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Alasdair Roberts’s First Great Depression


The provocative cover on the hardcover edition of Alasdair Roberts’s America’s First Great Depression: Economic Crisis and Political Disorder after the Panic of 1837 will confuse historians. Why does a book about the panic of 1837 have cutouts from an engraving of nativists at the Philadelphia Bible Riots of 1844? And why does the author call it America’s first great depression when it was either the second or third? Cover confusion aside, Roberts’s book is a history of America’s sovereign debt crisis in the decade after the 1837 panic. That it does rather well.

The author dispenses with the panic of 1837 quickly. He follows Jessica Lepler in arguing that the Bank of England’s withdrawal of transatlantic credit combined with Andrew Jackson’s Specie Circular to pinch the market for “bills of exchange,” the financial instrument that allowed British banks to lend to American borrowers. The rest of the book, though, is quite new. Roberts returns our attention to America’s embarrassing decade of the 1840s, when U.S. states borrowed madly after private credit markets dried up. (Legislators in Greece, Italy, and Spain did the same between 2009 and 2011.) When interest payments on state debt came due in 1840, states from Mississippi to Maryland loudly defaulted, prompting Britons to tartly refer to the United States as a “confederation of public bankrupts” (182).

Roberts shows how these state failures destroyed the nation’s public credit for a time and how these cash-strapped states with weak municipal policing proved unable to cope with labor upheavals, anti-Catholic mobs, and general mayhem (thus the Bible riot). This decade of the 1840s made the United States a laughingstock in Europe, which, in turn, produced a kind of international irritability among Americans, particularly American diplomats abroad in Europe, who tired of hearing about their untrustworthiness. Roberts does a fine job of showing how the nation’s sore spot led American officials in Britain to imagine British conspiracies to build an independent Texas and free the slaves there. President John Tyler, fearing the worst, quickly annexed Texas and produced further sectional discord inside the United States.

The mix of state, federal, financial, and diplomatic history makes for interesting reading, though the causation is sometimes fuzzy and confusing. This is compounded by the thematic organization that has us relive 1841–1848 at the municipal, state, national, and international levels in chapters 2–5. Roberts persuades nonetheless that this state default and public embarrassment helped make the United States so bellicose by the 1840s that it would engineer a war with Mexico to twist the British lion’s tail.

Roberts’s account of the political situation after the 1837 panic is intended to help us draw lessons for today, and it mostly does. FDR’s popular mandate after the 1929 crash was almost unique. He got tremendous authority to push through public utilities, public works, an end to Prohibition, and a new infrastructure for regulating banks and stock markets. But financial panics seldom produce such mandates, as 1792, 1819, 1837, 1873, and 1893 show. President Obama got a month, Dodd-Frank, and then partisan gridlock. Roberts shows that 1840s partisan gridlock likewise prevented substantial reform as Democrats and Whigs, Northerners and Southerners, all wrangled over whom to blame and what to build. The debates are familiar: a nasty debate over the governance of banks, a bankrupt Post Office facing competition from private carriers, a downsized navy with half-built military projects, harsh accusations about taxes (just tariffs then), sectionalism, and threats of secession. We see then, as now, both parties trying to narrate a story that made the other party the instigator of financial panic.
Of course, these complaints about partisan gridlock were not just true in the 1840s; they also characterized the 1810s, 1850s, 1870s, and 1880s. Indeed, partisan gridlock in the 1850s had a lot to do with the Civil War. It was not until the Reed Rules in the House of Representatives (1890), a new administrative state (ca. 1900), and expanded war powers (1914) that Congress or the president could do much of anything. Still, the fiscal tangles of an otherwise flush American state—in the 1840s and now—are telling. No living scholar has laid out all the fiscal conflicts of the 1840s as well as Roberts does.

Few historians recall when American states defaulted in the 1840s, but it had important ramifications that lasted well past the 1840s. Until the 1910s, bondholders with long memories continued to recall that Mississippi and most Southern states refused to pay for the bonds they had issued in the 1830s. As Roberts points out, Southerners coined the term “repudiation” to describe a state’s refusal to pay its debts. Roberts does not mention it, but this legacy of repudiation is the reason that the Confederacy found so few bond buyers in Europe during the Civil War. An 1863 pamphlet widely circulated in Europe, Jefferson Davis, Repudiation, Recognition, and Slavery, argued that when Confederate president Jefferson Davis was a senator in the 1850s, he had opposed Mississippi’s and Arkansas’s payment for debts contracted in the 1830s and unpaid in the 1840s. The charge of repudiation terrified European bond buyers, who spurned Confederate bonds, arguably dooming the Confederacy.

Southern state bond repudiations also help explain why economic reconstruction in the South was so difficult after the war. Besides Virginia, most Southern states could not issue bonds in Europe (the single largest market for bonds until the 1920s), and so they could not borrow to build schools, pave roads, or even enforce state laws. Decades of state neglect, poor health standards, illegal child labor, and vigilante mobs continued to make the South an unwelcome place a century after the defaults of the 1840s. By 1870, Pennsylvania, Maryland, and Illinois had made token payments on their bad debts and so could borrow again, while few of the Southern states could or would. Bond buyers did not forget the American states’ fiscal misadventures in the 1840s, though few Americans have knowledge of it today.