, The Poor Mechanic, The Freed Negro, The ‘Radical’ Congressman, The Returned Soldier, The Southerner and other Political Articles* (New York: Van Evrie, Horton & Company, 1866), 3-4. Another quotation worth citing from the bondholder soliloquy, “And, better still, the solders came back form the war, and now are working to pay the taxes to pay interest on my bonds! Isn’t it nice? The d—d fools went to war, and came back and work like dogs to pay the interest on the bonds we sold to give them money. They are paying themselves for getting shot at. Bully for us, bondholders! And now they work to pay the interest. When they get used to it, we’ll make ‘em pay the principal, too! What a good government this is!... Work away, you poor fools. Toil your fingers to the bone, and die poor men for my sake. The war was a God-send to thieves, swindlers, cowards, stay-at-home patriots, Abolition agitators, Republican officeholders, robbers, and in fact, all of our crowd of Union voters. *D—n the Union*, if we can only hold bonds and offices, and keep the people in poverty. Guess this

By the summer of 1865, the Civil War had ended and questions over the matter of slavery and the prospect of the Republic allegedly resolved, but economic concerns weighed heavily on the minds of people in Washington and throughout the entire North. While *Soliloquies of The Bondholder* represented a piece of Democratic propaganda that would lead the reader to believe that the war was not a ‘People’s Contest’ as far as bonds were concerned, the previous chapters of this work have demonstrated how the war came to draw on the financial resources of a wide swath of the population stretching across gender, racial, sectional, and international lines. That said, the postwar period witnessed a significant regression to ownership of bonds in the hands of select financiers and financial institutions by the time the debt was refunded. This brief moment of financial democratization had passed. In its place remained the relatively new world of American investment banking—a highly specialized system of finance centered in New York City. Born as a byproduct of Congressional legislation enabling the massive increase in government securities exchanged on Wall Street and successful in no small part because of a Main Street commitment to buy, these financial institutions would now need to contend with a post-war world where government securities still reigned supreme, and the importance of railroad securities skyrocketed to new heights, both domestically and abroad.²⁸⁴

But if the domestic market in the post-war period saw a transformation, the case could be made for an even larger shift on the international level. The post-war world

wasn’t the rich man’s war—guess not. And I guess you folks dasn’t go for equal taxation and repudiation, for it is wrong to injure us chaps who support the government.”

²⁸⁴ The notion of the refunding of the debt returning into the hands of a wealthy few is a difficult proposition to validate. The evidentiary gap being what it is and a general lack of understanding as far as who held the bonds from institution to institution muddles this statement even further. This is not something I’m entirely sure how to contend with. As this chapter contends, I do think there is something to be said about the rise of democratic speculation in the post-war period as evidenced by the bucket shops addressed at length in this chapter.

witnessed a shift in transnational financial partnerships between American and European banks. The intricacies of these partnerships, silent or formalized, revealed the increasing complexity and globalization of financial markets, all dating from prior relationships forged with Union securities from the Civil War. For the very first time, American banks opened branches abroad and utilized new technology and financial instruments to transform global markets.

The passage of the National Banking Act in 1862 and the heretofore-unseen levels of sovereign debt issued by the United States up to this point fundamentally changed the financial dynamic not only of New York City, but also the country. “Another circumstance which indicates a change in the ratio that formerly existed between national production and national consumption is to be found in the fact that during the last few years large numbers of our population, under the influence and example of high profits realized in trading during the period of monetary expansion, have abandoned pursuits directly productive of national wealth, and sought employments connected with commerce, trading, or speculation” one report stated in 1869. The world of American capitalism was entering a new stage, one in which the proliferation of financial houses tied to specific assets came to define a significant percentage of New York City houses. When coupled with transatlantic syndicates of an unparalleled degree with “big name” underwriters sovereign debt truly entered the world of financial globalization.²⁸⁵

The summer of 1865 brought with it the stark realization and calculation of the past five years. Some 750,000 soldiers had been killed and more than a million permanently scarred—both from the loss of limbs and the mental trauma that would plague tens of thousands of veterans in the coming decades. Yet coupled with these tolls was the

²⁸⁵ *Report of Special Commissioner of Revenue*, xxxi.

tremendous financial burden placed on the United States in the years of the conflict and questions over how to rectify the situation. Owing more than \$2.6 billion by the summer of 1865, the United States would now face the challenge of not only paying a debt off, but doing so with a southern population who had no qualms in repudiating such debt—just as they had done at the state level in several southern states in the antebellum period. Once again, Jay Cooke would emerge with a central role to help United States financial efforts in the post-war period. This time, however, the challenge would be a successful refunding of the debt at a lower interest rate. Working for a truly bipartisan and national resolution, Jay and his brother Henry would use their power and influence in Congress, on Wall Street, and with the press to make refinancing and refunding of the debt a reality. In the process, Cooke and Co. enabled a more sophisticated network, or syndicate, to emerge that crossed the Atlantic to various banking houses throughout Europe. Such efforts foreshadowed a truly global integration of capital markets and the emergence of syndicate practices that came to define the Gilded Age. Also it revealed the introduction of American banking houses opening European branches in cities such as London, Paris, and Frankfurt. Such acts revealed the increasing power of American finance in a global age.

The end of the war brought relative stability to the treasury, but great uncertainty as to the future of American debt. From the standpoint of American debt, the country truly was in uncharted waters. From a public debt that stood at slightly under \$65 million in 1860, the war had caused the United States debt to balloon to \$2,677,929,012 by June 30, 1865. This debt would reach its wartime peak at the end of August coming in at some \$2,757,689,571.43. As a percentage of the Gross Domestic Product, the public debt had skyrocketed from being 1.49% in 1860 to 27.1% by 1865. But as has been pointed out by Franklin Noll and others, an additional factor beyond the size of the debt was the structure

of said financial liabilities. By the summer of 1865, the debt was comprised of thirty-two different financial instruments with widely varying interest rates (ranging from 4 to 7.3 percent.) Perhaps most alarmingly, some 48% of the debt was coming due (either on demand or by maturity) within five years of the summer of 1865. This collection of debt also contained an average interest rate of 6.3%. Secretary Chase's approach to financing the war in its early months was finally coming to roost. The suspension of specie payments in December 1861 dictated financial policy that cried for short-term solutions—something that now had deep repercussions by the end of the war carrying into the Reconstruction period. The fiat currency of greenbacks standing at some \$432 million by the summer of 1865 also wreaked havoc on the money market and had a trickle down effect upon the bonds themselves—in terms of secondary markets as well as the perils of the gold room. By the summer of 1865, the war may have been concluded, but the financial situation and refunding solution was far from certain.²⁸⁶

When Hugh McCulloch ascended to the role of Secretary of the Treasury in the spring of 1865, he made it clear that a rapid retirement of the debt served as his chief objective—part of a long term strategy to return the country to the gold standard. “My chief aim,” declared McCulloch, “will...be to provide the means to discharge the claims upon the

²⁸⁶ *Annual Report of the Secretary of the Treasury on the State of the Finances, Statistical Appendix, 1980* (Washington, DC: Government Printing Office, 1980), 61; *Annual Report of the Secretary of the Treasury on the State of the Finances, 1867* (Washington, DC: Government Printing Office, 1868), iii-iv; *Annual Report of the Secretary of the Treasury on the State of the Finances, 1865* (Washington, DC: Government Printing Office, 1865), 50-55. Franklin Noll, “Repudiation!: The Crisis of United States Civil War Debt, 1865-1870,” 2-3. For more on the cost of the Civil War see, Claudia Goldin and Frank Lewis, “The Economic Cost of the American Civil War: Estimates and Implications,” *The Journal of Economic History* 35 no. 2 (June 1975), 299-326. Also Thomas Cochran, “Did the Civil War Retard Industrialization?” *Mississippi Valley Historical Review* 58 (September 1961), 197-210, and finally Stanley Engerman, “The Economic Impact of the Civil War,” *Explorations in Entrepreneurial History*, Second Series, 3 (Spring-Summer 1966), 176-199.

Treasury at the earliest date practicable, and to institute measures to bring the business of the country gradually back to the specie basis, a departure from which...is no less damaging and demoralizing to the people than expensive to the government.” Such a prompt retirement of the debt was easier said than done, however, as serious questions loomed over what revenue sources might be utilized to pay off the debt, how long it might take, and how the debt might be refunded to reduce the total interest owed by the United States government.²⁸⁷

In the immediate aftermath of the war, extensive debates were had over the debt. Whether such debt was a “blessing” or a “burden” occupied many pages of print in the United States for the remainder of 1865 and into 1866. The opinions on the matter, as one might expect, ranged widely. An article in the *Commercial and Financial Chronicle* equated war debt with capital improvements that in the long term would benefit the nation. “A national debt,” the article stated, “may be so managed as to stimulate productive power and augment the force of inventive genius, to economise capital and open a beneficent reservoir for gathering together and rendering more productive ten thousand little fertilizing streams of national wealth.” One of the most prominent pieces in support of the debt was (unsurprisingly) put forward by Jay Cooke’s New York based PR machine. The piece by Samuel Wilkeson entitled *How Our National Debt May Be a National Blessing* emphasized the power of a national debt to act as a “public wealth, political union, protection of industry, secure basis for national currency, the orphans’ and widow’ savings fund.” Furthermore,

²⁸⁷ *Banker’s Magazine* XIX (April 1865), 783. Quoted in Irwin Unger, *The Greenback Era: A Social and Political History of American Finance, 1865-1879* (Princeton: Princeton University Press, 1964), 41.

Wilkeson contended, “We lay down the proposition that our national debt, made permanent and rightly managed, will be a national blessing.”²⁸⁸

The Cookes worked doubly hard on solidifying their hold on the press to ensure a favorable discussion regarding debt refunding and the need to have the ever-trusted Cooke & Co. at the helm of any negotiations. As Jay Cooke’s brother wrote, “Its only a question of *price* you will pay whether these editors will lie *for* you or against you.” Gifts to newspaper men, most commonly alcohol, became a frequent occurrence as the men tried to curry favor with the press in the northeastern cities. These newspaper editors had a long reach as their pieces were often picked up for syndication by other newspapers throughout the country. Additionally, the options on bonds referenced in earlier chapters were another inducement for the press to write favorably on Cooke when it came to the debt question.²⁸⁹

Despite many pieces championing the national debt, some critics were fairly vocal, especially surrounding the notion of a national debt as a blessing. One critic when citing the “preposterous theory which considers a national debt as a ‘national blessing,’” reiterated a popular refrain for the anti-debt crowd when he noted “it is capital to those only who hold it

²⁸⁸ For vocal opposition to debt repayment during the war see A. Campbell, *The True American System of Finance and The Common Sense Way of Doing Justice to the Soldiers and Their Families: No Banks: Greenbacks the Exclusive Currency* (Chicago: Evening Journal Book and Job Print, 1864.) For more on the backlash to Wilkeson’s publication see, Oberholtzer, *Jay Cooke*, 1: 638-644.

²⁸⁹ Harietta Larson, *Jay Cooke*, 201-02. In addition to currying favor with the press, Cooke & Co. also acknowledged the power of political friends. Henry Cooke had long held a grasp over many in Washington and the political situation surrounding Andrew Johnson’s trial only made it more important for friends to be had. Jay Cooke put significant money into Republican politics (certain candidates, but not the party itself) for the election of 1868, not only for Grant but also Congressional candidates and allies such as Schenck, Logna, Bingham, and several others. The banks financial records indicate that some \$17,825 went into the “political account” in support of favorable candidates. Henry Cooke to Jay Cooke, January 7, 1869, Cooke Papers, HSP. For more on criticism see Secretary of the Treasury, *Report on Finances*, 1867, xiii and 39th Cong. 2nd Sess. (1866-67), *House Reports*, no. 14. For more on the argument that Jay Cooke met with great financial gain as a result of his Civil War exploits, see *Harper’s Weekly*, April 4, 1866.

and a tax to everybody else.” Secretary McCulloch differed sharply from his bond-selling partner Jay Cooke when he flatly stated “There can be no reasonable doubt that a national debt is a national burden, for which there can be no substantial counterbalancing compensations.” He added in a subsequent letter “it would be foolish to call it a national blessing, it may be so managed as not to be a national calamity.” A British economist at the time spoke to the fact that it was an inherently American trait to pay off such a debt. Americans, in the mind of this economist, had a “strong and controlling sense that debt was always and everywhere an evil; that it was a good thing to ‘work off’ the mortgage, even if it involved working very hard.”²⁹⁰

Another question that arose pertained to how long it would take to pay off the debt (both in the sense of being reduced as well as finally paid off.) In April 1866, the London *Economist* noted “there is scarcely a provincial town [in the United States] in which some financial person—some banker or stockbroker—has not made and published calculations as to the quickest and best mode of paying off the great debt. Such a diffused interest must soon create real knowledge.” Secretary McCulloch predicted in his 1865 annual report to Congress that debt repayment would take between 27 and 29 years. Freeman Clarke, McCulloch’s successor as Comptroller of the Currency, put forward 32 ½ years. Senator John Sherman predicted it would take longer—no fewer than 35 years. Such a range of

²⁹⁰ *Commercial and Financial Chronicle*, August 19, 1865, 226. Samuel Wilkeson, *How Our National Debt May Be a National Blessing*. Jay Cooke received a rather interesting piece of mail in the June 1865. A man writing from Berlin Heights, Ohio, referenced the fact his wife had recently given birth fifteen months after, in his words, “submitting my neck to the conjugal yoke.” The boy was named Jay Cooke, although the author indicated they at the time were calling the boy by his nickname “Seven Thirty,” C.B. Tillinghast to Jay Cooke, June 14, 1865, Cooke Papers, HSP.

predictions all revolved around one theme—this would be a substantial task for the government to undertake that would not have an easy solution.²⁹¹

At the heart of the matter was the time old debate of active capital and labor versus the inactive capital/ creation of wealth held by the financial sector. A theme held by many with regards to British debt in the eighteenth and nineteenth centuries, such theories were extended to American debt. “Direct robbery by force could not have obtained this [oppression] so effectually as has been through the creation of a permanent national debt,” claimed one critic. The same article railed against “moneyed institutions and heavy capitalists, who have immense sums to invest, and would like to have the nation guarantee the annual interest upon the same to themselves and their successors.” Still others, such as President Andrew Johnson, even floated the idea of having interest payments count towards payment of bond principal to holders. Still others, as will be discussed in further detail, pushed for the payment of interest not in coin, but in the fiat currency of greenbacks when the legislation was unclear on the matter. Such disparate thoughts on the matter impacted any sort of financial policy decision revolving around the debt in the early days of Reconstruction.²⁹²

In the immediate aftermath of the war, there stood the pressing issue of a potential run on the national banks. One of the most dangerous liabilities revolved around the high total of certificates of deposit—callable in a mere ten days. By September 1865, the

²⁹¹ Nicolas Barreyre, *Gold and Freedom: The Political Economy of Reconstruction* (Charlottesville: University of Virginia Press, 2015), 54 n. 42.

²⁹² “Conversion of the National Debt into Capital,” *Lippincott’s Monthly Magazine*, I (June 1868), 641, 639, quoted in Patterson, *Federal Debt Management*, 57. Some have even contended that the relative thoughts on debt for British and German economists impacted the larger investment practices of these respective nations in the post war period. For more see, Carl-Ludwig Holtfrerich, “Government Debt in Economic Thought of the Long 19th Century,” School of Business & Economics Discussion Paper, Free University of Berlin, 2013-2014.

certificates totaled nearly \$116 million. If all were called immediately it would mean a great calamity for the government. McCulloch, working with Jay Cooke, refinanced this debt into longer-term bond obligations to stave off a potential run on the Treasury and also diminish the need for such a large cash reserve—funds that now could go towards paying down the debt.²⁹³

Despite the fact that the issue surrounding certificates of indebtedness had been resolved, there remained the fact that over sixty percent of the outstanding debt in August 1865 was a “funded debt”—that is a debt whose maturity was longer than three years. This still left greater than a third of the debt coming due in the short term. The front loaded nature of the debt meant the matter needed to be addressed. Secretary McCulloch reiterated his desire to honor and pay off the debt in his annual report at the end of 1866. “The conviction is becoming fastened upon the popular mind,” declared McCulloch, “that it is important for economy in the national expenses, for the maintenance of a true democracy in the administration of a government, for the cause of good morals, and of public virtue, that the policy of a steady annual reduction of the debt should be definitely and inexorably established... A national debt must ever be a severe strain upon republican institutions, and ours should not be subject to it one day longer than is necessary. Although incurred in a great struggle for the preservation of the government, and therefore especially sacred in its character, its burdens are to be shared by those to whom it is a reminder of humiliation and defeat. It is exceedingly desirable that this, with out causes of heart burnings and alienations should be removed as rapidly as possible, and that all should disappear with the present generation.” The government’s position as far as the Treasury was concerned was clear, but

²⁹³ Patterson, *Federal Debt Management*, 62.

the challenge remained on how the Treasury and Congress could work together to rectify the fiscal challenge ahead.²⁹⁴

The debate centered around the best way to tackle the debt. In the short term, taxation when coupled with custom duties served the purpose of facilitating debt interest payments and instituting a moderate budgetary surplus in the early post-war period to help and pay some debt off while also creating a sinking fund for the debt. That said, taxation in and of itself could not solve the structure of the debt repayment (nor remain viable for long—especially the income tax—something the general populace was not accustomed to and opposed.) But something else needed to be done to address the debt issue. Millions had bought into the war and identified with the nation writ large—at least for a time playing down regional bonds. According to historian Eric Foner, “most...viewed the sanctity of the national debt as a moral legacy of the war second only to emancipation itself.” Yet for others, the staggering wartime debt was, at a minimum, a topic of great concern, and for others, a threat to the very nation’s existence. “The National Debt is the subject, above all others, which fills the thoughts and claims the anxieties of every serious mind in the country,” stated J.S. Gibbons in 1867.²⁹⁵

While taxation was one route to pay off the debt, it was a remarkably unpopular one. In what would become a popular refrain of the Democratic Party in the immediate post-war

²⁹⁴ *Annual Report of the Secretary of the Treasury on the State of the Finances, 1866* (Washington, DC: Government Printing Office, 1866).

²⁹⁵ Eric Foner, *Reconstruction: America’s Unfinished Revolution 1863-1877* (New York: Harper Collins, 2002) 22-24. J.S. Gibbons, *The Public Debt of the United States: Its Organization: Its Liquidation: Administration of the Treasury: The Financial System* (New York: Charles Scribner & Co, 1867), 1. Quoted in Noll “Repudiation!”, 8. Eric Foner claims that some one million northerners purchased bonds during the war largely via Jay Cooke who “invoked God, country and manifest destiny” to sell the bonds among his sales network. Foner goes on to say that most bonds “were held by wealthy individuals and financial institutions,” a statement that, at least in part, this author disagrees with as far as wartime purchases.

period, taxation disproportionately hit the working class of America at the benefit of a wealthy class that derived vast quantities of wealth from interest on government bonds. This “bondocracy” gained its wealth without any sort of physical labor and at the expense of farmers and laborers—those who had shouldered the burden to fight the war. “By the operation of excessive taxes, capital accumulates in the hands of the few, and tends to form a wealthy class, which gradually absorbs all the functions of the State, and makes laws to perpetuate its own rule.” For some, the only real solution was a repudiation of the debt—the only just way to deal with an unjust financial world.²⁹⁶

As alluded to in the opening vignette of the chapter, the theme of the taxation of the poor at the benefit of rich tax exempt bondholders became a repeated theme in Democratic Party criticism of the debt. Individuals such as “the poor farmer,” “the poor mechanic,” “the soldier’s widow,” “the returned soldier,” and “the freed negro” were all depicted as victims of the taxation scheme levied on the lower and middle classes to shoulder the interest payments of the national debt. The “poor farmer” took the opportunity in his soliloquy to take some time and explain the financial situation presumably to his wife, Maggy. In his tale the farmer talks about his role as a substitute for “Mr. Bond” in the war, in the process losing an arm while serving. In keeping with the Democratic argument, the poor farmer decries, “Mr. Bond, the bondholder, pays nothing. The government protects him; but it can’t protect the poor, one-armed farmer who fought to save the Union...It’s better to be a bondholder than a soldier....How I wish the good old Democratic times would come again, when the rich bondholder would not be fastened upon poor people for support.”²⁹⁷

²⁹⁶ J.S. Gibbons, *The Public Debt of the United States*, 5-6.

²⁹⁷ Pomeroy, *Soliloquies*, 5-7.

Similarly the widow also shared the struggles the war and bonds had brought upon her. “There is no sun,” she begins, “no hope for my life lies buried beneath the sod of a warmer country than this.” After detailing the deaths of her husband and son (in a hospital and on the battlefield respectively), she then harps on the burden of taxation. “I am but a women,” she begins, “I know not much of politics; but I know I am a widow; that my loved ones are gone; that my heart is dark with sorrow; that the taxgatherer is taking all that we earned before the war; that I am called upon to pay taxes, expenses, and even interest money to support the bondholders who were enriched by the blood of my loved ones.”²⁹⁸

The debt crisis quickly became a political game in Washington as Republicans and Democrats scurried to solidify or reaffirm their political relevance. One question that emerged in that summer of 1865 was whether or not the United States would assume the Confederate debt—which stood somewhere in the neighborhood (when including state debt) at \$1.5 billion. While the state debt had been assumed following the Revolution, the Civil War undoubtedly presented a different beast and despite the fact that there were no constitutional barriers to assuming the debt, most assumed it was a non-issue. No one “outside of a lunatic asylum” thought the South would demand and succeed in payment of Confederate debt, claimed Democratic Representative Benjamin Boyer. Similarly, the *New*

²⁹⁸ Pomeroy, *Soliloquies*, 8-10. She went on to add, “I am a poor widow; I do not understand politics, but I want some one to tell me what I have gained, and why I must bear all the taxation as I have borne all the sorrow?” In another portion of the pamphlet entitled “Why Support Bondholders? The East and the West,” the author lays out a detailed assessment of population and square mileage of respective states of the East and West before reminding the read “all this country is controlled by the devil of New England radicalism; New England aristocracy; New England protection; New England narrow-mindedness; and New England bondocracy.” The critic added further, “New England nabobs hold United States bonds, by a New England Congress exempt from taxation... While we in the West are at work, New England bondholders are riding in their easy carriages, sitting in the shade, reveling in wine dinners, sporting in creek and jungle, their wealth secured and in United States bonds, by a New England controlled Congress exempted from taxation,” Pomeroy, *Soliloquies*, 21-22.

York Times cited a Republican lawmaker who equated the assumption of such debt as akin to “fighting windmills” or waiting for “the sky to fall.” The Confederate debt would not be absorbed and proved a contentious issue—especially with the British government and British creditors in the immediate post-war period.²⁹⁹

To ensure the sanctity of the United States debt, however, Republicans worked language on the matter into the Fourteenth Amendment to the Constitution:

The validity of the public debt of the United States, authorized by law, including debts incurred for payment of pensions and bounties for services in suppressing insurrection or rebellion, shall not be questioned. But neither the United States nor any State shall assume or pay any debt or obligation incurred in aid of insurrection or rebellion against the United States, or any claim for the loss or emancipation of any slave; but all such debts, obligations and claims shall be held illegal and void.

Even before the movement towards language in the Fourteenth Amendment, serious concerns in Washington had led to action. Of greatest issue was the belief held among many northerners (and reaffirmed by reports out of the South) that former Confederates would

²⁹⁹ Joseph B. James, *The Framing of the Fourteenth Amendment* (Urbana: University of Illinois Press, 1965), 24. Quoted in Noll, “Repudiation!”, 11. One of the more eventful stories of Confederate debt in the immediate post war period centers around Jim Fisk. Originally from Vermont, Fisk had no qualms during the war working both sides of the coin—conducting war contracts with the Union Army while smuggling cotton out of the Confederacy. In his final act of the Civil War, Fisk made plans to short sell Confederate bonds by exploiting the arbitrage opportunity that existed between New York and London. Because the transatlantic cable was down for the duration of the war, news of the war was only as fast as the mail ships taking the news. Sensing an opportunity, Fisk sent an agent to Halifax, Nova Scotia to fit out the fastest steamer possible (and keep it under steam at all times) to ensure they would reach London first. One small complicating factor was that the telegraph stopped fifty miles short of Halifax. Working with a consortium who were going to collectively short the Confederate bond market in London, they built at their own expense a telegraph line that reached Halifax. When Fisk heard that Richmond had fallen he sent a one word telegram (“go”) to his agent in Halifax. The agent made it to London in six and a half days and beat the mail steamers by several days. Confederate bonds at the time were trading at some eighty cents to the dollar. By the time word reached London that Richmond had failed, the bonds immediately fell to twenty two cents, and then zero. The agent completed the short and brought in nearly \$5 million for the consortium. For more on this saga, see W.A. Swanberg, *Jim Fisk The Career of an Improbable Rascal* (New York: Charles Scribner’s Sons, 1959), 20-21.

not honor the US debt, and thereby move for repudiation as well as wanting some sort of compensation for their former slaves. Representative Henry Winter Davis reaffirmed such a belief when he remarked “None of the white population of the Southern States is interested in paying the public debt...If the whites be restored to political power, their representatives are interested in repudiating that public debt.”³⁰⁰

When Congress reconvened in December of 1865, the passage of a resolution declaring the debt “sacred and inviolate” was one of the first matters addressed. Yet, the turn to 1866 did little to quell the concerns of the nation as a whole. The *Nation* reported concerns over a combination of Northern Democrats and former Confederates working to repudiate the debt. “It would hardly be a safe thing for the national credit to have such a body of men in Congress, reinforced as they would probably be, by a considerable number of Northern men ready to go for at least qualified repudiation.” Senator Henry Wilson took it a step further by expressing his fears over the debt—an item he views “as sacred as the blood of our heroes poured out on the battlefields.”³⁰¹

The debt issue proved fundamental to electoral strategy for Republicans in the 1866 midterm elections. Former Union general Benjamin Butler warned a crowd in Massachusetts if Democrats were elected “what would your 7:30s be worth?” But perhaps the *New York Herald* stated it best when they remarked, “Herein lies the secret of the astounding popular strength of [the Fourteenth Amendment]...No man who has a fifty dollar government bond salted down would trust its redemption to the chances of the

³⁰⁰ Howard Beale, *The Critical Year: A Study of Andrew Johnson and Reconstruction* (New York: Frederick Unger Publishing Co, 1958), 333-34. Quoted in Noll, “Repudiation!”, 13.

³⁰¹ Beale, *The Critical Year*, 333; *Globe*, 39th Cong., 1st Sess. (1865), 701. Quoted in Noll. “Repudiation!”, 13-14.

casting vote in Congress of a Southerner who has lost his thousands in Confederate script.”³⁰²

Questions also reigned over how the bonds would be repaid in the post-war period. Greenbacks—numbering over \$400 million in 1865, were lawful currency in the wake of the United States going off of the gold standard. For most on both sides of the aisle, the assumption remained that this currency would be a temporary measure that would quickly be rectified in peacetime. While legislation—such as the act creating 5-20s in February 1862, made it clear that interest was to be paid out in gold—there was for many an open interpretation as far as the principal was concerned—a fund that totaled nearly \$607 million in 1865 (slightly over one quarter of the national debt.) Many wished to return to the gold standard owing to the wild fluctuation in greenback valuation (although the fact that gold ran at a premium to greenbacks did mean that the debt could be retired at a relative discount.) Nevertheless, the Funding Act of April 12, 1866, gave the Secretary of the Treasury the ability to contract the greenback supply by \$10 million in the first six months following the act’s passage and a further \$4 million a month from that point forward. This authorization did not lead to the complete retirement of the greenbacks owing to the economic climate of the latter part of the 1860s. As a result, only \$44 million of the greenbacks were pulled from the money supply and the country still was not back on the gold standard. The contraction of the monetary supply had the effect of shooting gold even higher.³⁰³

³⁰² James, *Framing of the Fourteenth Amendment*, Quoted in Noll, “Repudiation!”, 15.

³⁰³ Davis Rich Dewey, *Financial History of the United States* 9th ed. (New York: Longmans, Green and Co., 1924), 340-43. Also see Herbert S. Schell, “Hugh McCulloch and the Treasury Department, 1865-1869,” *The Mississippi Valley Historical Review* 17 no. 3 (December 1930), 408. While many called for the contraction of the currency, others question the rash nature of undertaking such an action, especially at the possible expense of repaying the debt. Frederick Pike, a Republican from Maine, lamented “Is it worth while in the present condition of affairs, when the tendency of things is all right, to interpose, and for the

Politics and morality soon merged with the money issue and its repercussions extended to the realm of bonds and repayment. For many, specie held connotations of honor, where a fiat currency was conversely met with great suspicion and borderline evil connotations. Questions over how to repay bond issues devolved into matters of accusations of theft and swindling of the American people by specie advocates (a bi-partisan caucus that was divided more along regional lines.) Future president James Garfield expressed concern around the issue. Garfield struck a binary chord of an if/or debate that would soon consume Congress. “On the one side,” Garfield declared, “it is proposed to return to solid and honest values; on the other, to float in the boundless and shoreless sea of paper money, with all its dishonesty and broken pledges.” On another occasion, Garfield reiterated such sentiments when he remarked “Business men and legislators have taken paper money in such overwhelming doses that they are crazed, and like the lotus-eaters wish to return no more to solid values.” John Sherman reiterated such sentiments when he remarked, “It [a soft money bill] proposes to pay to the creditor of the Government who now holds the interest-bearing obligations of the United States a note not bearing interest, and compel him to take that note against his will. It thus proposes to confiscate the property of the citizen.”³⁰⁴

Such beliefs marked a deviation from the initial beliefs in Congress following the end of the war. Justin Morrill a Senator from Vermont (a bondholder himself) exclaimed in 1866, “A permanent national debt is not an American institution, as our history has already twice proven, and though it may take a number of years to wholly extinguish the present debt, the policy of gradual extinction can and should be steadily pursued.” Others reiterated the

purpose of avoiding a supposed catastrophe run the risk of hurrying the country into commercial difficulties that may be serious?”, Barreyre, *Gold and Freedom*, 49, 52.

³⁰⁴ *Globe*, 39th Cong., 2nd Sess., 1499 (March 19, 1866); *Globe*, 39th Cong., 2nd Sess., 1870 (February 27, 1867), Both quoted in Barreyre, *Gold and Freedom*, 50, 52.

sentiments of Garfield and Sherman, emphasizing a need and the honor of repaying the loans in specie. Theodore Pomeroy (NY) stated, “I am ashamed to have a proposition made at the close of the Thirty-Ninth Congress to pay off the debt of the United States or any portion of it otherwise than by bonds payable, principal and interest, in gold, or else by gold itself.” Henry Corbett (OR) quipped, “Public credit should be ‘like Caesar’s wife, above suspicion.’” Timothy Howe (WI) also complained that greenbacks were “an active and bitter reproach upon the integrity and good faith of the nation, because they constantly flout the business world with promises which are as constantly broken.” The press also got wind of the matter and each side’s mouthpieces promoted their position—lobbing claims of “bondocrats” and “repudiators” alike.³⁰⁵

Proponents and opponents of gold specie waved the bloody shirt of the war to call for a repayment in specie or greenbacks. For specie proponents, like Timothy Howe, payment in anything less than specie would be the ultimate insult. “the cause in which that debt was contracted is one to which three hundred thousand soldiers gave their lives,” exclaimed Howe, “Who is he who dares stand by the graves of the patriot dead and say that the cause would warrant the sacrifice of their lives but it not worth the tribute of our money.” Conversely, greenback proponents slammed the double standard of debt repayment in gold but soldiers service only in greenbacks. One newspaper remarked, “The soldiers who

³⁰⁵ Barreyre, *Gold and Freedom*, 54 n. 42. Ultimately, the national debt would never zero again and would never drop below \$900 million. Barreyre, *Gold and Freedom*, 55. For more on media coverage see Barreyre, *Gold and Freedom*, 56 n. 46. Secretary of the Treasury McCulloch reiterated such concerns and their subsequent impact on the New York financial market. “Nothing can be more damaging to our national credit,” exclaimed McCulloch, “than the openly-expressed opinion by leading men, that there may arise contingencies in which the national debt will be repudiated.” For more on ministers and the religious/moral arguments surrounding the national debt, see Barreyre, *Gold and Freedom*, 63-64.

risked their lives in their country's quarrel could be paid with greenbacks, but the bond holders must have gold."³⁰⁶

Jay Cooke once more entered the fray to champion payment not only in specie, but also a return to resumption in the near future. In the fall of 1869, Cooke proclaimed, "It is plan then, that if we resume—it must be on a basis of *confidence* and not *ability* to pay on demand. If the Government can possess itself of specie enough to inspire Confidence it can resume—but the Treasury must be strong—stronger than the cliques and opposing influences of trade—or confidence will be lost and suspension follow." Cooke called for resumption to begin on January 1, 1872, giving the Treasury enough time to retire greenbacks at a reasonable rate and the accumulation of enough specie to ensure that suspension did not occur in the near future. A variety of factors ultimately worked against these goals and resumption did not occur until 1879.³⁰⁷

Many Democrats seized on the "Ohio Idea" prominently championed by George Hunt Pendleton (George McClellan's Vice Presidential running mate in 1864.) Slamming Republicans for ineptitude and corruption when it came to the public debt, he (and an increasing percentage of Democrats) called for the repayment of principle whenever possible in depreciated greenbacks. Republicans and their allies in the press attacked any such schemes as akin to repudiation of the debt. The Republican Party in 1868 made a plank on their platform denouncing repudiation in any form. Republican presidential candidate Ulysses Grant would be elected in the fall of 1868, but still had to contend with the actions of a lame duck president in Andrew Johnson. During Johnson's annual message in December 1868, he broke from his party and called for a repudiation of the debt. In an

³⁰⁶ *Globe*, 41st Cong., 2nd Sess., 701 (January 14, 1870); *Jonesboro Gazette*, October 5, 1867; *Cincinnati Enquirer*, March 14, 1867. Quoted in Barreyre, *Gold and Freedom*, 56.

³⁰⁷ Jay Cooke to Henry Cooke, November 23, 1869, Cooke Papers, HSP.

ironic twist, Johnson equated the continued servicing of the debt as a new form of slavery upon the country. “The borrowers would become the servants to the lenders—the lenders the masters of the people,” exclaimed Johnson. Congress responded in kind with a House resolution the following week declaring “that all forms and degrees of repudiation of national indebtedness are odious to the American people.” Congress then passed a bill in early March 1869, promising the government’s repayment of all bonds in coin. While the bill would never become law because of a pocket veto by Johnson, Grant’s term began soon thereafter and one of the first pieces of legislation passed during his administration was the Public Credit Act. Passed into law on March 18, 1869, the Public Credit Law pledged all United States obligations would be paid out “in coin or its equivalent.” The crisis over how bonds would be repaid was resolved, and it was no coincidence that a drastic increase in European investment coincided with the Public Credit Act.³⁰⁸

Despite the Public Credit Act, serious questions abounded regarding the refinancing of the public debt, especially considering the vast quantity of the debt reaching maturity in the short term. The fact that some \$582 million of the outstanding debt was subject to redemption on demand made for a potential run on the United States treasury. Opinions on a general refunding of the debt came down to fundamental disagreements over whether or not the debt should be repaid off the gold standard. Secretary McCulloch championed a retirement of greenbacks before attempts should be made to refund the remaining debt. Senator John Sherman—chair of the Senate Finance Committee, pursued the opposite position and believed that any semblance of refunding or refinancing should be attempted while the money market was saturated with hundreds of millions in greenbacks. Sherman

³⁰⁸ Edward McPherson, *The Political History of the United States of America during the Period of Reconstruction* 2nd ed. (Washington D.C.: Solomons & Chapman, 1875), 386-88; Noll, “Repudiation!”, 18-20.

noted “The very abundance of the currency obviously enables us to fund the debt at a low rate of interest; and as the debt was contracted upon an inflated currency it is just and right that upon that same currency it should be funded in its present form.” Sherman’s biggest advocate in this battle was Jay Cooke, the man who had done so much to finance the war. Despite Cooke’s apparent shared sentiment with Sherman, the two came to clash over the issue of whether or not 5-20s could be paid off in gold or greenbacks. Cooke himself never wavered on the matter, although Sherman came around to believing that the government had the authority to repay the loan in greenbacks. Cooke worked hard to push back against such a measure, even confiding to his brother Henry in the summer of 1868, “If the Repubn party is to turn repudiators I will desert them. This whole matter must be at once understood before I give any money. The scoundrels deserve hanging for the irreparable injury they are doing to this glorious nation.”³⁰⁹

As Table 5 demonstrates, however, the great uncertainties of the late 1860s did nothing more than to keep the Civil War debt at a relatively stagnant level. All told during this immediate post war period the national debt held in bonds declined by a little less than \$100 million. Not an insignificant number, but certainly a long ways to go with the remaining \$2.2 billion in Civil War debt—that while it had been restricted, merely kicked the can down the road in terms of how the federal government would tackle paying it off.

³⁰⁹ Dewey, *Financial History*, 338; Larson, *Jay Cooke*, 207-08. Jay Cooke to Henry Cooke, July 6, 1868, Cooke Papers, HSP.

Table 5: Public Loan Transactions of the US Treasury, 1865-1869³¹⁰

Date	Purchase	Sold
October 1, 1865- June 30, 1866	\$620,321,725.61	\$712,851,553.05
July 1, 1866-June 30, 1867	\$746,350,525.04	\$640,426,910.29
July 1, 1867- June 30, 1868	\$692,549,685.88	\$625,111,433.20
July 1, 1868- June 30, 1869	\$253,222,718.31	\$238,678,081.66
Totals	\$2,312,444,655.14	\$2,217,067,977.60

Although the Public Credit Act passed in March 1869, it took another year for Congress to seriously take up the issue of refinancing the debt—under a new Treasury Secretary George Boutwell. The act passed on July 14, 1870, gave the Secretary of the Treasury authorization to issue \$500 million in 10 year bonds at 5 percent, \$300 million in 15 year bonds at 4.5.%, and \$1 billion in 30 year bonds at 4 percent. Discussion continued on how to refinance the debt, but the initial political battle was over.³¹¹

³¹⁰ Larson, *Jay Cooke*, 219. Data compiled from Secretary of the Treasury, *Report on the Finances*, 1866-1869.

³¹¹ The Philadelphia *Ledger* proved to be one of the largest critics of the refunding bill and remarked on one occasion “Any one familiar with these transactions knows that there are enormous incidental profits growing out of such operations, as with the control of fluctuating money, foreign exchange, gold, and United States bond markets, values may be raised or depressed at pleasure, the new bonds sold and the proceeds of sale in money held for use and profits to the agents, before transmission to the Treasury, and for the purpose of affecting market values. The country would thus be constantly in peril of perturbations and excitements destructive to all legitimate trade, and these reacting on the public revenues would impair national credit, and prevent the accomplishment of the object proposed by the bill,” quoted Larson, *Jay Cooke*, 317. *Ledger*, February 14, 1870.

Unsurprisingly, Jay Cooke once more stood at the forefront of Civil War debt. Although the end of the war had shifted a majority of Cooke's interests into rail (something he had begun during the war proper) he nevertheless maintained an interest in the Civil War debt owing to his sway and association regarding the debt. An opportune Cooke realized that money was still to be had in the post-war period. That said, he would need to contend with a new Treasury secretary in George Boutwell. The uncertainty for some in Europe that culminated in the Franco-Prussian War complicated sales in Europe and led to a "wait and see" approach to refinancing the debt—much to Cooke's displeasure. Letters received by Jay Cooke reveal the widespread distrust and disdain his financial circle held for Boutwell. "It seems quite useless to try and argue anything into his head," remarked Harris Fahnestock in December 1870, "It is a pity that he ever left the tape business which he managed so successfully in his native town."³¹²

As was the case during the war itself, Cooke & Co., benefitted more than anything else by their role as a government depositor—both in the sense for bond sales, as well as other government accounts. As had been the case during the wartime period, Jay Cooke made a habit of using federal dollars at his disposal to his benefit. Cooke issued call loans to interested parties in New York City, including other financial institutions who used their funds (proceeds of bond sales) to then go and purchase more bonds. For collateral, Cooke naturally used government bonds—an entity he knew he could sell easily on the exchange to cover his accounts with the government. Cooke's New York house even lent out funds to his other banks in Philadelphia, and especially Washington D.C. These loans also included

³¹² Oberholtzer, *Jay Cooke*, 2:266-267.

interest—leading to a rather convoluted system wherein Cooke was arguing with his brother in Washington over capital requirements and basic liquidity.³¹³

Further examination of redemption of 5-20s as early as 1867 reveals the disparate nature of owners—but at the same time the increasing centralization around larger holders. To be sure, the small-scale purchasers did turn in their bonds initially. But as redemption gained more steam, an increasing amount of the bonds became concentrated in the hands of national banks as well as various commercial banks that had played a large role in the initial sales. In particular, Jay Cooke and his collection of affiliate banks throughout the North procured increasing amounts of these bonds and redeemed them regularly in the six figure range. While the bonds did either pass in the secondary market to other individuals or were purchased outside the realm of commercial banks, it is not possible to know based on the evidence available when these bonds returned into the hands of the larger banks. The pitfalls of coupon bonds become readily apparent when it comes to redemption. But one thing is abundantly clear, between the initial redemptions in 1867 and the more concerted efforts by the fall of 1871, there was a rapid concentration of the bonds (at least for redemption purposes) in the hands of larger financial institutions. Thus the bonds in some sense had come full circle: these bonds purchased en masse by Jay Cooke and his network of agents

³¹³ Larson, *Jay Cooke*, 224-228, esp. n. 68. The brothers also used funds in other “creative” ways. Henry Cooke rose to prominence with the Freedman’s Bank (which stipulated in its charter that the bank had to invest significantly (~2/3) in government securities. Cooke purchased said securities from his brothers firm and ultimately came to take the other third of the Bank’s assets and tie them up in Northern Pacific Rail Stock-also via Cooke & Co. The entire enterprise came tumbling down with the failure of Jay Cooke & Co. leading up to the Panic of 1873 For more see, Jonathan Levy, *Freaks of Fortune: The Emerging World of Capitalism and Risk in America* (Cambridge: Harvard University Press, 2012), 104-49.

and partner financial houses to pass on to the northern populace were now back in their hands when redemption came.³¹⁴

In the immediate post-war period Cooke & Co. was called upon to uphold the financial markets through bond purchases on behalf of the federal government. Cooke made his feelings clear on the matter in 1869 when he remarked on the role of government in the economy. “All that can be done,” Cooke stated, “should be daily & hourly & watchfully one to relive the market from Panic & to restore confidence & then to keep things in place by the strong hand of Government.” Indeed on numerous occasions in 1868 and 1869 Cooke claimed he intervened in the market at the orders of the Treasury—under the strictest of secrets so as to keep the rest of the street none the wiser. Such acts did not go unnoticed by the press and by Congress. Some members of the press remained critical of McCulloch. “If speculative stocks are high it is Mr. McCulloch who is fostering a reckless spirit of speculation,” one paper declared, “If they are dull and on a decline, it is Mr. McCulloch who is crippling business and destroying confidence.” In Congress Logan called for an investigation into favoritism with regards to the sale of government bonds as it pertained to the Treasury. The *New York Herald* intimated that such an investigation would reveal “how Jay Cooke and others have become enormously rich by doing that which the department itself should have done.” A Senate bill to prevent secret sales of gold was ultimately floated—a bill that Cooke staunchly opposed. While the bill failed, it more or less had its desired effect with the incoming Secretary of the Treasury George Boutwell shifting away from secret gold sales.³¹⁵

³¹⁴ “Coupon Bonds Redeemed, 1862-1907 (Loan Division), UD 87, Bureau of Public Debt, RG 53, NARA II, College Park, Maryland.

³¹⁵ Larson, *Jay Cooke*, 219-22. Jay Cooke to Henry Cooke, September 24, 1869; 39th Cong. 22nd Sess., *House Reports*, no. 14; 40th Cong., 2nd Sess., *Cong. Globe*, 1072. Henry Cooke to Jay

As the spring of 1871 wore on, there was a variety of moves by rival firms to try and take on the issue of these new 5% bonds authorized by Congress in the summer of 1870 and the domestic and inevitable international markets they afforded. Prominent European houses such as Rothschilds and Barings maneuvered for exclusive agencies while Jay Cooke and his brother Henry attempted to utilize their name and success from the war itself to make an arrangement with Secretary Boutwell. Plans for an agency by Cooke tied to the Civil War hero fell apart in May 1871 over the basic terms—once more the commission and other conditions proving a major sticking point.

Meanwhile in an international capacity, Europeans once again upped their stake in American government bonds with the cessation of hostilities. By the summer of 1865 with the war for all intents and purposes over, European investors, most notably the Dutch and Germans, pushed foreign investment in the United States well beyond its pre-Civil War levels. Despite British reticence to invest because of underlying political tensions related to Canada and federal war claims on the British government, the Germans and Dutch invested heavily. German banker (and Rothschild agent) Gerson von Bleichroeder purchased bonds on behalf of Otto von Bismarck. By October 1868, *Hunt's Merchant Magazine* proclaimed that \$700 million in U.S. government securities was foreign owned. By 1869, this number climbed to \$1 billion of the federal debt in foreign hands, meaning nearly half of the US debt could be found abroad. The debt came to incorporate primarily German, Dutch, French, British, and Swiss investors by the end of the decade. Additionally, the repair of the transatlantic cable enabled a vibrant arbitrage market to flourish by the late 1860s between New York and London—revealing not only the vibrancy of the market and the evolution in

Cooke, February 21, 22, 25, and March 5, 1868; Jay Cooke to Henry Cooke, February 24, 1868.

financial instruments, but also the perils of trying to make larger claims to overall investment numbers.³¹⁶

As part of the refinancing of Civil War debt in the post-war period, there was a tremendous interest in promoting these bonds firmly in the European market. While sales had been significant during the war, there was a desire to expand to an even larger market within Europe, especially in Britain that had been relatively quiet during the war. The enormous debt that the United States accumulated in the war period—to the tune of \$2.8 billion by war's end—with relatively little British monetary support opened a door for British investment in the post-war period. This was of special concern considering the desire on the part of the federal government to restructure high interest issues of 7-30s and 5-20s to more favorable interest terms. A five percent loan placed in Europe would reduce interest payments for the federal treasury and theoretically meet with ready investors in Britain compared to British consols that only carried a three percent interest rate. Hopes of such an issue, however, remained tenuous at best in the immediate post war period with the assassination of Lincoln and political questions surrounding the return of Confederate states. The Panic of 1866 that swept through London in the spring of that year taking several financial houses with it—most notably Overend, Gurney and Co., created even more concerns over a potential British route to capital. The London's *Banker Magazine* echoed the

³¹⁶ Wilkins, *History of Foreign Investment*, 107-11. There was also a smaller arbitrage market that existed between London and Frankfurt. Jay Cooke spoke of arbitrage between New York and "Europe" in a letter from June 2, 1865. Cooke described the arbitrage as "a risky business—but it is good pay," Jay Cooke to unknown, June 2, 1865, Cooke Papers, HSP. For more on the arbitrage market between London and Frankfurt, see 1865 Annual Report, vol 422., 142-43, Archief van de Jamer van Koophandel en Fabrieken voor Amsterdam (Amsterdam City Chamber of Commerce Records," Stadsarchief, Amsterdam, Netherlands.

concerns of many British financiers in 1866 when it stated “our attitude towards America should, financially, speaking, be that of non-intervention or neutrality.”³¹⁷

As illustrated in chapter four, the latter portion of the war saw extensive investment in American bonds, particularly in the German states. The Seligmans, Rothschilds, and other German banks carried such acts into the post war period. By April 1866, the *Commercial and Finance Chronicle* estimated there was some \$200 million in Civil War debt in Europe. While estimates range widely, undoubtedly there was a sizable incentive among the German Jewish banking community based out of Hamburg, Cologne, Frankfurt, and Berlin. By early 1866 Jay Cooke had begun to conceive of a plan to establish a partnership with several New York banks with European ties. JP Morgan, H.R. Baltzer, Arthur Kimber, and others were willing to act on behalf of their European partners in selling the new bond issue abroad. While this issue never came to pass, it laid the groundwork for Cooke’s future work that developed into the first proper American underwriting syndicate—a mainstay of investment banking to the present. By the fall of 1868 Henry Cooke and Harris Fahnestock traveled to Europe to explore the possibility of their own European banking house and possible partnerships. Fahnestock in particular was keen on the idea and visited London, Paris, Frankfurt, Berlin, and Amsterdam to see what possibilities might be in the offering. Although the meetings did not lead to the immediate prospect of a European house, it did indicate the possibilities for American securities abroad. Harris Fahnestock summarized his thoughts on the matter to Cooke when he remarked in a letter on his return, “I consider a European connection indispensible to success. We must have it sooner or later.”³¹⁸

³¹⁷ Sexton, *Debtor Diplomacy*, 193-97; *Bankers Magazine*, vol 26. (March 1866), 27-31.

³¹⁸ Larson, *Jay Cooke*, 208-09, 213-14, 223; Harris Fahnestock to Jay Cooke, September 18, 1869, Cooke Papers, HSP.

Table 6: Estimate of Foreign Ownership of Civil War Debt (1869)³¹⁹

Fives of 1871 and 1874	\$15,000,000
Sixes of 1881	\$90,000,000
5-20s of 1862	\$380,000,000
5-20s of 1864	\$30,000,000
5-20s of 1865 (May and Nov)	\$120,000,000
5-20s of 1865 (Jan and July)	\$200,000,000
5-20s of 1867	\$120,000,000
10-40s	\$25,000,000
Registered Bonds (All issues)	\$20,000,000
Total	\$1 billion

The prevalence of bonds held in the German states (later Germany) traced its roots to the heavy immigration of Germans to the United States in the aftermath of the 1848 revolution. Such a migration and shared political ideologies strengthened in the period up to and after the Civil War. German language newspapers worked especially hard to emphasize the shared vision of these peoples separated by a vast ocean that contributed to extensive investment by the German populace by the end of the Civil War in American war bonds. Such a sentiment carried over into the postwar period as well. The *Illionis Staats-Zeitung* published such a piece in August 1870 leading up to the Franco Prussian War. “A Statement

³¹⁹ Estimate included in Report of the Special Commissioner of Revenue, 1869 (Washington: Government Printing Office, 1869), xxvii.

to the People of the United States Issued by the Delegates to the Convention of the German Patriotic Aid Association of the Union,” called upon all Americans, but especially German Americans, to support the Prussian cause in any potential conflict. “During the Civil War,” the statement declared, “Napoleon ordered that no American bonds be quoted on the stock exchange of Paris; in Germany even tradesmen and laborers used their pitifully small life’s savings to buy them, for they were convinced that right and justice and liberty would finally win.” Such tales five years after the end of the conflict emphasize the importance of German investment in war bonds during the war, and the cachet it held in the postwar period as well.³²⁰

During the latter part of the 1860s reports flooded into the American press regarding the German interest in Civil War debt. A letter from an American living in Frankfurt in 1868 really got to the heart of the matter perhaps moreso than any other letters transmitted to the United States treasury department. “Really this market controls the European,” the letter began, “Here all the great sales are made, and to this point are all the stocks sent from new York, and here the coupons on nearly all the stocks held in Europe are sent for sale and collection. Frankfurt is about the only city which has its branch houses in the United States. Here often prices are higher than in New York.” The letter went on further to note the plethora of German incorporated banks with capital requirements based largely in American securities. Specifically, the American financier referenced the Banks of Meiningen and Darmstadt, who among other banks “hold several millions of our Five-Twenties.”³²¹

³²⁰ “A Statement to the People of the United States Issued by the Delegates to the Convention of the German Patriotic Aid Association of the Union,” August, 25, 1870, *Illinois Staats-Zeitung*.

³²¹ “American Securities in Germany,” *New York Times*, April 26, 1868.

Another article in 1867 boldly proclaimed, “The power of the European market for the absorption of American bonds is of course, greatly beyond what has thus far been tested... We have no particular fear of too great a quantity of them getting abroad, even though the export were doubled.”³²²

In the summer of 1865, just months after the war had ended, a letter was republished in the *New York Times* that had originally run in the Hamburg, Germany suburb of Altona. “It is highly gratifying to observe here,” the letter began, “a daily increase in the price and popularity of our stocks. While all other securities are depreciating, only United States stocks seem to gain ground. The largest amount of business done in these securities hitherto was last week—one person having bought the enormous amount of five hundred thousand dollars for himself, beside being a permanent holder to the amount of two hundred thousand dollars.” The letter went on to conclude, “The Germans are a thrifty and safe calculating people, ever choosing the safest and best marks for their products, whether money or goods, and they seem to be now the war is over, perfectly satisfied to deposit their savings in American securities.”³²³

The gusto with which Germans purchased bonds was not lost on members of Congress when debating arms shipments to France during the Franco-Prussian War in 1870. Mr. Stewart from Nevada remarked during the debate, “Allow me to call the attention of the Senator from Tennessee to the fact which he must recollect, of the amount of our bonds that were taken in Germany at the time we needed that they should be taken, and when they were prohibited from the Exchange in London and from the Bourse in Paris, and not allowed to be on the markets there at all on account of the state of public opinion there,

³²² “Five-Twenties Abroad,” *New York Times*, April 2, 1867.

³²³ “American Securities in Germany,” *New York Times*, July 12, 1865. The article claimed that at current bond prices (hovering around 70) the bonds realized 8.5% interest.

while Germany alone came in and took five or six hundred million dollars at a time when we needed money.” Mr. Schurz followed this statement up by remarking on the floor that “I do not think there were on the face of this globe Governments who expressed their sympathy with the cause of the Union during our civil war as straightforwardly and emphatically as the Government of Prussia and the German Governments generally...in no country were more of the bonds of the United states taken.” Charles Sumner perhaps said it best in the same debate when he remarked, “France contributed to national independence; Germany to national strength and life... we owe infinitely to Germany.”³²⁴

By the end of the war, United States bonds could once again be quoted on all foreign exchanges. French newspapers such as *Le Temps*, *La Presse*, and *L’Univers* revealed an active Parisian market, while also quoting the bond sales in Frankfurt, London, and Amsterdam. Likewise, German newspapers such as the *Frankfurter Zeitung*, *Frankfurter Postzeitung*, *Berliner Börsen-Courier*, and *Berliner Börsen-Zeitung* relayed sales of 5-20s in London and Amsterdam, as well as Frankfurt, Hamburg, and Berlin, Brussels, and Antwerp. Newspapers often only quoted 5-20s on the exchange as the only American security—despite the active market for rail securities in Europe. Nonetheless, the extensive coverage of the 5-20 sales in the latter part of the 1860s and into the early 1870s revealed a market with bonds drastically increasing in value and undoubtedly consumption—thereby demonstrating the \$1 billion held abroad by 1869.

Even before the war had been finished, the northern press bemoaned how easy the British had gotten off. One *New York Times* article from late April 1865, remarked:

It is now greatly to be regretted that the rebel loan put on the market in England two years ago was not greater in amount. Not more than fifteen millions of dollars of it, we believe, has ever been disposed of, and this is

³²⁴ *Congressional Globe*, 3rd Sess. 41st Cong., 955-56.

hardly sufficient to make the loss of it as widely and as severely felt as could be desired. It was all taken, and is probably most of it now held by the most unscrupulous, unprincipled, cynical and money-worshipping portion of the English business world; and we need hardly say that it would not only cause deep satisfaction to all good men everywhere to feel that this crew had been heavily mulcted, but would help the cause of morality all over Christendom. There is no way in which they can be so severely punished as through their pockets, and there is no kind of punishment so peculiarly appropriate.³²⁵

Such an article revealed just one element of disdain shared by many in the North for the support (perceived or otherwise) received financially by the Confederacy during the war. Such beliefs were amplified in December 1865, when a list of British subscribers to the Confederate cotton loan became public. The article contained the verbose and provocative title of “THE REBEL LOAN.; A More Complete List of British Subscribers. Who Got Their Interest and Who Did Not. Probable Misuse of Respectable Names. The Subterfuge of the Proprietors of the London Times. Some Account of Some of the Subscribers. Newspaper Writers and Their Situations in the Loan.” While the article contained a disclaimer that the names listed could not be entirely verified and some listed had viciously denied the claim of subscribing, the list nevertheless provided the names of individuals who contributed some £ 800,000 worth of capital towards the Confederate cause, although the article made sure to note that interest had not been paid for since November 1864, and even then for only a portion of the subscribers. Notable names on the list included J.V. “Craford” (sic) the British consul to Cuba, “J. Rutter” the British Consul to Uruguay, Lieutenant Colonel Arthur Freemantle (a British military observer subsequently made famous by the

³²⁵ “The Rebel Loan in England,” *New York Times*, April 28, 1865.

movie *Gettysburg*), William Gladstone (British Chancellor of the Exchequer at the time), and several members of the British Parliament.³²⁶

Furthermore, war claims would impede on any and all attempts at a foreign loan placement in Britain. Shortly after war's end, the federal government began proceedings to place claims on the British government. Initially these claims focused on "recovering" Confederate property in Europe—most notably cotton. While successful in the British court case *U.S. v. Prioleau*, subsequent claims in British and French courts did not meet with such success. Ultimately, the American government pursued larger goals—reparations for damage caused by Confederate warships built in British boatyards. Known as the *Alabama* Claims, these demands put forward in 1869 called for the British government to pay compensatory damages for merchant shipping losses incurred at the hands of Confederate warships such as the *Alabama* and *Florida*. The United States made claims amounting to \$2 billion, although they were open to the ceding of Canada in lieu of monetary compensation. A joint British-American delegation signed the Treaty of Washington in 1871 that put the ruling in the hands of an international arbiter in Geneva. The United States received \$15.5 million for its troubles. These political machinations and fears over potential warfare went a long way towards halting British investment in American government bonds in the late 1860s, despite their wild success on the continent.³²⁷

³²⁶ "THE REBEL LOAN.; A More Complete List of British Subscribers. Who Got Their Interest and Who Did Not. Probable Misuse of Respectable Names. The Subterfuge of the Proprietors of the London Times. Some Account of Some of the Subscribers. Newspaper Writers and Their Situations in the Loan," *New York Times*, December 9, 1865.

³²⁷ Sexton, *Debtor Diplomacy*, 212-221. For more on the international perspective of these claims see "Differend avec G.B. Britain," *Etats Unis*, Diplomatic Archives, Brussels, Belgium. In the aftermath of the Geneva settlement, extensive discussions were had between the British and American governments over how the \$15.5 awarded to the United States would be processed. After protracted negotiations, a syndicate comprised of Jay Cooke, McCulloch & Co, Morton Rose & Co., and J.S. Morgan & Co., brokered a deal with the

Towards the end of the 1860s, American Civil War debt reached its peak in European markets. In October 1868, a writer in *Hunt's Merchant Magazine* placed the quantity of U.S. government bonds held abroad at \$700 million. David Wells, the Commissioner of Revenue, placed the figure a year later at \$1 billion—representing nearly half of all U.S. government bonds on the market. While the percentage had been similar at points in the antebellum years, the quantities paled in comparison to the \$1 billion being discussed in 1869 and 1870. In 1870, the American Consul to Amsterdam reported that various individuals and institutions in the city held \$300 million of U.S. government bonds. German, French, Swiss, Dutch, Russian, Italian, and Belgian investors (soon to be followed by British investors) all actively traded in the bonds through 1870 and into early 1871, even amidst the heightening tensions on the continent that ultimately spilled over into the Franco-Prussian War. The relative success of sales abroad during the Civil War represented a fraction of sales in comparison to the success that emerged in the post war period. With such success, the United States seized the opportunity to refinance its high interest debt—hoping that the European market would be as open to this lower interest version as it was with the more high profile (and higher interest) 5-20s.³²⁸

British treasury to either act as the guarantor on the delivery of gold between the two governments or transfer of bank notes in currency in London to either Washington or New York. Additionally, and perhaps most intriguing, the London houses also provided the option of the gold to be retained in London to pay interest on United States bonds, or to be used in the purchase of United States bonds by these houses for the British government. It is unclear which options were ultimately employed as it was at the discretion of the British government. For more see, J.S. Morgan & Co, Morton Rose & Co, and Jay Cooke McCulloch & Co to Hamilton Fish, May 28, 1873 and Morton, Rose & Co (London) to Morton, Rose & Co (New York), September 27, 1872, and Jay Cooke McCulloch & Co, J.S. Morgan & Co, Morton Rose & Co, and Drexel Morgan & Co to W.A. Richardson, June 4, 1873, all located in “Correspondence Regarding the Alabama Claims and the Geneva Award”, UD 554, RG 53, Bureau of the Public Debt, NARA II, College Park, Maryland.

³²⁸ Mira Wilkins, *History of Foreign Investment*, 109-11. Bert Forbes, “Investments by Hollanders in America,” *Van Norden Magazine*, October 1909, 62. For more on French and Swiss

The high rate of sales in the latter part of the war in Frankfurt continued into the immediate post-war period with Gebruder Bethmann again taking a prominent position. In the aftermath of the war through the end of 1865, the firm purchased slightly over \$350,000 worth of 5-20s. Investments rebounded in the first quarter of 1866 to the tune of \$163,000 followed by \$122,500 in the second quarter. A third quarter of \$104,000 followed by a fourth quarter that brought in \$227,000 demonstrated a continued interest on the part of the firm and their European clients in United States bonds. Especially interesting during the fourth quarter was that 7-30s were also being purchased by the firm, albeit a rather modest sum of \$15,000. In 1867, Bethmann upped their investment in American 5-20s to \$1,354,100 with additional purchases of 81s and 5-20s from 1865 (combined total of some \$71,100.) In 1868, the stakes grew even higher with \$2,134,900 in 5-20s purchased by the Frankfurt house and half a million dollars worth of additional Civil War bonds. The first two quarters of 1869

investment, see Jean Bouvier, *Le Credit Lyonnais de 1863 a 1882* 2 vols (Paris: S.E.V.P.E.N., 1961) 2: 563-64. Platt, *Foreign Finance in Continental Europe and the United States*, 177-78, cites a letter from Charles Jutting to Barings, April 4, 1867, that claims (according to St. Petersburg banker George Wyneken) that Russian families had procured \$3 million in "United States stock" to hedge against the potential collapse of the ruble. The 1865 Amsterdam City Chamber of Commerce Report including the following with regards to American bonds sold in the city: "Under the Foreign Funds hold more and more the United States Bonds North America are the first rank; The fair had more this year than in the previous reason to rejoice about. Thanks to the happy turn which the affairs of America has had a very lively daily trade from the beginning of January, until the end of June, risen one place in the 6 pct. Obligation 1882 from 45 5/8 to 78 5/8 per cent., Which was only temporarily disrupted due to the generally lamented death of Lincoln. As it turned out, however, that through this event the peace would not be in the balance, the propensity found therein novelty; the dealers could not conduct any funding, so the price soon rose a few percent above the parity with New York; they counted the objections arising from the regulation of the finances of the Union, almost. One reaction was inevitable and also followed the end of the year, reinforced by the onerous conditions, which the money market the speculators for the continuation of their opera then imposed; Finally we find the course, even after having been again 66 1/4, 69 pc," 1865 Annual Report vol 422., 142-43. Archief van Koophandel en Fabrieken voor Amsterdam (Amsterdam City Chamber of Commerce Records,) Stadsarchief, Amsterdam, Netherlands.

(the current end of records held by this author) totaled some \$782,700 in 5-20 Civil War bonds.³²⁹

At long last Cooke & Co. established a European house in 1870. Following other American firms that had established American houses during the bond flurry of 1869-1870, Cooke relied upon Frank Evans—a London native who had purchased bonds during the war in London on behalf of Cooke, and former Secretary of the Treasury High McCulloch, among many others. The house quickly established itself in London covering all aspects of banking and quickly positioned itself for the crown jewel—to be the official United States banker in London. This position had long been in the hands of Baring Brothers in London and was a valuable position. The United States government had large deposits on hand with Barings for the Navy and State Departments to cover expenditures not only in Europe but Asia as well. If the firm succeeded, it could get a hold of millions in cheap capital from the federal government that could be used to cover the firms interests. The competition for the contract was fierce among several American firms who recently opened shop in London and Cooke, McCulloch & Co., ultimately received half of the Navy contract. Between May and November 1871, the firm received \$3 million in US deposits.³³⁰

In attempting to make the issue of refinanced bonds to a Civil War agency more appealing to newly minted Secretary of the Treasury George Boutwell and those that wielded influence over the secretary, Cooke began to implement a term that had recently been associated to his activities with the Northern Pacific Railroad. A French word, *syndicat*, became Anglicized by Cooke into syndicate, and soon came to be associated with a group of

³²⁹ Bethmann Bank Collection, Institut für Stadtgeschichte, Frankfurt, Germany.

³³⁰ Larson, *Jay Cooke*, 310-12, n. 42. The 60 day bills commonly implemented by the United States government gave Cooke, McCulloch & Co that nearly two month period to have access to cheap capital at a very low rate—similar to the efforts of Cooke & Co., stateside during the Civil War and in its aftermath.

financial partners working in unison to achieve a common end through underwriting a particular securities issue—in this case refinancing the national debt. Cooke coined the term in the United States and was the first to introduce group underwriting on a large scale—a practice that has become common place with investment banks. While perhaps a concerted effort on Cooke’s part to label what had been a strategy since the 1862 5-20 agency, Cooke’s opponents met the approach with skepticism. In particular, Representative Samuel Cox of New York met the term and strategy with great trepidation—believing Cooke and his allies were merely using the term to cover the fact that they were cornering the market in US securities. Cox launched a formal investigation of the matter and remained critical of the agreement made between Cooke and Secretary Boutwell. The initial syndicate actually comprised of two distinct entities—one domestic and one foreign responsible for a total of \$25 million of the new 5% issue. The domestic syndicate (taking on \$10 million) naturally featured Jay Cooke and Co., but also Vermilye and Co, Fisk and Hatch, Henry Clews and Co., Clark, Dodge and Co., and several national banks including Cooke’s national banks. The arrangement, however, also included silent partners for certain banks—such as Speyer and Von Hoffman for Fisk and Hatch.³³¹

³³¹ Oberholtzer, *Jay Cooke*, 2:277-279; Larson, *Jay Cooke*, 314-15. While Cooke was the first to undertake group underwriting on a large scale, it was not really the first type of group action. To some degree syndicate practices were employed in places such as medieval Genoa and Florence and parts of Southern Germany. Further studies of Bardi, Peruzzi, the Bank of St. George, the Frescobaldi, Fuggers, Welsers, and others in medieval Europe would shed more light on the matter. Even within the United States a smaller scale syndicate was employed during the War of 1812 (as demonstrated in chapter one.) However, for many of these were merely joint purchases with no coordinate effort on the selling end. To be sure, syndicates akin to those implemented by Cooke were well in existence by the 1850s in France and the German states. Before Cooke undertook syndicate writing for government securities, he had utilized the practice to great effect underwriting issues for the Pennsylvania Railroad in 1870, as well as the Lake Superior & Mississippi Railroad.

For the European syndicate, Cooke drew on a wide array of banks in several different countries. Such an act transformed the international financial markets as Jay Cooke took the lead in forming a European syndicate to purchase and subsequently offload these securities in European markets. The syndicate came to incorporate well-known firms from the Civil War finance years along with relative newcomers. For some American firms, this represented the opportunity they had been looking for to open European houses. Seligman Brothers (London and Frankfurt), Munroe & Co. (Paris), and Jay Cooke, McCulloch & Co. (London) all represented well-established American banking houses that took the opportunity presented by the post-war securities market abroad to open European houses. London, Paris, Frankfurt, Amsterdam, Berlin, Hamburg, and Brussels were all cities with syndicate members. In London, Cooke relied upon his own newly-formed house of Jay Cooke, McCulloch & Co., but also R. Raphael & Sons, Bischoffsheim & Goldschmitt, Louis Cohen & Sons, Clews, Habicht & Co, Speyer Brothers, Seligman Brothers, The Anglo-Hungarian bank, Peter Cazenove & Co., Samuel Montague & Son, Foster & Brathwaite, and Satterthwaite & Co. In Frankfurt, the syndicate included Seligman & Stettheimer, L. Speyer Ellison, Emil Erlanger & Co and other smaller houses. Amsterdam included Lippmann, Rosenthal & Co and Wertheim & Gompertz, while Behrens & Sons (Hamburg), Bleichroeder (Berlin), Oppenheim, Errera & Co. (Brussels), and John Monroe & Co., and Andrews and Co. (both Paris) rounded out the syndicate.³³² In addition to the syndicate, other firms also came on board to purchase bonds exchanged for their older Civil War securities for the refinanced loan. This included such firms as Leipzig based Knauth, Nachod + Kuhne, Baltzer + Taaks (a limited partner with Bank für Handel und Industrie in Darmstadt), as well as Frederick Schuchardt & Sons. Still further several German-American

³³² Oberholtzer, *Jay Cooke*, 2:278. Also see *New York Times*, Aug 15, 1871.

financial relationships became closer. M.M. Warburg of Hamburg fostered deep ties with Kuhn, Loeb & Co. in New York, while the Darmstadter Bank likewise had a close relationship with Knoblauch & Lichtenstein, also of New York. One of the largest traders on Wall Street, Hallgarten & Co., likewise had extensive ties with German firms.³³³

Examining some of these banks that lay outside the established European syndicate to a closer degree is illustrative in demonstrating just how US bonds came in at a transformative time for European markets. The Nederlandsche Credit en Deposito-bank of Amsterdam served as one of the most crucial financial actors in Amsterdam at the time. The central bank of the Netherlands, the Nederlandsche Bank (as it became known) received approval from the government on February 22, 1863, and although nominally a Dutch bank designed to right the flagging Dutch banking industry at the time, its capital drew largely from Frenchmen. The majority of shareholders were French, and the opening of a Paris branch almost immediately after the granting of its charter demonstrated that Amsterdam would play second fiddle to the larger branch in Paris as the Parisian business quickly overtook the work being done in Amsterdam. Among other things, the Nederlansche Bank worked to underwrite American government bonds from 1864 to 1870.³³⁴

Another bank, the Algemeene Maatschappij voor Handel en Nijverheid (General Company for Commerce and Industry) also worked extensively in American government bonds. Known more commonly by its French name, Crédit Néerlandais, indeed took a French approach to its investments—much like those of the Crédit Mobilier, and did invest

³³³ Bureau of Public Debt Records, RG 53, NARA II, College Park, Maryland. See Oberholzter, *Jay Cooke*, 2:278 for the complete list of syndicate members; Wilkins, *History of Foreign Investment*, 120.

³³⁴ For more on Nederlansche Bank investment in U.S. government bonds in this period, see Rondo E. Cameron, *France and the Economic Development of Europe, 1800-1914* (Princeton: Princeton University Press, 1961), 177-78.

in US government stocks—although with a greater interest in railroads and state debt. One example that did emerge for the Algemeene Maatschappij voor Handel en Nijverheid was the purchase of \$5,000 in 5/20s in August of 1866 on behalf of the Amsterdam Kassa from the Parisian bank Robinot. A third bank, Amsterdamsche Bank, a conglomerate of banks including the Bank für Handel und Industrie in Darmstadt, Wertheim and Gompertz, Becker and Fuld, Lippmann, Rosenthal and Company, and others, also invested extensively in US government bonds during this period. Thus, even the financial market of Amsterdam, although operating outside the established syndicates, nevertheless played an integral role in the placement of U.S. government debt.³³⁵

But to better understand the power and influence of the Amsterdam market, there are even more banks worth examining, chief among them Hope and Co. Although originally founded by Scotsman, the firm was founded in Amsterdam and gradually came to open a branch in London as well (Hope and Co. also had very close ties to Baring Brothers in the city of London as many financiers for the firm apprenticed in London and vice versa.) The firm's early eighteenth century investments were in the realm of the slave trade as well as the transport and financing of Quaker travel out of Rotterdam to the new world. By the early nineteenth century the firm had grown in size to the point that it helped to underwrite the financing of the Louisiana Purchase. While the firm struggled in the early part of the eighteenth century (retaining a staff of eleven in 1813), its business had grown as such by the middle part of the nineteenth century that the firm had a staff of 1,500 by the early 1850s. As the nineteenth century progressed the firm moved away from a more traditional merchant

³³⁵ For more on Dutch investment in U.S. government bonds in this period, see Cameron, *France and the Economic Development of Europe*, 177-80. Also, see Guus Veenendaal, *Slow Train to Paradise: How Dutch Investment Helped Build American Railroads* (Stanford: Stanford University Press, 1996), 17. Archief van de Algemeene Maatschappij voor Handel en Nijverheid N.V. Records, Box 27, Stadsarchief, Amsterdam, Netherlands.

approach centered around goods to securities spanning the entire world. Such business came to be conducted by the firm itself, but in the realm of international bonds, increasingly by close associates Weduwe W. Borski.³³⁶

A further examination of the records of Hope and Co. from the Reconstruction period reveal an active and dynamic market for American Civil War bonds for a clientele that spanned the European continent. For Hope and Company, their sales represented purchases on behalf of established European families (including royalty) as well as other Dutch financial firms and their extended families. For example, while Hope and Co. executed the aforementioned purchases for American textile magnet Rowland Gibson Hazard, they also undertook sales for Princess Elisabeth van Saxe Weimar Eisenach. Additionally, sales were undertaken on behalf of Prince Frederick Hendrik, Dutch financier J.G. Sillem and his wife Olga Ophie Sillem, and others such as an F. Jameson in Paris as well as Sarah Somers Leckie and Louise von Tappe.³³⁷

In addition, the papers of Borski and their work on behalf of Hope and Co. also offer insight into the sales of American Civil War bonds in the immediate post-war period. These individuals spanned a wide swath of Europe. Leopold Kronenberg was a prominent Polish banker who helped to establish the Warsaw Credit Association as well as one of the primary financiers of the Warszawsko-Terespolska Railway. He purchased \$30,000 in 5-20s through the Dutch house in 1867. The bonds came from a wide variety of primary sales stateside include a bond out of a \$1,000,000 purchased by the Metropolitan Bank in New York as well as a \$1,000 bond out of a \$50,000 lot purchased by the Lowell (MA) Institution

³³⁶ Joost Jonker, *Merchants, Bankers, Middlemen: The Amsterdam Money Market during the First Half of the 19th Century* (Amsterdam: NEHA, 1996), 65-67.

³³⁷ Archief van de Firms Hope & Co (Hope & Co. Papers), 1576, Stadsarchief, Amsterdam, Netherlands.

for Savings. Another bond came from a \$55,000 lot purchased by Vermilye & Co., well a fourth came from a smaller lot purchased by an individual named Samuel Fowler. The interest and sale of these bonds more than likely helped to underwrite Kronenberg's extensive investment in other Russian railroads in the latter part of the nineteenth century. There were other Russian connections as well. Heinrich VII, Prince Reuss of Kostritz, and the first German ambassador to the Russian court at St. Petersburg, also purchased bonds through the house shortly after his appointment in 1871. The German diplomat to Russia included 81's and 5-20s from 1864 as part of his portfolio, as well as two other issues from 1865 and 1867. Charles Jutting—a financier in St. Petersburg with extensive ties to Baring Brothers in London—also invested. Count Ernest Charles de Stackelberg—a Russian career diplomat assigned to Paris at the time of his investment—undertook an investment of \$28,000 in 1865 5-20s made shortly before his death in 1870. Prince Nicolas Labanov Rostovsky also invested in Amsterdam. The fact that these bonds were held for such brief period of time (slightly averaging over a year) would seem to reinforce such investments as part of a repro market for these individuals and the firm although further information would need to be uncovered to verify such claims.³³⁸

Others for the firm including several refunded 5% of 1871 for the Arthur Desjardins—a future Advocate General for the French Supreme Court. Also, Emile Robin, the noted French financier and philanthropist also invested through Hope and Co/Borski, albeit for a modest \$4,000 initially. His stake was ultimately doubled to \$8,000 to incorporate

³³⁸ Hope & Co. Papers, 3220, Stadsarchief, Amsterdam. I would like to extend my sincere thanks to Łukasz Wilinski at the Kronenberg Foundation at Citi Handlowy (Warsaw) for his assistance in providing some background information on the Kronenbergs that is not available elsewhere.

refunded 5% of 1871. Also, there was an investment made on behalf of one Monsieur Kakoschkine—the Russian minister to the Italian court.³³⁹

The Borski's were also active on their own books, although for many of their purchases their clients were restrained to the Netherlands itself. While some clients hailed from Amsterdam, others resided in the Dutch cities of Rotterdam, Haarlem, Arnhem, Beetsterzwaag, and Leeuwarden. These individuals came from a wide array of industries as well. They ranged from Gebr Gratama, part of the Gratama Brothers bank of Leeuwarden. As well a Y.H. Bogaers from Rotterdam who purchased \$12,000 in 1865 5-20s in the fall of 1872 (this after having sold \$4,000 of the same security in May of the same year.) Another individual, an F.H. Brinkman from nearby Haarlem, also actively traded in securities via the Borski's ranging from 5-20s to refunded 5% bonds. The Borski's personal accounts were also active in Civil War bond sales. Willem Borski, C.A. Borski, and Y. Borski all invested in 5/20s and 10/40s in the post-war period, as well as 5% refinanced debt. Willem Borski was perhaps the most actively involved in the sales of bonds, especially the 5% refinanced debt in 1872-1873. Borski bought and sold over \$100,000 of this 5% debt in just over a year long stretch of time.³⁴⁰

The prominent Dutch house Insinger also invested heavily in the immediate post-war period from 1865-1872. While the firm bought on behalf of some Dutch clients—such as J. Ringeling from Breda—the majority of clients were found outside the Netherlands. These included two American clients/partners (Boonen, Graves + Co as well as James G. Kings Sons) presumably in arbitrage transactions. However, a more substantive portion of these transactions took place with German firms that up to this point had not made an

³³⁹ Hope & Co. Papers, 3221, Stadsarchief, Amsterdam.

³⁴⁰ Hope & Co. Papers, 3229, Stadsarchief, Amsterdam.

appearance in the available Dutch records pertaining to Civil War finance. Hundeiker & Abegg of Hamburg and G. Kinder of Dresden both began to figure prominently. While little remains in terms of a history of Hundeiker & Abegg, what little remains of G. Kinder points to a Dutch partnership centered in Dresden that invested heavily in Java. This active investment in Civil War securities (to the total of some \$50,000) marked a stark deviation from their portfolio writ large. While Insinger invested heavily in this seven year period, the records beyond 1872 show no interest in these bonds—perhaps a reflection of a shift in their investment portfolio of the conducting of business solely through Hope and Co.—with whom Insinger held a close relationship.³⁴¹

Following the Act for the Public Funding of Debt in July 1870, the U.S. government moved forward with its plans to refinance its debt abroad. To help facilitate this action, the government opened an office in London for investors to purchase bonds and redeem those being called in by the federal government. An examination of the surviving ledgers from the London office reveals the disparate nature of sales that made their way through the office. Of the hundreds of transactions through the office, the majority were for British, Scottish, Irish, and French citizens. That said purchases also were directed towards individuals from the German states, the Netherlands, Canada, Malta, Puerto Rico, Italy and Switzerland. The sales, much like those in the war period domestically and abroad, ranged in the class and stature of the individuals although sales through the office certainly scaled to those of higher classes, even royalty. For instance, Vincenzo Bugeja hailing from Malta was a prominent businessman from the island and noted philanthropist. However, his penchant for gambling and cutthroat approach at the tables in Monte Carlo earned him the nickname “the Maltese Matador.” Archibald Maswell, from Avranches in the Normandy region of France also

³⁴¹ Insinger Papers, 1166-1167, Stadsarchief, Amsterdam.

purchased the 5% funded loan through the London office. Purchases outside of the London office did cross the Atlantic and were purchased on behalf of several individuals and firms. Anne Bullivant, a self described “spinster” from St. Catherines Ontario purchased \$10,000 in 5%. The firm of Skerrett Brothers based out of San Juan, Puerto Rico also purchased bonds though the U.S office in London.³⁴²

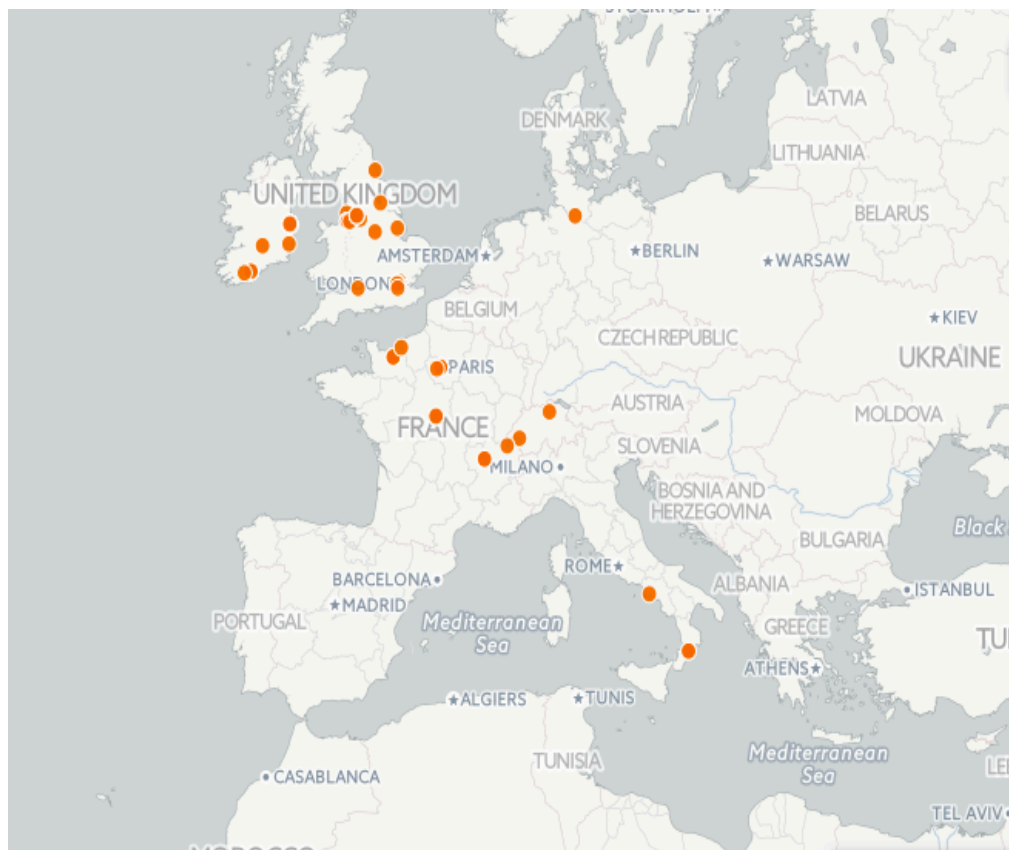
Other investors include Italian royalty such as Gaetano Filangieri, Prince of Satriano in northern Italy, who invested repeatedly in these bonds in 1871 and 1872. Similarly, Michael Gravina, Prince de Comitini, and residing in Naples also invested. From John Pennington Thomasson—a cotton mill owner in Bolton and future member of Parliament, to Theodose Achille Louis, the Comte du Moncel and one of the leading French scientists of the 19th century, to the Reverend William Edensor Littlewood—an English minister and social activist, all invested in U.S. government bonds in 1871-1872. The bond sales also crossed gender lines. English novelist Mary Ann Evans, more well known by her pen name George Eliot, purchased U.S. government bonds. The same can be said of Jane Sheil, an Irish widow and extensive landowner in Dublin. Maria Alboni, an Italian born singer and one of the most famous *contraltos* in Europe purchased bonds (she resided in Paris at the time of the sale.) Eliza Hudson, a widow in Dublin, Ireland, purchased bonds. Spinsters Harriet Wright and Hannah Sleightholme heralding from South Cliff, England also purchased \$1,000 each. Even Helen Maingay and Elizabeth Maingay of the small island of Guernsey in the English Channel invested sums in the bond sales. When coupled with

³⁴² “Register of Bonds Issued and Exchanged from the London Office, 1872-1881”, Vol 1., UD 148, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. The Bank of England also permitted the United States government to open a “personal account,” George Forbes to William A Richardson, January 17, 1872, “Correspondence Regarding the Alabama Claims and the Geneva Award”, UD 554, RG 53, Bureau of the Public Debt, NARA II, College Park, Maryland.

investments by the Chartered Banks of India as well as Australia, the funded loan of 1871 reveals an even wider global reach for this issue. From July 1871 to February 1872, the London office sold slightly under \$3.7 million to several hundred individuals. Such sales continued through the office with additional refunding efforts in the early 1880s.³⁴³

³⁴³ “Register of Bonds Issued and Exchanged from the London Office, 1872-1881”, Vol 1., UD 148, RG 53, Bureau of Public Debt, NARA II, College Park, Maryland. The material contained in volumes two and three deal with purchases in 1881 that still tie into the refinancing of Civil War debt. In both cases, these volumes draw from individuals in the same areas geographically as they did in 1871. These include British, French, Dutch, Swiss, and German investors; Even when the bonds were not necessarily being directly traded in certain overseas countries, they impact could be felt in subsequent design. For instance, in the early 1870s the newly open country of Japan sent a slew of representatives to Washington and among other things, they worked on a new currency system for the country modeled after American greenbacks and 5-20 bonds. They even worked out a design for American greenbacks and bonds that would work their way into circulation in Japan, “Japanese Finances: The New Coin of the Country—How Japanese Bonds are Made in New York—The American Financial System in Japan,” February 10, 1872, *New York Times*.

Figure 4: Locations of Sales of Bonds through the London Treasury Office, 1871-1872



The original syndicate and those that followed played a crucial role in refunding Civil War debt. Between August 1871 and June 1879, various syndicates sold some \$1.4 billion worth of federal bonds. Such an act had widespread ramifications not only on the power of American securities abroad, but also the financial houses that undertook such endeavors. The initial syndicate was most notable because of the absence of some of the most famous houses of the nineteenth century. The Barings, Rothschilds, and Morgans all declined to be agents as part of the initial syndicate of 1871, despite some investments by the firms on a very small scale. Junius Morgan stated in the summer of 1871 that he “did not see any great profit” to be had through participation in the syndicate. Cooke proved his doubters wrong

and successfully sold the issue totaling some \$130 million—leading to Morgan to recognize the fact that Jay Cooke had “established American credit abroad” without “the aid or cooperation of certain firms who have heretofore assumed that nothing could be done without them.”³⁴⁴

The syndicate did meet with some criticism. By August, 1871, *The Commercial and Financial Chronicle and Hunt's Merchant's Magazine* (a lengthy, awkward title following a merger) called on Secretary Boutwell to “Make a candid full statement of the details of the arrangement he has made with the syndicate. The light of the publicity must be shed on all the conditions of this contract and on every step of their fulfillment. The arrangement is not one which requires or allows concealment.” Acknowledging that the arrangement had “introduced a new word into the vocabulary of finance,” the article nevertheless recognized syndicates as merely the latest word to define what had previously been referred to as “‘rings,’ ‘cliques,’ ‘combinations,’ and some of them were so disgraceful in their objects, so dishonest in their methods, that when a clique was formed of an honest sort, the word ‘ring,’ or ‘combinations,’ or their equivalents were avoided, if possible...”³⁴⁵

The funds earmarked for the respective syndicates would ultimately rise to \$130 million (\$80 million of which was for the European syndicate.) The successful sales of the syndicate resulted in the decision on the part of Secretary Boutwell to issue a notice of redemption calling in \$100 million of the 1862 5-20s with interest ceasing December 1. Bonds could be redeemed, or similarly could be exchanged for the new 5% issue of 1871. For those that desired the new 5% issue abroad, bonds were sent in various steamers in \$5

³⁴⁴ Vincent Carosso, *The Morgans: Private International Bankers, 1854-1913* (Cambridge: Harvard University Press, 1987), 175-78.

³⁴⁵ “The Syndicate,” *The Commercial and Financial Chronicle and Hunt's Merchant's Magazine* 13 no. 321 (August 19, 1871), 229.

and \$10 million increments—the clerks escorting the bonds not having access to the respective safe under their control to ensure safe delivery. The issuance met with great success not only for the government but also both syndicates. Such was the success of the European syndicate that the mighty Rothschilds went in with Cooke and Co., on a future \$100 million of bonds to sell in Europe.³⁴⁶

The efforts of some European banks as it pertained to the 5% 1871 issue are still found at the National Archives and include firms outside of the established syndicate. Indeed such purchases occurred in the slow sales that preceded the syndicate. Baring Brothers—one particular firm that declined participation in the syndicate—nevertheless purchased \$98,500 in 5% bonds. The Rothschilds in London purchased a modest \$13,100 for several clients. The Rothschild house in Frankfurt similarly procured \$35,200 in April 1871 including nearly half of the bonds for the Bishop of St. Alban. J.S. Morgan in London continued their support of the Civil War debt in the post-war period with \$15,000 in purchases. Seligman and Stettinheimer purchased \$176,000 in 5% in the spring of 1871. Clews, Habicht & Co., topped the sales in the spring of 1871, however, by purchasing slightly more than \$2 million of the new 5% bonds. Such various purchases in the spring of 1871 preceding any and all syndicate arrangements—including firms both part and outside the future European syndicate—reveal the initial interest in the 5% bonds in early 1871—albeit small compared to future sales.³⁴⁷

³⁴⁶ Oberholtzer, *Jay Cooke*, 2: 282, 287-88.

³⁴⁷ Records of Subscriptions,” Volume 13, UD 36, RG 53, NARA II, College Park, Maryland; JS Morgan was very active by British house standards in late 1860s pre Alabama claims. In February 1871, N.M. Rothschild wrote (presumably to August Belmont, their American agent, although the letter is unsigned) as to efforts made to bring them in as part of a European syndicate. “We had a visit today from Mr. Cooke (of Jay Cooke & Co) who has received a telegram from the United States Secretary to know whether we would join Barings, Morgan, Rose + other London houses in effecting the conversion of the 6 pr cent

While the London Rothschild house may have been initially reticent to invest in the refunded loan, this did not stop the Frankfurt house under M.C. de Rothschild. Writing to August Belmont in April 1871, Rothschild made it abundantly clear subscriptions had been opened at the Frankfurt house as well as “all over Germany also Switzerland.” Working in conjunction with Seligman + Stettheimer, the firm emphasized all efforts being made to “further the consolidation of the U.S. Securities” through various means including a prospectus published jointly with Seligman + Stettheimer in “all the more important towns of Germany + Switzerland,” as well as all “largely circulated newspapers.” By July 1871, Barings of London reported to the United States government a total of some \$98,000 5-20s to exchange for refunded 5%’s. Jay Cooke McCulloch & Co, similarly indicated \$186,100 in 5-20s to exchange by the summer of 1871 as part of a request to procure \$1.1 million in 5%’s. Seligman + Stettheimer submitted a request for \$106,000 in 5-20 exchanges. The issue met with mild success, even with a slow start. The sales had convinced the government to move forward with a refunding of the debt and extended American credit and the reputation of Cooke abroad. Levi Morton wrote to President Grant reflecting this belief. “There is no wiping out the fact,” Morton declared, “that it was a wonderful negotiation and will put Jay Cooke & Co. head and shoulders above any American house in Europe, and make them peers of the proudest of the European houses. Despite such praise, Cooke & Co., did not hold a special place for the next issue as the lead agent.”³⁴⁸

Bonds. We replied that it would always give us pleasure to do business with the Government of the United States + to receive any ordered it would do us the honor of confiding to us, but that it was contrary to our custom to place our house by the side of others in negotiations such as the one proposed to us,” N.M. Rothschild to unknown, February 10, 1871, “Correspondence Regarding the Alabama Claims and the Geneva Award,” RG 53, UD 554, NARA II, College Park, Maryland.

³⁴⁸ M.C. de Rothschild to August Belmont, April 2, 1871. Later that year a letter from the editor of the *German American Oeconomics* to Assistant Treasurer William Richardson also

The next refunding issue of January 1873 led to a change of heart for several of the larger more established firms such as Barings and the Rothschilds. Those firms on both sides of the Atlantic saw what success had come from the issue and opted to join in if at all possible. By 1872, the American houses were angling for such a position by promoting Grant's reelection extensively within the Democratic enclave of New York City. The firms quickly took side in the winter of 1872-1873 to make a play for the \$300 million redemption. On one side, Jay Cooke's firm led a contingent that included the London based Rothschilds and the Seligman houses. On the other was a group led by Levi Morton and his network in Paris and London, Pierpont Morgan and his transnational house, along with London based Baring Brothers. Pierpont Morgan spent the majority of January 1873 camped out in Washington to curry favor with the outgoing Secretary of the Treasury. That said, Anthony Drexel came to confide in Morgan that in order to become involved in the next refunding

reiterated Rothschild involvement in American securities. For more on the struggles of placing the refunded loan in Germany, see Edward Taussig to William Richardson, August 21, 1871, "Correspondence Regarding the Alabama Claims and the Geneva Award", UD 554, RG 53, Bureau of the Public Debt, NARA II, College Park, Maryland. For a firm that met with success, see Seligman Brothers to William Richardson, July 18, 1871, "Correspondence Regarding the Alabama Claims and the Geneva Award", UD 554, RG 53, Bureau of the Public Debt, NARA II, College Park, Maryland; Barings Bros to John P. Bigelow, July 29, 1871; Jay Cooke McCulloch & Co to William Richardson, June 29, 1871; illegible to William A. Richardson, October 20, 1871 all letters located in "Correspondence Regarding the Alabama Claims and the Geneva Award," UD 554, RG 53, NARA II, College Park, Maryland. According to Assistant Secretary of the Treasury William Richardson, by July 1, 1871 of the original \$452,913,900 in 4-20 coupon bonds, \$383,000,050 remained outstanding. The remainder had either been exchanged for 5% bonds or absorbed by the Treasury. William Richardson to Clews, Habicht & Co, December 18, 1871, UD 554, NARA II, College Park, Maryland; George Boutwell to J.S. Morgan & Co., February 28, 1871, Morgan Papers, London Metropolitan Archives, London, England; Quoted in Robert M. McElroy, *Levi Parsons Morton, Banker, Diplomat and Financier* (New York, 1930), 53.

issue “a combination with them [Cooke & Co. etc] should not be rejected provided it can be done in entire equality.”³⁴⁹

In late January the two sides joined together, bridging a divide between the two networks to take on the \$300 million 5% loan. While the firms only accepted \$10 million initially, they had an option to buy the balance before the end of the year. The agreement was signed by Cooke & Co., Morton, Bliss, and Drexel Morgan—who all acted on their own behalf as well as their London associates (Baring Brothers, Jay Cooke, McCulloch & Co., J.S. Morgan & Co, Morton Rose & Co., and N.M. Rothschild & Sons.) While the issue did not meet with as much success as the initial syndicate of 1871, it met with greater problems owing to the failure of Jay Cooke & Co and the subsequent Panic of 1873. While the blame was lobbed more generally at the European houses for the failure to issue more bonds (even though European placement outnumbered American bonds \$28.5 million to \$21 million). European firms divided £105,000 in profit amongst themselves by the end of the year and realized that the failure of Cooke & Co. opened the door for future investments on a larger scale if they were so inclined.³⁵⁰

The attempted refunding in 1873 took place in the midst of a deep economic contraction that threw the United States into a depression and took down the mighty financial house of Jay Cooke. Overextended in Northern Pacific Rail stock, the company

³⁴⁹ Corosso, *Morgan*, 178-79, A.J. Drexel to J.S. Morgan, January 14, 1873, Morgan Papers, London Metropolitan Archives (LMA), London, England.

³⁵⁰ Committee of Management, “United States Five per Cent. Funded Loan,” February 3, 1873, Morgan Papers, LMA. One notable omission from the subscription was Hope & Co. of Amsterdam, who declined an invitation from Baring Brothers. Such a fact is somewhat curious considering their active participation in American securities as demonstrated earlier in the chapter. Hope & Co. to Baring Brothers, February 3, 1873, Baring Brothers Papers, London, England; J.S. Morgan & Co. to Drexel, Morgan & Co., October 23, 1873, Morgan Papers, LMA; J.P. Morgan to J.S. Morgan, Morgan Family Papers, Pierpont Morgan Library, New York, New York. Corosso, *Morgan*, 179-80.

shuttered its doors on September 18, 1873. The act sent shockwaves through the American financial sector, culminating in the New York Stock Exchange suspending trading for ten days. In the wake of Cooke's house failure, the future trans Atlantic partnerships were run through a variety of other houses—that while based out of New York, operated on behalf of European partners. Drexel, Morgan, Morton, Bliss, August Belmont, and J. & W. Seligman were now the chief competitors for any future bids on Treasury business. On July 28, 1874, August Belmont & Co. operating on behalf of the Rothschilds and their associates and J.W. Seligman & Co. operating on behalf of their German houses and partners negotiated a \$45 million underwriting of new 5% issues with an option on the remaining \$123 million. The contract was renewed a year later to incorporate Drexel, Moran & Co. and once again in 1876 with the inclusion of Morton, Bliss & Co. The addition of other firms resulted from the struggles of the Rothschilds and Seligmans to properly place the loan.³⁵¹

The announcement in 1875 that the United States would resume specie payments in 1879 sent further ripples through the market. The latest Secretary of the Treasury, long time Senator (and Cooke ally) John Sherman, coordinated extensively with August Belmont and the Rothschilds from 1877 to 1879 on matters of bond sales abroad. Indeed, if anyone approached the level that Cooke & Co., had held, it must be considered to be the Rothschild via August Belmont. Pierpont Morgan complained at one point to his father the primary role Belmont had taken at the expense of other firms like their own. "So far as we are concerned here," Pierpont bemused, "we are entire nonentities. We are never consulted or informed & have no more idea of what is being done than if we had no interest or liability in the matter." Charles F. Conant even was sent abroad to contend with the issue as "the operations of the [banking] syndicate have become so important." By 1879, the government had ushered in a

³⁵¹ Wilkins, *Foreign Investment*, 184-85;

further five refunding issues utilizing transatlantic syndicates with great success. In 1880 as the United States conducted the tenth census, there was an attempt made to determine the ownership of the national debt and distinctions were made over what elements were held domestically versus abroad. Estimates came in that some \$250 million in American federal debt was located overseas at the time of the census- down from its high of \$1 billion some eleven years earlier, but still a sizable quantity of the dwindling Civil War debt. Budget surpluses during the 1880s rapidly dwindled the Civil War debt, to the point that it effectively was gone by the turn of the century.³⁵²

Of course the syndicates that emerged in the 1870s as the chief method for bond sales relied on long established social networks. Operating outside the traditional markets, these relationships—centering around religious beliefs, ethnicity, geography, or other factors, proved essential to facilitating bond sales in the post-war period as the nomenclature of “syndicate” rose to prominence. These relationships are especially important when one considers that these sales stretched virtually around the globe. In establishing networks with other houses that either led to informal partnerships, formalized partnerships, or the creation of additional banking houses (like the *Amsterdamsche Bank*) founded by a conglomeration of these said banks, all came to play a role in international finance. This reliance on trust and

³⁵² U.S. Department of Treasury, *Specie Resumption and Refunding of the National Debt*, 46th Cong., 2nd Sess., 1880, *H. Exec. Document* 9, 2-15. Historian Rondo Cameron similarly has argued that there was a sizable shift of American government debt from England to the continent in the late 1870s—specifically France. By his estimation, some \$400 million in US Civil War era debt was in France by 1877, “French Foreign Investment, 1850-1880,” PhD Diss., University of Chicago, 1952, 74; John Sherman to Conant, October 4, 1877, in Treasury, *Specie Resumption*, 162. Sherman to Conant, May 12, 1877, in Treasury, *Specie Resumption*, 38. Ibid., 295-97. John Sherman, *Recollections* (Chicago: Werner, 1895), 2:638-42; U.S. Secretary of the Treasury, *Annual Report*, 1879.

overall access to information helped to facilitate what one historian has termed “extra-market social relations” and in doing so hastened the integration of global capital markets.³⁵³

Furthermore, as the United States gradually retired its debt, capital flowed from state securities into the vibrant market of rail securities. Between the end of the war and 1870, \$500 million in canal and road securities entered the market. Foreign indebtedness in American railroads increased from \$100 million in 1866 to \$390 million in 1874. The clear transition from federal bonds to rail securities has been aptly demonstrated by Delores Greenberg and Richard Bense, as the seventeen most important firms in postwar railroad financing collectively had marketed some 44% of primary bond sales from the war’s most infamous 5/20 issue. Rail securities thrived in London, Frankfurt, and Amsterdam in the decades following the American Civil War. As such many American firms opened up European houses or formalized partnerships with European banks to facilitate the sale of these securities. The intricacies of these partnerships, silent or formalized, revealed the increasing complexity and globalization of financial markets, all dating from prior relationships forged with Union securities from the Civil War. For the very first time, American banks opened branches abroad and utilized new technology and financial instruments to transform global markets.³⁵⁴

Utilizing evolving financial techniques and heavily boosted by speculators on the various European exchanges, international bond sales appear to have been driven by an

³⁵³ For more on social networks and their importance in the world of nineteenth century finance, see Sven Beckert, *Empire of Cotton: A Global History* (New York: Alfred Knopf, 2014) 229-31. For an examination of financial networks at the turn of the twentieth century, see Susie J. Pak, *Gentlemen Bankers: The World of J.P. Morgan* (Cambridge: Harvard University Press, 2013.)

³⁵⁴ Wilkins, *History of Foreign Investment*, 117-19; Bense, *Yankee Leviathan*, 251-52 and Delores Greenberg, *Financiers and Railroads: A Study of Morton, Bliss & Company* (Newark: University of Delaware Press, 1980), 33, 38-41; Sexton, *Debtor Diplomacy*, 236.

ulterior motive to that of the work done at home by Jay Cooke and his financial agents. For international bond sales represented an evolving global marketplace—one in which powerful firms relied on faster access to information to make large speculative purchases driven less by politics than profiteering. Nevertheless, such sales opened new doors of opportunity for financiers throughout Europe. In so doing, these conscious acts on the part of European financiers had an effect on the domestic market. For in instilling confidence via their purchases in the Union, they unknowingly strengthened the crucial domestic market—something that only accelerated in the post-war period.

The world of global finance had entered a new stage in the second half of the nineteenth century. Revolving around Union securities, new financial syndicates, “silent partners”, and evolving financial markets and financial instruments all redefined securities in an increasingly globalized world. While New York cemented itself as the premiere financial market within the United States, sales in London, Paris, Amsterdam, Frankfurt, and beyond revealed the global reach of Civil War securities and the new financial world it helped to engender. The seismic shift undertaken in financial markets, spearheaded by Union securities, cannot be overestimated and reveals a larger transformation of capital markets in the nineteenth century.³⁵⁵

By 1884, Hugh McCulloch had returned to his position as Secretary of the Treasury under the Arthur administration. In his annual report of that year, he uttered the following:

“In the management of its debt the United States has been an example to the world. Nothing has so much surprised European statesmen as the fact that immediately after the termination of one of the most expensive and in some respects, exhaustive wars that has ever been carried on, the United States should have commenced the payment of its debt and

³⁵⁵ Sexton, *Debtor Diplomacy*, 252.

continued its reduction through all reverses until nearly one-half of it has been paid; that reduction in the rate of interest has kept pace with the reduction of the principal; that within a period of nineteen years the debt, which it was feared would be a heavy and never-ending burden upon the people, has been so managed as to be no longer burdensome.”³⁵⁶

The United States came out of the war with a debt near \$2.8 billion. Through political machinations and the sophistication of international markets centered on syndicates, the United States paid the debt off in rapid succession. Relying on established partnerships forged during the heat of the Civil War, and newfound arrangements with the oldest banking houses of Europe, the United States ushered in a new era of finance—one that heralded the Gilded Age and increased concentration of wealth accompanying such a world.

³⁵⁶ Bolles, *Financial History*, 339-40.

EPILOGUE

The winding down of Civil War debt progressed over the remainder of the nineteenth century. That is—in the sense that the original Civil War issues and their immediate successors of lower interest rates that emerged in the late 1860s and early 1870s were no longer on the Treasury books. With every annual treasury report, these numbers dwindled as customs revenue helped to offset some of the government debt. With the tenth census of the United States in 1880, the government did make an effort to determine ownership of national debt. Of the outstanding Civil War debt, \$28 million in registered bonds was held by foreign owners while \$221 million in coupon bonds were in foreign hands but made payments through the New York subtreasury. As was the case in the early 1870s, the United States treasury once again opened an office in London to sell refinanced Civil War debt to the European populace in the early 1880s. Some \$44.5 million of the 3.5% interest bonds were sold in Europe. But the European possession of the debt continued to drop. August Belmont claimed in August 1881 that European possession was somewhere in the neighborhood of \$150 million, and within the next three years the figure was down to under \$100 million. By the 1890s the United States Civil War debt had effectively been paid off and European investment in federal securities was minimal at best. While the United States

would never return to the 1830s and the complete elimination of the national debt, the Civil War debt had effectively been repaid.³⁵⁷

The Civil War bonds sold by Jay Cooke and his larger army to millions of Americans and the countless foreign investors represented a shift in how the American government would finance wars moving forward, but to a larger degree it also shifted American financial markets, their international reach, and the newfound world of investment banking. Cooke & Co's lead at syndicate underwriting changed the nature of American investment banking moving forward—foreshadowing efforts of investment banks in the early twentieth century onward. The war had created a market of high liquidity that morphed investment banking into a specialized institution—the legacy of which carries forward to the present day. This specialized business benefitted from war finance and evolved in the postwar period involving other avenues of financial pursuit including railroads, mortgage backed securities, and an ever-growing futures market along with other derivatives. Fisk and Hatch's *A Memorandum on Government Debt* only furthered the investment banking sector by not only explaining government debt, but including a glossary of Wall Street terms for the increasing amount of financial institutions opening during the war and beyond. For many, shorting the market and a bear versus a bull market were all new items to explore and reflected the rapid increase of the American financial sector (especially surrounding investment banks) as a result of the Civil War.³⁵⁸

³⁵⁷ Wilkins, *History of Foreign Investment*, 185 n. 165-170.

³⁵⁸ Larson, *Jay Cooke*, 216-18; Fisk and Hatch's *A Memorandum on Government Debt*; For more on the importance of underwriter reputation's see, Marc Flandreau and Juan Flores, "Bonds and Brands: Foundations of Sovereign Debt Markets, 1820-1830," *The Journal of Economic History* 69 no. 2 (September 2009), 646-684; For more on evolutions of global finance in the nineteenth century see, Julia Bersch and Graciela L. Kaminsky, "Financial Globalization in the 19th Century: Germany as a Financial Center."

Of course, by the time that bonds were redeemed by the federal government, financial institutions that had made the initial sales to everyday investors had largely collected all the bonds. With banks promising to take care of the final settling up with the government, millions of individuals now had disposable funds to invest in the post-war period. But despite the availability of funds, many banks and brokers on Wall Street made it progressively more difficult to invest with higher margins and one hundred share minimum transactions. While this suited financial capitalists, it left small-scale investors out of viable options. For many, they had tasted the world of finance and speculation and the door was being closed. In order to continue investing, a new door would need to open, and it came in the so-called “bucket shops.”

But in the stead of democratic investment was a whole new world of democratic speculation. As various financial firms and brokers on the Street made it prohibitively expensive for wide scale democratic investment, the thirst for speculation merely moved into the world of “bucket shops” that emerged throughout the country. With incredibly small margin requirements, these bucket shops enabled former investors to achieve their speculative fix. But instead of buying bonds or stock, these individuals were betting on stock value movement. Despite the fact that some did not realize they were not actually buying the stocks themselves, these bucket shops numbering in the thousands by the late 1870s and early 1880s became a new form of speculative investment for the everyday investor. The bucket shop bonanza of the latter part of the nineteenth century revealed that just because democratic investment opportunities disappeared, it did not mean that the desire to “invest” or to “speculate” disappeared with investment opportunities on the exchange proper. Shadow investing became the new order of the day—one that challenged the power of the financial capitalists of New York and Chicago Exchanges and raised serious doubts over

what was legitimate investment. All told, such acts contributed to the redefinition of American financial capital in the nineteenth century. Such a system and the technological developments of the day centering around the telegraph and stock ticker proved to be a suitable platform for the next step in the evolution of modern American finance. What had originally began as a market born out of speculation in government bonds and greenbacks soon came to involve greater speculation in the market as a whole.

The name of bucket shops had origins in nineteenth century Britain. Originally a reference to shops that sold the dregs of the beer kegs thrown out by pubs, by the second half of the nineteenth century the phrase referred to establishments where individuals could wager on the price movement of stocks and commodities. These establishments relied on the new-found technology of the ticker. The ticker was invented in 1867 and was in essence a printing telegraph device that could pass along stock quotations to brokers officers and thereby learn of prices from afar—be it the next street over or across the country. Thomas Edison refined the ticker in 1873 when he invented the quadruplex—thereby enabling a system that could send four messages over a single telegraph wire. The invention of these financial instruments enabled a centralization of financial power on the exchanges of New York and Chicago while simultaneously having an unprecedented psychological effect as well. The ticker came to be used throughout the nation as Western Union took a hold of the telegraph market. By 1879 1,514 tickers were in use—a figure that reached 2,200 by 1886.³⁵⁹

As the ticker expanded, so too did the incorporation of bucket shops throughout the country. While the bucket shops existed in New York by 1877, there were in Chicago, Milwaukee, St. Louis, and other northern cities within the year. The Chicago Board of

³⁵⁹ David Hochfelder, ““Where the Common People Could Speculate”: The Ticker, Bucket Shops, and the Origins of Popular Participation in Financial Markets, 1880-1920,” *The Journal of American History* 93 no. 2 (September 2006), 335-340.

Trade's official historian, Charles H. Taylor, remarked later on in 1917 that the bucket shops served as "a sort of democratized Board of Trade, where the common people could speculate." Contemporary newspapers reiterated such sentiments. The *Chicago Tribune* described the bucket shop as a place where "no broker is necessary, any person, man or woman, boy or girl, white, black, yellow or bronze can deal directly." The *National Police Gazette* referred to the clientele in a bucket shop as "all classes of men who have been bit by the scorpion speculation." The *New York Times* even declared that by 1884 bucket shops were "thriving in all of the large towns and cities from New York to Chicago." The bucket shops did concentrate in the hands of several parent companies. "The Big Four" controlled operations in New York according to the *Times*, while Haight and Freese Company operated seventy branches along the eastern seaboard ranging from Richmond to Buffalo. The Coe Commission Company headquartered in Minnesota ran operations from Boston to Spokane, Washington while M.J. Sage Company operated 200 branches throughout the South. By the mid 1880s the *New York World* proclaimed that the bucket shop operations in New York were as sophisticated in presentation as their neighbor broker's offices.³⁶⁰

Haight and Freese's 1899 *Guide to Investors* declared that its operations were "designed for the benefit of THE MILLION" who did not have the capital to conduct business with high end brokers. The *Wall Street Journalist* reporter Sereno Pratt reported that by the early twentieth century, only 60,000 individuals conducted trades on the NYSE, while Haight and Freese claimed over 10,000 accounts alone. The 1905 Supreme Court case *Board of Trade v. Christie* declared bucket shops illegal via violation of state anti-gambling laws. Justice Oliver Wendell Holmes offered the majority opinion on the case. It took the better part of a decade

³⁶⁰ Ibid., 340-43 ; Charles H. Taylor, *History of the Board of Trade of the City of Chicago*, 565-585, 1218-1222.

to effectively shut down the bucket shops, but everyday investors would soon garner greater opportunities with World War I bond drives and the drastic increase in corporate stock plans.³⁶¹

But while the debt had been repaid, the repercussions of Civil War debt and the financial world that it helped to engender on an international scale was something still to be reckoned with. Through the remainder of the nineteenth century American investment banking truly came into its own, culminating in the Panic of 1907 and the role that JP Morgan and other New York City bankers took to calm the financial waters. The latter part of the nineteenth century also witnessed the rise of speculation taking over everyday life. For as various financial institutions made it more difficult for every day investors to dabble in the stock market, the prevalence of bucket shops throughout the country filled this void for the every day investor, revealing the shift in focus, but nevertheless the power of speculation to build off its success during the War. A Supreme Court ruling in 1905 against bucket shops declaring them illegal (While simultaneously acknowledging the legality of futures trading) led to a fairly rapid wind down of this democratic “investment.” But the dye had been cast, and the appetite for everyday investment carried forward in the twentieth century.

While the last two decades of the nineteenth century did not witness large-scale investment for middle and working class citizens, the process began to change with the rash of mergers by the turn of the century. Yet even though the process did start to incorporate the “popular” investment of everyday citizens, these mergers and issuance of corporate stock at the turn of the century still targeted wealthy and to a significant degree foreign investors. As noted by Julia Ott, it was not until the twentieth century and especially in the wake of

³⁶¹ Hochfelder, “Where the Common People,” 349-55; Sereno Pratt, *The Work of Wall Street: An Account of the Functions, Methods, and History of the New York Money and Stock Markets* (New York: 1912), 71.

World War I that the rampant rise of employee stock ownership plans signaled a mark departure from societal norms of the past thirty years and started to match, and then exceed popular investment numbers from Civil War bond sales.

As far as war finance, it too, built off of the Civil War. While the Spanish-American War only called on several hundred thousand investors, World War I was an entirely different story. Some twenty million subscribers representing 82% of U.S. Household and 20% of the U.S. population invested in American War Bonds of the various campaigns including the four Liberty Loans and the Victory Loan. These different campaigns running from June 1917 to May 1919 raised \$21.4 billion. Additional campaigns like the War Savings campaign brought in an additional \$1 billion and involved 34 million Americans. Such actions represented the greatest democratic financing of an American War to date, and certainly relied on initial practices put forward some fifty years earlier during the American Civil War. The rise of corporate stock programs for employees grew out of World War I and led to a drastic increase in investors involving the general populace. This pattern increased during the course of the 1920s and was a contributing factor to the widespread influence of the Great Depression when the market crashed in 1929. The power of margin trading had permeated everyday life, and whether individuals in the late 1920s knew it or not, such an influence of everyday investing and the lure and power of speculation on such a widespread scale could be traced back to Jay Cooke's army.³⁶²

But more than anything else, Civil War bond sales and the financial environment that it helped to engender marked a stark transition in the world of American financial capitalism. The marketing and sales approach of Cooke (coupled with his religious ethics) and the

³⁶² Julia Ott, *When Wall Street Met Main Street: The Quest for An Investors Democracy* (Cambridge: Harvard University Press, 2011), 56-57.

financial system born out of the National Banking Act and Legal Tender Act helped to foster a business system in the late nineteenth century that led to American businesses gaining national power and labor unrest to complement such an act. But Civil War bond sales helped also to engender a consumer market for financial securities that would take off in the early twentieth century between employee corporate stock ownership and widespread participation in the World War I bond drives. The language employed to make such sales of war bonds also harkened back to the language and approach undertaken by Cooke and his marketing and sales force. While significantly larger in scope than Civil War bond sales, the World War I drives owe a great deal in marketing and their approach to Cooke and his operations that helped to fund the Union.

The indices associated with the Stock Exchange (for better or worse) has become a barometer of economic health for the country and the vast majority of Americans interact with this world in one way or another—be it their 401(k), *E-Trade account, or solicitation of a broker like Charles Schwab to conduct trades on your behalf. The world of the trader has been replaced with that of the coder—writing financial algorithms to facilitate high frequency trading to make a quick buck on lightning quick transactions. What lessons might have been learned from the various economic collapses of the twentieth and early twenty-first centuries, remain to be seen. But that being said, the world of Civil War bonds undoubtedly set the nation and financial markets on a new path moving forward, one that 150 years later—we continue to reckon with.

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