Edward E. Baptist

Cornell University

May 23, 2012

The Second Slavery and the First American Republic

In 1841, a free African American man named Solomon Northup got an offer he couldn't refuse. Times were tough that year. In Saratoga Springs, a resort town a day's journey up the Hudson River from New York City, a nationwide decline in disposable income had hit the boarding house owners and entertainers particularly hard. Northup was a part-time carpenter and part-time fiddle player, so none of the strings to his bow were getting twanged. With a wife and three children to support, he was relieved when a white man offered him the opportunity to join a small circus that was making a circuit through the northeastern U.S. At the moment, they were located in Washington, D.C. He could join them there to begin a multi-month gig playing the fiddle. He'd be away from his family, but he'd return to them with enough money to get them through the next year's winter. After that, perhaps the economy would right itself and once-more rich new Yorkers would be spending their cash on Springs amusements, and not on bankruptcy lawyers.

So Northup accepted the job, and traveled with his new employed down to Washington. There, the man took him out for a night of drinking, but soon Solomon began to feel ill. He awakened to find himself shackled to a wall in a Washington slave pen. He insisted that he was free, but the man who was claiming him—James Burch, who ran a slave trading firm in partnership with Theophilus Freeman of New Orleans—laughed. Solomon, he declared, was a recaptured runaway from Georgia, "sold running" to Burch and Freeman. And now one of Burch's employees stripped Solomon naked and beat him into unconsciousness with a wooden paddle and a cat-o-nine-tails whip.

The next twelve years were one long nightmare. The slave traders took Northup to Richmond, to another pen, and then shipped him to New Orleans with a load of other enslaved people. He was now enslaved, in every practical sense, having learned that in the United States his claim to freedom had been only a geographical accident. People of African descent were presumed to be slaves, and the entire political economy depended on that fact. Sold in New Orleans, he was shipped up into the Red River region of Louisiana. His new owner attempted to teach Northup to pick cotton, the most important labor of a massive dynamic machine that extended from the Carolinas to Texas. Picking was the slowest part of the process of producing raw cotton. But cotton was the most widely traded commodity in the world, the price that set other prices, and the raw material of the ongoing industrial revolution. So enslavers forced hands like Northup's faster through the picking bottleneck every year. Though good on the fiddle strings, his were clumsy with fibers. He suffered many beatings on their account. On other occasions, drunken enslavers tried to kill him. Solomon watched the sexualized torture of women by enslavers, the slow death of mothers whose children had been sold away, the cold yet self-preserving isolation of enslaved men afraid of the vulnerability that attachment to peers would bring.

Solomon was lucky in one sense, however: a financially desperate owner mortgaged him to another man in the same neighborhood. Being mortgaged didn't usually help slaves, but 1841-1842 was a time of great financial chaos on slavery's cotton frontier and anything was possible. Two crashes, in 1837 and 1839, had originated when the economic dynamism of the southwestern cotton states and territories produced a massive asset bubble in slave prices. The entire region was papered over with layers of unpayable debts. All of the white locals owed each other, and also outsiders—banks and merchants—and cotton prices were too low for any of them to make any headway. For Solomon, as with all the other slaves whose titles were unclear because they had been used as leverage in the wave of expansion and financial innovation in the 1830s and after, the future was uncertain. They might be moved here or there to avoid debt collections, sold off for pocket change on the courthouse steps, or spirited off to Texas by enslavers too far underwater to come back up to solvency any other way.

But in Solomon's case the way in which he was owned by so many people protected him. His owners owed money in a chain that led all the way back across the Atlantic to the thousands of British, Dutch, German, and French investors who had bought bonds that represented shares of the income generated by tens of thousands of Louisiana slaves. And William Ford, a local man who held a mortgage on "Platt," as the slave traders had rechristened Solomon, couldn't afford to lose a money-making asset. When a drunken white man attempted to beat "Platt," Northup seized the whip and turned the tables. The white man returned with gun-wielding friends, and was about to murder Solomon. But an overseer interceded, insisting that his own employer held a mortgage of $400 on Solomon, and there was no way the creditor could get repaid out of a dead body.

So Solomon lived in the Bayou Boeuf neighborhood, just south of the Red River, for another decade. For many of these long years, he thought he might die there, too. At last, however, he found a way to smuggle out a letter to a white New Yorker, a former employer and patron whose father had owned Northup's father. This man came down to Louisiana, found "Platt," and proved the man's identity. After twelve years, Solomon was Solomon again, all in a day. He bid farewell—a bit roughly, for he had never quite accepted his fellow slaves as his equals—to the men and women who had been his companions all this time. Northup came back to his family: his wife a middle-aged woman; his seven-year-old daughter now nineteen and a recently-married bride. To raise some money, he wrote his autobiography, which was promoted by antislavery organizations and newspapers eager to keep in front of the Northern reading public irritated over the issue of the 1850 Fugitive Slave Act. This law, demanded by Southern enslavers as a necessary means of asserting their constitutional right to property claims over slaves, claims that transcended state borders and which, the Supreme Court had confirmed, had to be respected by free states as well as slave, permitted legalized versions of Northup's kidnapping. The narrative, which Northup entitled *Twelve Years a Slave,* quickly became an abolitionist classic, selling 27,000 copies within two years of its 1853 publication. It closed with Northup's aspiration that "Thankful to that good Being through whose mercy I have been restored to happiness and liberty, I hope henceforward to lead an upright though lowly life." True to the patterns of the growing abolitionist movement, Northup toured Northern country towns, promoting both his book and anti-slave-expansion politics by speaking to audiences of earnest young women and their dates. Since the 1830s a small but vociferous abolitionist movement had tried in vain to get Northern whites to act against Southern slavery. These activists had not only failed, but had been ostracized, ridiculed, and even mobbed. At last, however, some non-abolitionist Northerners began to get anxious about incessant Southern demands for expansion of slavery—and Southerners' refusal to pay debts incurred in the run-up to the 1837 and 1839 Panics. Earlier abolitionists had rejected electoral politics as hopelessly compromised by the two major parties, the Whigs and the Democrats, whose interregional coalitions were bound together by a mutual agreement not to talk about slavery.[1]

Yet both two-party politics and the boredom of the road were less tractable than hoped. Northern Democrats and Whigs were still reluctant to join forces against the Southerners, who were still artfully manipulating the two-party system, as they had done for generations. In 1854, Southern Democrats maneuvered Illinois Senator Stephen Douglas and the New Hampshire-born President Franklin Pierce into forcing the passage into law of the Kansas-Nebraska Act, which opened for slavery a vast new territory of 250,000 square miles on the North American plains, formerly closed by the Missouri Compromise. Meanwhile, a Vermont newspaper claimed that Solomon Northup had come to town to give a "moral exhibition"—a lecture based on the subjects of his autobiography—but he and some of his companions "got drunk and had a merry time generally, which ended in blows. . . .Solomon left town the next day."[2]

Northup's story has undeniable dramatic virtues. In 1984, famous photographer Gordon Parks directed a made-for-TV movie based on his memoir, starring Avery Brooks as Solomon. And Cornell University graduate Adepero Oduye and Brad Pitt are slated to star in a version of *Twelve Years a Slave* directed by Steve McQueen, which as of 2012 is in pre-production. Yet in the 1850s, despite the move of some of Northup's free-state contemporaries towards a politics of free soil—that is, one that opposed slavery's further expansion—even Northern newspapers were skeptical about Northup's complaints. So they were only too eager to depict him as ridiculous and unreliable. It wasn't that they doubted his story, it was that they didn't want to hear it. Solomon Northup presented his story as a case of a category mistake, the philosophical error that occurs when things of one sort (free citizens) are presented as things of another sort (slaves). The tale of a free black man from the North kidnapped into slavery was supposed to operate as a kind of synecdoche in which the reader would realize that all enslaved people were really stolen.

Yet that is not what happened. Northup as both author and as character ran up against the limits defined for African Americans in a world shaped by two facts. These two realities shaped all of American history from the 1780s to 1861, in fact. And the way that they nearly destroyed Solomon Northup's life was a feature, not a bug. But these facts are not named as such in most histories of the U.S. So I will name them here. The first we will call the Second Slavery. The second we will call the First Republic.

These two facts play a major role in the book I am finishing, a manuscript that is the occasion for this article for *Almanack.* This book, which is under contact with Basic Books, will be called *The Half That Has Never Been Told: The Forced Migration That Shaped U.S. History, African-American History, and the World.* In it, I argue that the forced migration of enslaved African Americans to slavery's frontiers was the motor of U.S. history between the Revolution and the Civil War. From this process flowed all the important changes and within it stood all the unchanging static structures of the antebellum U.S. Over seventy-odd years between the Constitutional debates of the 1780s and the coming of the Civil War, slavery in the U.S. expanded dramatically. It grew from 800,000 captives to four million, and from a narrow coastal strip of mostly declining plantations to a subcontinent-sized expanse of factories in the field; slave labor camps whose productivity per worker expanded every year. The expansion of U.S. slavery made the U.S., in no small part because it also made more of the industrial revolution's key product—cotton, which was its petroleum, its most widely-traded, most important, most price-setting commodity. And as the economic historian Kenneth Pomeranz argues, without this expansion, there would also have been no Industrial Revolution at all—no inexhaustible source of fiber for the textile mills of Manchester and Lowell to weave into the foundational manufactured good of the factory age.

The book begins with, ends with, and always keeps as its core the experience of enslaved people like Solomon Northup. The traumas they endured as individuals left them with few but stark choices: death or surrender, adaptation and alienation from one's body; or resistance and becoming the subject of torture. The way African-American culture, families, and religion changed in order to cope with this ordeal forms a major part of the book. So too do enslaved people's intellectual commentary and analysis of the ongoing processes as a *history*, a common experience that shaped them all. In this piece, however, I'm going to sidestep those issues and many others that I weave into the longer text. Instead, I will consider two phenomenon—one of motion, dynamism, and dialectic, and the other of structure—one of economics, and the other of politics—that shaped all of the experiences and processes of forced migration.

The two phenomena on which I will focus are Second Slavery and First Republic. Let's start with Second Slavery, a term which I of course did not coin, and a larger phenomenon in which the U.S. was one of the most important cases. And in particular I will focus on the financial innovations that lie at the heart of the Second Slavery's growth, in the U.S. at least. But if there was a Second Slavery, what was the first one?

The first slavery was born out of the first cast of Europe's imperial net. Mercantilist empires transplanted the Atlantic-islands concept of the engenho operated by imported Africans to Brazil and Caribbean islands. It developed offshoots like Virginia and Cuba tobacco colonies, which kept their empires' treasuries well-filled. Above all, the triangles of trade between African slave castles, European counting-houses, and repeating islands enriched a small but growing cadre of bourgeois: merchants, bankers, lawyers. Slowly they accumulated the skimmings of sweat and blood and boiling vats. They were richer than any of their sort had ever been before, and they were reshaping their societies. (If they went to Jamaica and risked early death, they could become much, much richer than ever before. Some grew rich enough to come back and buy seats in Parliament, and jostle their coaches in London streets against those of dukes, or of the nabobs who looted the Mughals.)

Although the first slavery was huge in scale compared to processes of transoceanic migration that had come before—it moved five or six million slaves across the Atlantic in the 1700s, for instance—it came to an end. Reaction, much of it generated within the bourgeois itself, created a sense by the 1780s that neither rational men nor evangelically moral people could defend slavery. Southeastern planters in the U.S. began to emancipate their slaves—no doubt helped by the incentive of plummeting tobacco prices—and a crusade against the Atlantic slave trade that kept the sugar colonies staffed with soon-to-die workers put the future of the First Slavery under threat. But the most signal event of the era was the unthinkable, from the European perspective, revolution led by the enslaved in St. Domingue, the ultimate repeating island. For thirteen years, people who were supposedly incapable of citizenship or bravery or advanced thought, people supposedly destined for slavery, held off and then resoundingly defeated all the powers of the world. The creole planters, the British, the Spanish, and at last a French army trained and dispatched by Napoleon Bonaparte—all fell to the rebels who in 1804 named themselves Haitians While the revolution's outbreak in 1791 had silenced critiques of slavery and the slave trade in Britain and the U.S., its success would ultimately be used in the court of British and North American public opinion as evidence for the need to ban the slave trade from Africa. Rebels, claimed proponents of the 1807 bans passed by both Congress and Parliament, were disproportionately African-born.

As the eighteenth century ended and the nineteenth one rose over the Atlantic, the new era was supposed to be one of enlightenment, emancipation, and rational progress. It turned out to be one of capitalism and nationalism, instead. And slavery, which looked like it was set to disappear from many parts of the Atlantic world instead spent most of the nineteenth century blooming in flowers of a new but still poisonous dye. As my book demonstrates, slavery in the U.S. reversed its decline and grew tremendously from 1783 to 1861. In the process of writing this book, I have grown more conversant with colleagues who are working on similar processes of nineteenth-century slavery-expansion, particularly in Brazil and in Cuba. What we have found is that for most of its course, the nineteenth century was a century of slavery's expansion. We have also found that the second slavery that emerged in the U.S., Cuba, and Brazil was different from its predecessor. It operated on a new, larger scale. In the U.S., the number of slaves expanded by 500% from the time of the Constitution to 1860 (primarily by natural reproduction), when the enslavers attempted to destroy the Constitution. Brazil and Cuba numbers experienced similar expansions, though in their cases (especially the Cuban one) much of the expansion came from a continuing Atlantic slave trade that moved millions after its alleged end in 1807. The First Slavery produced luxury goods that began as objects for elite conspicuous consumption, like sugar and tobacco, but which eventually became signs of bourgeois prosperity. The Second Slavery produced key commodities—in the case of cotton *the* key one, before the transition to coal power from the 1840s onward—for burgeoning industrial markets, which were growing so quickly and were so evidently the source of epochal change that the Industrial Revolution is still seen as the boundary between the modern world and all that came before.

Second slavery commodities were key components of industrial production. But that wasn't all. The Second Slavery was culturally modern and economically modernizing in other ways as well. In the expansion of U.S. slavery, for instance, enslavers operating with a more entrepreneurial and flexible approach to business repeatedly changed and retooled their businesses. Their slave labor camps increased each year in technological sophistication and efficiency. This view contradicts received wisdom about slavery. Long-standing economic dogma did insist—and continues to insist—that enslavers and enslaved labor were unchanging. But our data shows that Second Slavery enterprises continuously increased labor productivity, and did so at rates comparable to those achieved in industrializing enterprises like British weaving and spinning mills. From 1800 to 1860 the efficiency of slaves' labor in cotton-picking, the bottleneck of the labor process, increased by about 400%. The increase in spinning mill laborers' efficiency of production over the same time period about the same; that of weaving mills higher but on the same order of magnitude. The enslaved people on the slave labor camps of Second Slavery societies produced the new raw industrial commodities in ways that were equally as new and dynamic as the mode of production that was emerging in Manchester. In fact all of these new ways of making commodities were part of the same revolution.

Solomon Northup came to the Red River in the middle of the unending process of extracting greater efficiencies of cotton labor. And in the Louisiana fields, he found how the whites citizens of the speculators' republic, who colluded in his kidnapping, enjoyed such unending productivity gains. Ever since the 1791 invention of the cotton gin, which broke the processing bottleneck by creating a mechanical solution to the problem of separating cotton seed from cotton fiber, the bottleneck in the production of raw cotton had been picking. Enslaved people could be driven by what they came to call "the pushing system" to raise far more cotton than they could successfully pick before the coming of winter weather damaged the fiber. But picking was taxing, difficult labor. It required quick hands and dexterous fingers, and it had to be done all day long. The repetitive motion, close attention to a boring task, and the awkward bending and stretching made bodies sore, eyes tired, and minds feeling dead at the end of a day. People hated picking. So enslavers developed a quota system, in which newcomers like Northup were driven hard through a day to find out their maximum picking level. Their cotton basket was weighed next to the gin on a balance called a steelyard. Once the total was known, the enslaver set the cotton "hand's" quota slightly higher. Then he wrote it on a sheet of paper or chalked on a slate. If their next day's picking did not meet the quota, then just as slaves on Brazilian coffee fazendas who did not pick enough coffee beans in a day were punished, the cotton hand would suffer a brutal whipping. (In some cases, to complete the logic of this system of accounting, enslavers levied one lash per pound of shortfall, calling this a "payment" that balanced the "debit" of cotton owed in the course of a day.)[3]

Some U.S. slaves called this system the "whipping-machine," seeing the entire process as a technology of torture that extracted effort in the field. But not just effort. Once Northup leaned how to meet his minimum, the enslaver erased it and raised the quota. Enslavers continuously extracted creativity, skill, a kind of self-inflicted Taylorism before Taylor. This was how minimums gradually climbed on southwestern cotton labor camps from around 50 a day in 1805 to over 100 in the 1820s, to more than 200 in the 1850s. And the quotas were not the same for all slaves: the faster they were, the more that was expected. The more talented, skillful, and creative, the more likely that they—like Northup's friend Patsey, who moved in the field like a dancer, picking equally rapidly and simultaneously with right and left hand—would find their quotas beyond the limits of what one would have thought humanly possible.

FINANCIAL HISTORY:

Northup's story reveals the history of endless increases in the extraction of labor and creativity from enslaved people. But just as much as the story of the Second Slavery is one of enforced innovation-by-torture in the fields, groves, and mills of entrepreneurial slavery regimes, it is equally a story of financial creation and destruction. Solomon Northup was enslaved because of the twists and turns of a wider history. He was trapped in the far larger, decades-long dialectic between productive and technological innovation among Southwestern enslavers on the one hand, and the creative, entrepreneurial behavior of the Atlantic world's financial communities, which was a category that (we must remember) included many enslavers. In fact, those communities included millions of actors, but some were far more powerful than others in terms of shaping outcomes. One of the characteristics of finance is that it enables some people to create and exert outsized leverage. Credit displaces normal relationships on two axes, one of power in space, and another over time. The series of innovations and decisions repeatedly shifted leverage over events from one group to another within wider communities linked across borders and oceans by paper, debts, credits, and the commodification of both enslaved people's bodies and futures in which they made cotton and other crops.

The dialectical processes between financial innovation and increasing productive efficiencies in both factory and field drove shifts in debt and investment. Those shifts are in a very real sense the most central story of U.S. history—in the sense of driving change—during the Second Slavery era. And they explain how Solomon Northup ended up on Red River. I want to describe four eras in the financial history of the Second Slavery, going from 1804 to 1861. Some might want to say, in a Keynesian sense, that these are four different equilibria in the relationships between investors, entrepreneurs, producers, and consumers in the Atlantic world. However, you will see that each equilibrium contained in itself the processes that destroyed it—in each case, in a paroxysm of massive economic destruction. From the rubble of the shaken earth would rise, each time, a new contraption embedded with its own contradictions.

Let's pause for a minute, however, and reflect on why it is that we rarely hear academic historians of the nineteenth century U.S.—and never hear historians of U.S. slavery—talking about financial history. For decades, the history of finance and business has been relegated to specialty shops of history. These are dusty and quaint, and are generally frequented only by hobbyists maladapt at historians' social and cultural signaling. Dabble too seriously in it and one runs the risk rousing suspicions that one is secretly conservative. There are many reasons for these assumptions, although a few seem significant enough to mention. One is that Marx decreed and all history influenced by Marx agreed that the relationships at the point of production itself were the ultimate determinant of the real shape of a society's economic base. A descriptive paradigm that focused less on the assembly line or the workshop and more on the mind of the capitalist was also available to historians who preferred intellectual causes to the grim grinding of determinist mode-of-production. That was Weber's account of the Puritan capitalist, which located causality in Calvinist religious beliefs that pushed black-suited ur-capitalists to accumulate without pause. Puritan-capitalists also attempted to persuade their workers to internalize a useful self-discipline. Weber explicitly rejected the idea that "gambler capitalists"—by which he meant the speculative gameplaying financiers, like the entrepreneurs whom Joseph Schumpeter, by contrast, credited—were the motors of transformation. Not all of the historians who explored the world of work and society and culture in the wake of E.P. Thompson's *The Making of the English Working Class* recognized either its pseudo-Marxism or its crypto-Weberianism, but they certainly inherited the assumption that what happened on the heights of finance were not significant. During the 1980s and 1990s Andrew Jackson's Specie Circular and Bank War were mined for clues about what working-class or other voters had learned about the role of banks from their classical-republican inheritance of concepts, or for what their obsession with specie said about their cultural discomfort in a changing world that threatened traditional patriarchal gender roles. Such clues pointed to interesting phenomena, and helped us to understand how actors embedded in particular places and times understood their world and made their choices. But they led a generation of historians to conclude that questions about whether the Specie Circular did or did not cause the Panic of 1837 (it didn't, by the way) or whether slave traders selected higher-value or "refuse" Chesapeake slaves for the Virginia market were irrelevant and not part of historians' terrain. This is unfortunate. For like demography, disease, or climate, some economic forces have a power of their own to shape events.

Another key factor in shrouding the importance of financial history is that most of the social historians who tried to map out the social worlds of the Americas and the U.S. during the era of capitalist transformation actually researched and wrote their work after the 1930s. One key outcome of that decade's tumult, at least in the Western capitalist democracies, was the advent in the U.S. (in particular) of managerial Keynesian policies that controlled financial speculation in favor of a more managed pattern of growth. For three decades, these macroeconomic policies delivered high growth, first in the U.S. and then later in Western Europe. Results in Latin America were always more mixed. But in such a context, focus on banks and speculators, on Panics and bubbles, seemed quaint, or evocative of a potentially unseemly interest in Wall Street. Such phenomena had been controlled out of existence. Even Ayn Rand's anarcho-capitalist heroes were industrialists and heroic inventors, not robber barons who speculated on paper.

Beginning in the late 1960s, a convergence of multiple forces—inflation, oil price shocks, the emergence of new competitors to Western industrial dominance, expensive adventures in anti-communism, and the success of the American Right's long march behind Generals Richard Nixon and Milton Friedman—began to hollow out the assumptions that had turned historians' gaze away from financial shifts and innovations. They turned Latin American economies into new laboratories for gambler capitalism, which could only be accomplished by overthrowing electoral democracy wherever it existed in South America. A well-funded rightist assault within universities, colleges, and in the press convinced the world that Keynesian economics was passé. Market fundamentalists who wrote about some foreign Hayek of a planet where variables were one in number, information was perfect for all actors, and externalities irrelevant to any economic problem replaced the likes of John Kenneth Galbraith and Paul Samuelson as the sage voices in classrooms, the press, the Council of Economic Advisors, and the boards of Federal Reserve Banks. With intellectual cover provided by the nonsensical market-utopianism babbling of the likes of Alan Greenspan and Robert Lucas ("counterparties can regulate themselves…no one believes in Keynes anymore"), lawmakers paid off by Wall Street firms and energy companies forced open capital and goods markets around the world and chipped away at the structure of U.S. laws that regulated banking.

The practices which deregulation and financial globalization made possible changed the world. They rapidly shifted capital from one sovereign country to another, in the process disciplining the national state to obey the will of the stampeding herd of financial investors. To free up more capital for this process, they stripped value from manufacturing enterprises all over the U.S. The herd was moved not just by instinct or by the raw data of economic performance. It was also led by a new global elite who were willing to dissolve the efficacy of borders, even those of their own nation, and overrule the decisions of sovereign majorities in the pursuit of their own wealth. What this did to ordinary U.S. citizens in terms of systematic hollowing-out of their own standard of living and their own political efficacy as citizens was almost as dramatic a disempowerment as what happened in Argentina or Chile. The former were just more unaware.[4]

Yet as these changes remade their world, historians of the nineteenth century slumbered on as if nothing was happening. This was so even though the institutions where most of them worked and where virtually all of them were educated—four-year private and public universities—were radically transformed by the financialization of the global economy. Instead, most of them turned to a cultural history founded almost entirely on tools sharpened by early practitioners of the linguistic turn in literary criticism and anthropology. Many historians of the 19th century chose to ignore anything that had to do with banks or profits or losses or exploitation or extraction—except as it had to do with how historical actors *represented* things in words. Two examples must suffice for now. In the early 2000s, one extremely bright young graduate student objected to a week on economic history in my 19th-century U.S. history seminar, informing me that even though she studied the history of capitalist technology she "wasn't interested in economic history or numbers." They are interested in you, I said to myself, but I wasn't surprised. Already, in 1998, when I gave a paper at a 19th-century U.S. history conference, one commenter suggested that what really mattered was not my attempt to show how Southern enslavers' success in raising money in worldwide capital markets was responsible for the Panic of 1837. What really mattered was that Andrew Jackson's implacable opposition to banks was founded on his reading in 18th-century classical-republican texts that blamed the South Sea Bubble on banks. In the question-and-answer period, another historian stood up and informed us that Peter Temin had already said all there was to say about Jacksonian economics thirty years before. There was no need to concern ourselves with the macroeconomy of the 1830s or the causation of one of the 19th century's most destructive downturns; all the answers were there already.[5]

But there has always been a powerful case that understanding what happens on the financial high ground of the economy, the places where banks and speculators and investors and entrepreneurs and merchants and manufacturers have since the 18th century created money through credit, is essential to how capitalism has moved forward as an unending revolution that simultaneously creates and destroys everything around and within us. Finance can rapidly shift capital across borders and even backwards and forward in time, allowing those who command it to multiply their own power many times over. You can't write a wide-aperture book about the expansion of slavery in the U.S. without taking the role of financial history seriously, however.[6] The essential contribution of large-scale finance to slavery's expansions was obvious long before the 19th century, in fact. Huge sums of capital were necessary to supply the hundreds of slave-ship voyages fitted out each year from French, Dutch, Portuguese, and English ports. Huger sums had to be advanced to the enslavers who purchased the captives in Brazilian, Caribbean, and North American ports; to buy the land they worked (where it couldn't simply be stolen from native peoples); and to advance the supplies and equipment that carried commodity producers through the growing season to the harvest. And the largest sums of all were needed to buy the sugar, tobacco, and other crops that the enslaved made. So too with the credit to insure the crops, ship them across the Atlantic, and market them to—in some cases—the very financiers whose lent-out credit enabled the voyages from slave ports like Bristol and Nantes and Salvador which continually restarted the cycle. The history of financial innovation and accumulation in Western Europe and its Atlantic colonies is inextricably linked to the rise of the First slavery.

The First Slavery's financial success, Robin Blackburn argues, created new financial instruments and capital accumulation on a vast scale. Some of that capital percolated into the hinterlands of Liverpool in the eighteenth century, and through one route or another eventually came to find new outlets in the emerging cotton textile sector that triggered an astonishing economic transformation in the late 18th century. This was only one of the ways in which the West's emerging banking sector and financial markets, using credit skills developed over centuries by long-distance merchants and capital accumulated from extractions on both sides of the globe, helped till the soil and sow the seeds from which the First Industrial Revolution emerged.[7]

Yet financial innovations would be significant on an even greater scale in the massive expansion of U.S. slavery after the American Revolution, and the events and processes of expansion would in reciprocal fashion dominate the financial history of the Western world for a lifetime. The emergence of the British textile sector, already evident in rising world demand for cotton in the 1780s, had already begun to establish the markets that made the second slavery possible in the U.S. Even before the first widely-publicized working model of the cotton gin was patented by Eli Whitney in 1791, U.S. enslavers were trying to make profitable cotton crops in the backcountry of South Carolina and Georgia. They staffed their frontier labor camps with enslaved people purchased or moved from Virginia and Maryland enterprises These people were surplus to Chesapeake enslavers' requirements, in part because their owners—short on reliable funds in the disorganized financial environment of the post-Revolution and pre-Constitution U.S.—needed ready cash. And producers of raw cotton were among the few commodity-selling agricultural producers who were able to command ready funds in the 1780s. British investment was one source of the funds on the Carolina-Georgia frontier, but so was the newborn national financial market. As in the Yazoo case, states sold off claims to frontier lands to land-speculation companies, who then sold shares denominated as claims to sections of lands. This raised money for the principals of the companies, but also established prices and markets for land. Receipts for cotton and land meant that there was a demand for those who owned slaves to fill, and “Georgia-men,” as enslaved people in the Chesapeake came to call them, were by 1790 already buying enslaved people from cash-strapped owners in Virginia and Maryland and marching them down to the cotton frontier to sell. The scale of both these endeavors and the credit that financed them was miniscule compared to what would come. But already, one could see, if one looked, that these financial innovations—new credit instruments linking fronteirs to investors, modes of transferring capital in the form of enslaved laborers, institutions and entrepreneurs who funded the acquisition of land and production of commodities—were dynamically linked to innovations in labor and technology which tied slavery’s frontiers to industrial expansion. Not only did transformations in the production of textiles, and in the behavior of those who marketed them and those who consumed them drive demand. It was also the case that when entrepreneurial enslavers took advantage of leverage by pledging their enslaved property as collateral, they need to expand their production in order to repay their new creditor. The extraction of labor productivity in the Second Slavery, and the increased ability of western financial communities to marshal funds to deliver to frontier entrepreneurs, geared cotton supply, credit supply, and the level of torture-driven extraction together in a giant reciprocating, climbing cycle. Perhaps that was what slaves meant by talking about a whipping machine.

Second slavery history can allow us to see how the history of financial innovations, bubbles, and panics drove slavery’s transformation and expansion in the 19th century. So let us get to the four promised episodes of pre-Civil War financial history. In each period, particular relationships between investors and entrepreneurs, often but not always separated by great distances, were in turn mediated by characteristic intermediaries. These intermediaries connected investors who wanted to share in the profits being generated by the expansion of cotton slavery with entrepreneurs who wanted to profit more directly by selling, buying, or working enslaved people—or by those who wanted to buy and sell the cotton and other goods of the Second Slavery. Some of the intermediaries that connected those who had capital with those who wanted to whip it to use were organizational structures, and some were human actors. Some were more fantastic creatures, like credit instruments. These latter tools were human creations, pieces of paper, concepts, and yet as we shall see they had their own momentum, their own generative capacity.

ERA I:

The first key episode of Second Slavery financial history lasted from 1804 to 1819. The key investors were international merchant banks, most of them British or Anglo-Dutch, like Baring Brothers and Hope and Company. These firms, children of the entrepreneurs who had risen to prominence by funding 18th century European wars and the Middle Passage trade, specialized in two areas. They funded risky long-distance trading, and they marketed the bonds of European governments. Behind them stood the Bank of England, effectively a public-private partnership that acted much like a modern central bank as the lender of last resort in a financial crisis. The great merchant banks were surprisingly catholic, based in London but willing to seld the issues of even enemy powers. They funded the U.S. purchase of Louisiana in 1804, periodically dealt in French securities even as the Napoleonic wars raged on, and bought U.S. government debt even as Andrew Jackson prepared to defend New Orleans against British attack in the winter of 1814-1815.

When the U.S. acquired the Louisiana Territory in the wake of Haitians' victory over a Napoleonic empire intent on reenslaving them, an entire continent lay suddenly open to entrepreneurial endeavor. Trade from Kentucky and Tennessee, once blocked by Spanish and French jealousy of U.S. expansionism, was now possible, but that was just the beginning. To those in the know about the rapid growth of the interior slavery frontier in South Carolina and

Georgia, which provided the every-year-greater in shipments of raw cotton from Savannah and Charleston, the lower Mississippi Valley looked like the next frontier of expansion merchant banks sent emissaries like Vincent Nolte to New Orleans. The firms were trying to make quick profits and control the trade of the Mississippi's mouth. Their monopoly-seeking behavior instead drew competitors with the same goal. Some were initially the emissaries of larger firms, like Nolte, who spun off his own operation and attempted more than once to corner the entire cotton market. Together they—along with the actions of the U.S. government, which fought wars to maintain control over the Southwest, and created its own national bank in 1816 to help fund the development of the frontier—made a market.

And not just a market. From 1804, cotton climbed rapidly in importance until it became in most years 50% or higher of all U.S. exports by value. It would remain that way all the way until the Civil War. It was the main source of the foreign exchange needed to repay the imported manufactured goods brought in each year from British factories. The patterns and cycles of cotton, credit and other commodities would suffer astonishing crises, and would be rebuilt repeatedly. But in each version, the cycle of overseas goods and credit exchanged for cotton made on slavery's frontier, was still the driving piston that pushed the U.S. economy forward each year. For cotton brought not only income, activity, and the ability to repay short-term commercial debts. The world market for cotton was so large, and growing so quickly—and U.S. enslavers were demonstrating the ability to extract from the enslaved not only more cotton but higher-quality cotton than could be bought from free-labor peasants in other parts of the world—that the southwestern frontier began to look like an ideal place to invest money. Outsiders wanted to invest money in generating additional cotton-making capacity.

That money began to reach the southwest in a variety of ways, especially after 1815, when peace between Britain, France, and the U.S. finally allowed unfettered trade to flow back and forth across the Atlantic. In New Orleans, merchant banks advanced money to now-independent merchants like Vincent Nolte. They in turn began to deal with dozens of other entrepreneurs, men who combined the functions of cotton broker, importing merchant, lender to up-river cotton planters (most, like William Kenner of New Orleans were cotton and sugar planters themselves)—and slave trader. With the closing of the African slave trade in 1807, the new slave labor camps in the Mississippi Valley would have to be filled with laborers in some way. Entrepreneurs reached out through their networks of commercial contacts, getting cousins and friends to buy people in the Chesapeake and ship them in fives and sixes and tens and twelves to New Orleans along with other trade goods. People on Chesapeake plantations were already being bought by the "Georgia-men," small-time traders who were climbing up the ladder of wealth by buying people, chaining them in a "coffle," a linked set of chains that enabled dozens of men to walk together but not to offer any resistance, and marching them to the Carolina/Georgia backcountry for sale to new cotton enterprises. Now New Orleans entrepreneurs started to sell Virginia and Maryland people at the same exchange where they traded everything else: land deeds, cotton invoices, credit, and debt. They rapidly created a set of institutions and patterns of trading human beings as well; evolving into a set of expectations of what constituted an ideal "hand." A new market had emerged for a specific commodity.

There were not yet, however, enough slaves to fulfill all of the expectations and demands of the world cotton market. (Between 1815 and 1819 U.S. cotton probably accounted for about 50-60% of world sales, whereas after 1825 or so U.S. cotton would consistently account for 80% of much larger total markets). There were two options. The first was to drive up the amount of cotton that each "hand" picked on each slave labor camp. The techniques of extraction already described, the "pushing-system" and "whipping-machine" that were already developed on the first cotton frontier of South Carolina spread rapidly throughout the clearings of the southwest, from Alabama to Mississippi to Louisiana in this period. Quotas rose, on a rough average, from fifty pounds a day to over one hundred. These were the key technological innovations that added to cotton production during the first episode of Second Slavery financial history. Yet even as those innovations spread through the cleared areas of the southwest, leaving bare-picked stems and backs dripping with blood and pus in their wakes, hands had still not picked enough to sate the demand of the market at New Orleans.

If there wasn't enough cotton or labor yet, there was enough land, and investors ready to chase it. For Andrew Jackson and his Tennessee militia had defeated the Creeks at the Battle of Horseshoe Bend in 1814, and then had forced them to surrender almost all of Alabama and West Georgia to the whites. And this land was an anticipated factor of cotton production, so people sought it assiduously, even before they could possibly clear and plant it. Between 1815 and 1819 most of these two areas, almost 10 million hectares, was surveyed and sold by the federal government. The federal government granted purchasers credit, allowing them several years to pay off their purchases. In addition, the once-Jeffersonian "Republicans" who ran the U.S. government shifted from their recent opposition to a central bank and chartered the Second Bank of the U.S. in 1816. This institution was supposed to regulate the many banks that the states were also chartering, but for the first four or five years of its existence, it did no such thing. Instead, it allowed them to print paper money and lend it freely to land speculators, even as its own bureaucracy stole money from the Bank's vaults and used it to fund their own speculative ventures.

Loans made to purchase land became the key credit instrument, the new innovation that drew in investment and transformed the financial landscape of the late-1810s southwest. Catching the "Alabama Fever," migrants left the older slave states and moved southwest by the thousands between 1815 and 1819. They too took on new loans, mortgaging land that they were in the process of buying, getting fresh-printed bills from the banks and passing them on to land sellers. Land prices kept rising, especially as the inflated currency began to draw skeptical raised eyebrows. So land loans produced an asset bubble, as purchasers kept buying more acres on the theory that even if they couldn't service their loans, they could always sell the acres to some more-recently arrived sap. So it was that as land prices rose higher, local banks and even the out-of-control B.U.S. kept printing more money. The contradictions built up: would-be frontier entrepreneurs were taking on more and more debt, the currency they were receiving was growing less valuable, and the banks were being hollowed out by fraud. When the rumors of insider lending and outright embezzlement grew too extensive, the B.U.S. board began to cut lending and started chasing borrowers. This had the effect of popping the bubble. Suddenly, creditors across the southwest, and then throughout the Anglo-Atlantic world, began to chase debtors too, so that they could pay the B.U.S. Yet everyone was a debtor, and all of the currency they had was from banks whose corrupt practices began to emerge into the light. Unable to redeem their own bank notes with specie or more widely-accepted notes, these banks shut their doors, and what they had printed fell to no more than the value of their own raw material. Which was, of course, cotton.

The Panic of 1819, as it became known, fit every one of the three elements of the classic credit bubble, as categorized by economic historian Charles Kindleberger. After 1815, regulation disappeared, innovators created new credit instruments, and the combination of newly available (and suddenly unrestrained) credit plus technological innovations that transformed the economy convinced millions of economic actors that history would not repeat itself. The prices of, in this case, land would not fall but would keep rising. Everyone rushed to acquire more debt and buy more land, which pushed up the price of the latter and the incentive to create more of the former. When the bubble finally popped and prices collapsed, debtors found themselves massively behind on their payments. But the currency they held was worthless, and they could raise any money by selling their most costly asset: land they had bought on speculation, for that was plunging in value faster than anything as everybody else tried to sell.

Yet previous classic credit bubbles were usually generated on much smaller scales, like the famous Dutch tulip mania of 1637. This one had emerged in the context of a rapid expansion of the capacity of a Second Slavery economy to produce a key industrial raw material, and it had involved hundreds of thousands of free economic actors. The financial ecosystem that had generated the bubble and then the bust was shaped by its own characteristic species of institutions, actors, and markets. Perhaps "ecosystem" implies too much stability, for the forces that shaped the 1804-1820 era were disruptive innovations that produced dynamic motion. Still, patterns that would show up in later episodes did emerge. Here are a few. In addition to relationships between investors and entrepreneurs, organizational innovations were significant.

So too were new credit instruments; but also significant were innovations in the processes of the domestic slave trade. And innovations on the productive side, especially in the production of raw cotton, helped shape the characteristic dynamics and relationships of the financial era. All of these factors combined to shape the dynamics that shifted 125,000 enslaved people into the southwestern states, felled millions of trees and replaced them with monocrop culture, raised the number of cotton bales exported by the U.S., created and destroyed fortunes, and established a host of expectations (that government and banks will help to ensure rapid economic growth and widespread opportunities for migrant enslavers and investors alike) and cultural patterns (the slave auction as the meeting place of dozens of economic forces and personal desires).

ERA II:

For the first few years of the 1820s, with business locked up like a car engine drained of oil, there was little expansion along the cotton frontier. But as the tide of financial disaster receded, new configurations, new business partnerships and new relationships between credit and debt, production and consumption all came to light. Once again, the processes of innovation that shaped the new financial world would eat away at the very structures they created. This new era would last from 1819 to 1833. It would be dominated on the western side of the Atlantic by the Bank of the United States. The B.U.S., so unregulatory in the pre-1819 era, became, under the leadership of Pennsylvania aristocrat and polymath Nicholas Biddle, a truly effective central bank. It prevented smaller banks from over-lending. In 1824-1825, when rumors and overproduction turned a cotton shortage into a collapse of the cotton prices on which so many expectations had been constructed and so many debts undertaken, Biddle's bank shut the crisis down in the U.S. by acting as the lender of last resort. Banks stayed in business. People didn't lose their savings or go bankrupt. Britain, in fact, fared much worse.

The B.U.S also lent significant sums throughout the 1820s, stimulating the economy and enabling entrepreneurial planters and ordinary farmers alike to struggle out of the 1819 hole. By selling U.S. debt overseas, as well as its own stock, the B.U.S. linked European investors to U.S.

merchants, planters, others, for cotton-financed economy of the U.S. promised great returns if it could be kept from imploding. Biddle's bank was also crucial to the emergence of a group of innovative and specialized slave-trading firms. These firms disciplined the slave-selling market in the southeast, and the emerging slave-buying one in the southwest. Competing with each other, they raced to bring on line the most efficient transportation techniques: building specialized jails for keeping purchased people; creating a constant flow of enslaved people to the new nodes of the trade in the buying states: New Orleans, but soon also Natchez as well. Supertrading firms blossomed and faded as they profited from innovations until competitors adopted them as well and caught up. The Austin Woolfolk firm offered consistent payments in cash, ranking individuals by a few grades that expressed their proximity to the ideal "hand" commodity. Virtually all of the approximately 20,000 men and women sent to New Orleans in this period, for instance, were between the ages of 14 of 23. They also appear to have been taller than the average slave of their age and gender, and we can statistically demonstrate that each centimeter of additional height was likely to earn the trader an additional $10 or so at the other end of the pipeline, at the site of resale in the cotton states.

The organizational practices of the traders were different from the "Georgia-men" or multitasking entrepreneurs of earlier decades, as well. Frederick Douglass, in the 1820s a preteen boy on Maryland's Eastern Shore, remembers seeing the "flaming handbills" announcing the presence of a Woolfolk buyer in a nearby county seat. The buyer made a regular business of purchasing. He wasn't a one-time peddler, showing up only on the day of the local court, or on New Year's Day, a traditional date for hiring or selling slaves in the eighteenth-century South. In the nineteenth-century South, as regular business practices and the separation between work and home began to reshape capitalist cultures, the slave buyer now had an office. He bought on work days and not on holidays.

After 1828 a new megatrading firm drove the Woolfolk firm from prominence. This was a partnership between Isaac Franklin of Tennessee, R.C. Ballard of Virginia, and John Armfield of the District of Columbia. They adopted all of the Woolkfolk innovations—advertising, mass purchases with cash of everyone who fit the age and height grades of "hand," as well as the establishment of jails and other "stands" in both the southeast and southwest so that buying and selling could go on more or less continuously in multiple locations. They bought their own ships and refitted them to look much like Middle Passage vessels, and dispatched them to New Orleans at regular intervals. When Ballard in Richmond hadn't bought enough slaves to fill up the brig *Isaac Franklin*, he didn't wait any longer, but instead rented out "cargo" space to less heavily capitalized, smaller traders and sent the vessel on to Franklin in New Orleans.

Above all else, the success of Franklin, Ballard, and Armfield—by 1832, they were literally shipping more than two thousand people a year to New Orleans and Natchez—was the product of two other innovations. The first was their close relationship to the B.U.S. and other banks—which in the heavily regulated late 1820s and early 1830s, were creatures of the national bank. Franklin and Ballard circulated hundreds of thousands of dollars in commercial credit in those years. Their consistent and reliable behavior, and their large scale of trading, enabled them to get this money on good terms. They also benefited from the fact that Nicholas Biddle shifted the investments of the B.U.S. heavily into the direction of Mississippi and Louisiana after 1828. (In part Biddle recognized the crucial importance of expanding cotton production to the growth of the U.S. economy, and in part he was trying to increase political support for his institution in the southwest.) The close relationship between the Franklin, Ballard, and Armfield firm and the banking sector gave them a competitive advantage. They could simply buy more slaves, on better terms, and by the early 1830s they had even forced the Woolfolks out of their prime territories in the Baltimore hinterland.

The other innovation of Franklin et al's newly dominant megatrading firm was their creation, whether consciously or not, of an atmosphere of rule-breaking and rebelliousness against the growing cultural prominence of evangelically-propagated domesticity. Since that complex of mores that would eventually be known as "Victorian" was associated in the minds of many with female standard-setting, this atmosphere was attractive to men—who were the buyers of most slaves. The Franklin firm identified and sold specific women as "fancies"—sexual playthings, usually young and "white," i.e. of obviously mixed African-European background. This process of sexual commodification was the occasion of extensive discussion among the firm's members, who clearly relished the power to commodify the sexuality of these women. They also joked about forcing themselves upon these women as they were moved from one side of the South to the other. These men saw themselves as a band of outsiders—"pirates," they called themselves, or "one-eyed men," using a slang term for the penis—and this in turn spurred them to more aggressive, rule-breaking financial behavior. (It isn't uncommon for groups of men at the core of entrepreneurial innovations to see themselves as an outlaw band apart, breaking the stale conventionalities of society, and entitled to take whatever they want, whenever they want—from customers, from women, from their employers. If you don't believe me, ask an under-30 Goldman Sachs employee in Manhattan if he has cheated a customer, or engaged in risky sexual behavior with an inebriated woman in the past week.)

Sexual commodification—always part of slavery—became more charged with energy now, in part because it clearly broke the emergent new bourgeois rules of extramarital sexuality. Getting away with this kind of rebellion highlighted the connection between enslavement and forced sexuality, meaning that enslavers thought more actively about the connection, and that in turn unleashed other dynamics identified in different contexts by behavioral economists. In laboratory tests in which commodities are associated with sexuality, men who are aware of those commodities become more interested in taking economic risks in general, even if those risks are not directly linked to obtaining the specific highlighted commodities.

But here was the problem. The complex energies and the increasing effectiveness of the new domestic slave trade spread its selling tendrils through the southwest. The desire to take more risks increased, but a variety of controls restrained would-be entrepreneurs from taking advantage of the opportunities to which they increasingly felt entitled. These entrepreneurs included slave traders, cotton planters, merchants, and bankers, and the even wider groups of white men who aspired to join those categories. They wanted credit so they could buy more slaves. In fact, even beyond the role of the active domestic slave trade in stimulating the risk-taking desires of white men, other innovations were also helping to whet their appetites for expanding their investments. Enslavers, or their overseers who might have wanted to start their own operations, if they could obtain the credit, could see that their whipping-machine techniques for extracting increased productivity were paying off with steady gains in the amount of cotton picked by each slave. One reason was the introduction of new varieties of cotton in the 1820s, which may have made cotton "easier" to pick, but certainly increased the amount of cotton fiber on each hectare of plants ready for harvest. Between the increasing demands and the thicker growth of cotton bolls on each plant, the 1820s was the decade in which an increasing number of slaves had to learn how to use both hands continuously and independently in order to keep up with the demands. This was a difficult task. Imagine learning to play piano—a task that requires both hands to act independently—and now imagine learning that not as a child, but as a young adult. Now imagine doing that for fourteen hours a day, throughout the five months of the cotton harvest. Yet this is what enslaved people, driven by the technologies of measurement and torture, were being forced to do.

The bales of cotton were growing in number, stacking higher and higher at every river landing, waiting for the new steamboats that connected cotton growers up river more closely than ever before to cotton brokers down at New Orleans or Mobile. And enslavers could imagine how high their own personal stacks of bales would grow if they could only borrow more money to buy more of the slaves who were increasingly easy to obtain, thanks to the activities of the supertraders and their competitors. Yet the B.U.S. kept local financial institutions, like Natchez's Bank of the State of Mississippi, under tight control. Even though such banks and the B.U.S. were increasing their lending significantly by 1830 or so, they were also lending primarily—or so critics believed—to the cronies and relatives of the local banks' inner circles. Outsiders found it more difficult to borrow money, and so they and their politician allies—along with a few southwestern politicians who were ideologically committed to anti-bankism, began to launch a fusillade of complaint against the dominance of the B.U.S. These found a ready audience: with President Andrew Jackson, who suspected that the B.U.S. had worked against his election; and with less wealthy white men who might be northeastern urban workers or southern small farmers, but who all blamed the B.U.S for the Panic of 1819 and the contraction that followed. "The Bank were saved but the people were lost," said anti-bank ideologue Thomas Hart Benton, Senator from Missouri, and this typified the emotional appeal to those who opposed centralizations of economic power.

In 1832, the Bank applied for an extension of its charter, which was due to expire in 1836. Congress approved the re-charter. But President Andrew Jackson, in an unprecedented move, vetoed them. Arguing that the Bank's official status gave it an unfair degree of support from the government, allowing it and its wealthy stockholders to profit from an unrepublican monopoly, he denounced the B.U.S. and staked his reelection on the belief that the national electorate would support his action. (In his "Veto Message," Jackson also denounced the B.U.S. as a pipeline that unfairly siphoned off the wealth of the west and south, where most of the borrowers of the bank were located, to the northeast and overseas, which accounted for most of the stockholders of the Bank. But of course, another way to read that data is to recognize that the distribution of stockholders and loans reveals that the B.U.S. was a way for Europeans and northeasterners to invest in expansion of southwestern cotton slavery. Southwestern entrepreneurs could likewise draw on the capital of those regions to buy land, slaves, and supplies and so finance their ever-expanding enterprises.)

The voters reelected Jackson, empowering him to launch the crisis that would destroy the second era of Second Slavery financial history. From the crisis would emerge the third era. A coalition of southwestern entrepreneurs and small farmers on the one hand, and northeastern workers and new businessmen looking for a way up on the other backed Jackson, and they would form the nucleus of the Democratic Party. For this battle over finance conceived and birthed the two parties of the antebellum era. Jackson's opponents, those established elites who hated him over the Bank Veto and churchly reformers (who hated him because he was still evicting Indians from the Southwest), became the Whigs. Jackson ratcheted up the crisis by removing government deposits from the B.U.S. in 1833, shifting them to a hodgepodge of other institutions run by politically friendly boards. Biddle reacted by calling in millions of dollars in B.U.S. loans, plunging the country into a recession that lasted throughout the winter of 1833-1834. Delegations of businessmen visited Jackson and begged him to back down, while southwestern politicians connected to the B.U.S., like Mississippi's Senator George Poindexter threatened the President's political and even personal life. But Jackson was too strong, and he broke his opponents' will. By spring, the now-disestablished B.U.S. was trying to find a state legislature that would charter it as a private bank, the federal government's tax and land-sale revenues were successfully being deposited in the "pet" banks, and a new boom was beginning.

ERA III

The destruction of the B.U.S. released all regulatory control on the finances of slavery's expansion. From the opened cage wriggled all manner of fast-reproducing, environment-transforming beasts that radically transformed both the financial and the biological ecologies of the southwestern U.S. From 1833 to 1837, entrepreneurial enslavers and financiers and merchants and slave traders and speculators would run wild. They'd more than double the investment that the B.U.S. was already directing onto slavery's ragged growing edge. With that money they imported almost a quarter million enslaved people to the southwest, putting those people through unimaginable disruptions and torments as they were ripped from everything they knew, commodified, forced to learn how to pick cotton at the flicking end of a whip. Their price at New Orleans more than doubled: young men who would have cost $650 were selling for over $1300. The demand kept growing, and with the number of hands the number of bales. By 1837, the cotton crop produced by the South had doubled since Andrew Jackson vetoed the B.U.S. recharter.

After 1832, enslaver-entrepreneurs and the middlemen with whom they colluded now revealed was that they were well-prepared for the opportunity by the removal of the B.U.S.'s checks on lending and borrowing.   In fact, they had been testing the beta versions of new credit instruments and organizations since 1827. That's when Louisiana enslavers and representatives of Baring Brothers, the great London-based merchant bank, had created—with the cooperation of the Louisiana state legislature—the "Consolidated Association of the Planters of Louisiana" (C.A.P.L.) This institution was really a sort of bank, constructed to funnel investors' money to planters while two publics—the taxpayers of Louisiana, and the investors of world financial markets—bore the financial risk. Here's how the charter developed by Hugues Lavergne, J.B. Moussier, and Edmund Forstall, Louisiana enslavers and entrepreneurs on the one hand, and Thomas Baring constructed the scheme. Potential borrowers would mortgage their slaves and land and would receive in exchange for the mortgage stock in the bank up to 2/3 the value of their property. Stock owners would be entitled to borrow money against the book value of their stock. The cash for those loans would come from bonds that the C.A.P.L. sold on world financial markets, with the help of Baring Brothers, who were quite used to marketing securities for nation-states. (The bank would actually hold the pound sterling notes and specie that was paid for the bonds as a fractional reserve to back their own notes, which were distributed not just to mortgage borrowers but as short-term commercial credit to merchants trading in cotton and other commodities.) To convince bond buyers that the C.A.P.L. securities were low-risk investments, the bank's creators used their numerous political connections to convince the Louisiana state legislature to back the bonds with the "faith and credit of state of Louisiana."

The C.A.P.L. securities went on sale in 1829-1830, and were quickly bought up in London and Amsterdam. $1 million was the size of the first bond issue, and another $1 million would soon follow. Several thousand slaves were mortgaged to the C.A.P.L., which was planning to pay off the principal and interest on the bonds (usually four percent, paid annually) with the repayments of its borrowers. This meant in turn that the income streams generated by the mortgaged slaves were supposed to pay the bonds. Each bond—at first they were issued in $500 and later in $1000 —was priced more or less at the same amount as a "field hand" in New Orleans. But if one "hand" died from malaria or from tetanus induced by a bad whipping, or ran away and hid successfully on a Liverpool-bound cotton freighter, or was dropped by an overseer's pistol, no investor would have to bear the loss. For that slave, and the mortgage on him or her, had been "securitized"—both the income they generated and the risk of their loss—was spread in an equal infinitesimal portion among every one of the two thousand bonds. In a way, then, the C.A.P.L. bond was a completely commodified slave. One could own the bond and draw eight percent on the investment every year, without having to worry if the slave one had helped to buy was too short to reach the highest branches of the cotton bush, too sick to make their quota, too rebellious to stay put on the slave labor camp, or even (like Northup) actually a legally free man. From the investor's 1829 perspective, in their Mayfair drawing room or in their Amsterdam counting house, extracting the earnings was the enslaver's problem and the four percent interest was the cost paid for use of the investor's capital.

Yet the financial economy of the Second Slavery, supporting steady expansion between 1819 and 1833, was about to become far more dynamic. Eager for another boom, enslaver-entrepreneurs resented the regulation imposed by the B.U.S. almost as much as they resented (if they were not themselves members) the special treatment enjoyed by those with whom the B.U.S. did a preferential business: members of local bank factions; supersized slave traders; and nebulous far-off B.U.S. stockholders. Even as Jackson was crushing Biddle, and as the regulatory authority vanished, state legislatures in the southwest began to charter a series of institutions based on the C.A.P.L. template. Each took property mortgages on slaves and lent to slaveowning entrepreneurs, funding its initial capital by selling faith bonds. The Union Bank of Louisiana was the next after the C.A.P.L. It raised capital by selling $7 million of bonds through the Barings. Then Louisiana chartered the Citizens Bank, with a $12 million bond issue, and followed that up with numerous smaller institutions funded in the same way. By 1836, Louisiana had expanded its banks from four to sixteen in number, and from $9 million to $46 million in capital. And other southwestern states were not so far behind. Florida (not even a state yet, but a territory) authorized three banks with a total of $4 million in bonds. Tennessee, Arkansas, Mississippi, and Alabama used the same techniques. In 1832, the total amount of bank loans available to borrowers in the southwest was less than $40 million, which included $30 million lent by the B.U.S. By 1837, despite the retreat of the B.U.S, southwestern bank loans soared to over $80 million—one-third of the national total and more than that of any other region. Southwestern legislatures had authorized significantly more banking capital in the 1830s than the amount the B.U.S. had earlier applied to the economy of the entire U.S.[8]

Those who borrowed money on slaves could of course use that money to buy more slaves. Which allowed them to borrow still more. As the demand for slaves soared, the slave trade swelled in size, but the supertraders couldn't keep up. The price of slaves rose and dozens of new men entered the business. Still people kept borrowing. Credit came easy and slaves were, some claimed, earning twenty or thirty percent of their initial price in a year of labor, thanks to the high price of cotton. And even if the price of cotton dropped, or a bad drought decreased the amount of cotton grown, one could always sell slaves. It looked as if their price would continue to rise. Why not borrow more? Why not make up slaves that didn't exist to use as collateral, and get one's cousin on the bank's board to sign their name to the appraisal? Why not mortgage slaves that were already mortgaged to another bank? And why not co-sign a loan for your brother, your cousin, your friend, and so on? They had done so for you as well, and this mutual hedging made everything feel safer. No single default or bankruptcy was going to bring down a neighborhood or a business partner or a bank. The investors, meanwhile, clipped their bond coupons, and the merchant banks looked for more bonds to sell to more investors. By 1836, even non-slave states were trying to raise money with similar credit instruments and organizations. As land speculation spread up the Mississippi Valley, a young Illinois state legislator named Abraham Lincoln helped pass a bill funding an elaborate system of canals and river improvements with bonds, while Pennsylvania, Indiana, and Michigan issued similar securities.

Thus, a huge complex of borrowing—most of it owed by 1836 not in the southwest but derivative from it—was pyramided on the promise that the investments would generate income. And that seemed like a reasonable expectation. Investments generated cotton, and cotton was the lifeblood of new, growing industries. Factories were expanding in size and number not just in Manchester in England, but in Massachusetts and Rhode Island, and in France, Germany, and

Italy. The success of entrepreneurs in using new financial techniques and credit instruments, as well as the success of entrepreneurs in the field in using technologies of measurement and torture to extract creative reserves of productivity, had attracted a huge amount of capital. Unregulated banks and corrupt borrowers then leveraged that capital many times over. Everything balanced on the ability of enslaved people to produce streams of income that would keep debts from becoming toxic. But the faster they picked, the lower the price of cotton dropped. Even though the economic excitement that poured out of the cotton-and-credit circuits lifted many boats, increasing prices, investments, production, incomes, and consumption in places as far away as New England, Britain, the European continent, and even India, the world's capacity to buy cotton had not quite doubled. By late 1836, the price of cotton had begun to decline.

The first warning signs were visible in the slow decline in the price of cotton from 1835 to 1836. As merchants, who also depended for their working capital on trading partners, shipped larger and larger quantities of cotton, their total revenue remained high. But once again—only on a much greater scale this time—an asset bubble that had developed as part of the southwest's highly productive, highly efficient economy was about to burst. In the late summer of 1836, the Bank of England, noticing reports of high inventories at textile factories, began to cut lending to cotton brokers. The Barings started to pull their active investments in southwestern banks, where possible. By January 1837, as a bumper cotton crop began to flood a low-demand Liverpool market, English cotton-buying firms began to collapse. They couldn't pay New Orleans firms, who were dependent on sales in Liverpool, and so the latter also began to fail. By early May, no business was being done in the commercial sectors of New Orleans or New York.

All across the southwestern countryside, in every county court, creditors pursued debtors. But everyone was a debtor. And no one would take the paper money issued by the southwestern banks, which was now worthless evidence of how far their loans had exceeded their reserves. Indebted enslavers tried to sell their slaves, but these assets brought only a fraction of their earlier price. Thousands of entrepreneurs fled across the Texas border with their slaves to escape these fire-sale prices. This was a microeconomic solution to the debt crisis of slavery's frontier, but the devastation these "G.T.T." runaway whites ("G.T.T. = "Gone To Texas," allegedly scrawled on abandoned debt cases on court dockets, or doorposts of abandoned farmhouses and half-built casas grandes) tried to escape pummeled the entire Atlantic economy. Macroeconomic solutions did little more. Following a philosophy that would today be called austerity, Presidnet Martin Van Buren refused to increase government spending. Nicholas Biddle and other financiers tried to rebuild the financial networks of the Atlantic economy by turning future values of cotton into a sort of currency, which produced a partial recovery in 1838. But the reaction of enslavers was to produce more cotton, meaning that the "post notes" Biddle and others traded could not be redeemed, and the economy collapsed even further in 1839. And still urban working classes remained out of work everywhere from New Orleans to New York to Newcastle to the new textile towns of the Rhine valley. The devastation of the latter helped convince a young law student named Karl Marx that capitalism grew through a series of crises of overproduction, alternating with booms driven by new technologies. He got the location of the causality wrong, since he didn't know about the stolen magic of hands.

Solomon Northup did. He saw Patsey in the field. He came to Louisiana in the wake of the collapse of Era III of Second Slavery finance. Slave sales were at something close to an all-time in New Orleans, and perhaps this was why he was kidnapped. He cost the traders nothing but the opiates with which they drugged him, and every penny for which he sold was revenue. His enslavers put him in the field to earn them money to repay their debts. Representatives of banks from New Orleans to Philadelphia to New York were combing Louisiana and Mississippi courthouses, trying to sue their way back into solvency. The only way individual planters could pay their debts in cash was by increasing their cotton revenue. This kept prices low until the late 1840s, when world demand finally began to keep up with southwestern slaves' productivity. On the larger scale, however, bond buyers began to clamor for payment, but banks like the Union Bank of Florida had no cash and no assets. Their foreclosure suits led to frustration, because debtors could move slaves, who in any case would not bring their appraised value in such depressed times. So the banks declared themselves unable to redeem the bonds, and turned the problem over to the states, who, in more optimistic times, had backed the bonds.

Privatizing the profits and socializing the costs: this is an old and oft-repeated technique using financial tools to expand the wealth and productive capacity of capitalist enterprises by extracting the wealth of the broader tax-paying population. But at this, southwestern voters balked. In state after state, they voted out politicians who supported repayment of the bonds, and voted in men who were often debtors themselves. The new legislatures repudiated the bonds, incurring tremendous but futile wrath among the higher ranks of the British, Dutch, French, German, and northeastern U.S. bourgeois. (And not just among the bourgeois. In the 1930s, the Principality of Monaco would still be trying to collect payment from Mississippi for some of that state's Union Bank bonds.) Yet everyone had, eventually, to do business with the southwest. Despite increasing diversification, which was funded in part by cotton profits, every Western financial institution was in some way connected to the production, acquisition, transport, insurance, and sale of raw cotton. Resentment among investors and middlemen lingered, along with a deeper sense of distrust. The next time they lent to southwestern entrepreneurs, trading partners would demand greater security. But they would be back.

INTERRUPTION:

Now you are wondering: What happened to First Republic, which you promised to discuss? More broadly, what happened to politics? Wasn't this age, from 1804 to the 1840s, the era of white man's democraticization? Didn't the Second Party System emerge? Didn't a series of political crises—over Missouri, over the Tariff of Abominations and South Carolina's insistence on nullification—lead to a series of key compromises, which are the normal signposts of the pre-Civil War political narrative

Here's the answer. When it comes to explaining the largest and most consequential phenomenon in the pre-Civil War history of the U.S., which was the relentless geographic, demographic, and productive expansion of slavery, the history of compromise and party formation are almost irrelevant. The only partial exception is the democratization of politics, which—although it made no significant difference for the North's relationship to the South—did provide Jackson and his political lieutenants in states like Mississippi the leverage that he needed to overturn B.U.S. regulatory control over the financing of slavery's expansion. Of course, this development had exactly the opposite effect, one suspects, of what common white men wanted. It increased the number of entrepreneurs who could gamble with the backing of the state, but the new banks still excluded the majority of voters from their benefits. They weren't in the business of giving loans to poor white men who wanted to vault into planter ranks. So leaving aside this ironic case of democratic upsurge that translated into free money for elites at the expense of taxpayers and the enslaved, in no significant case did political interventions check the forward rush of slavery's expansion until the late 1840s. (Enslavers didn't want to go to the northern part of the Louisiana Territory, beyond Missouri, so what they gave away in the Missouri Compromise was irrelevant until it became the potential precedent for other acquisitions).

Instead, we should think of the era from the Constitution on to the Civil War as the First Republic era of U.S. history. In this era, national politics and Northern political actors (politicians, activists, voters) were consciously or functionally subservient to slavery's expansion, at least until the mid-1840s. Slaveholder dominance of federal politics created a state whose most important function was catalyzing slavery's expansion. In that political world, many Northerners consulted their interest and concluded that they had much to gain from enabling that expansion. They served as efficient enzymes, if you will, for enslavers' digestion of the political process, breaking down opposition to the domination of the so-called "Slave Power" over national politics. In turn these Northern allies were rewarded, at least for a time, for supporting expansion.

For sixty years, nothing changed except the addition of more voters. Then two forces disrupted previously hegemonic structures. On the one hand, some Northerners resisted Southern domination of Democratic and Whig party caucuses, and were able to draw a minority of Northern voters to their support through consistent denunciation of slavery expansion. On the other, a minority of Southern radicals were able to convince their regional colleagues to hold their respective political parties hostage unless Whigs or Democrats announced their commitment to a more extreme form of slavery expansionism that would have—if carried to its Calhounian logical extent—made slavery legal everywhere in the U.S. So at last, the enduring structures of the First Republic began to dissolve in a prolonged period of crisis. At last Southerners themselves broke apart the political structure of the First Republic, which had served them so well.

But it was a long time before anything changed. Solomon Northup's story of one man's escape from slavery unexpectedly tells us exactly why Southern slavery was so successful, and why in fact its expansion is the most important story of the U.S. When we talk about the history of the United States, we might acknowledge the interruption of the Civil War and the massive constitutional and other changes that constituted emancipation and reconstruction of the once-slave South. But we do not usually see those changes as amounting to the creation of an entirely new constitutional regime. Those kinds of distinctions are left to, for instance, French historians, who speak of "First Republic" and "Second Empire" and so on, all the way up to the current "Fifth Republic." Such distinctions acknowledge the tumultuous impermanence that has been seen as the chief flaw of the French polity since the end of the *Ancien regime*, compared to which the Anglo-American states are seen as paragons of stability.

Usually, when historians discuss the relationship between the founders and slavery, and the way that the Constitution's compromises played out over the next seventy-odd years of U.S. history, we talk about the contradiction between the professed ideology of the republic's founding and the reality of the undying presence of slavery. With Jefferson and generations of nationalist historians, we write this in various modes of tragedy. It is tragedy, though such histories too often study the pain of whites' hypocrisy so intently that they miss the panoply of death, theft, separation, orphanage, maiming, torture, and other forms of human misery that slavery's expansion left in its wake. But the reality is that most white Americans most of the time, the way that the founding incorporated not only the continuation of white supremacy, but also slavery's expansion wasn't seen as a tragedy. It was an ambivalent reality, but one that wasn't an excresence but a foundation, an acceptable and even holy compromise that yielded far more than it lost. And for others, it was the *sine qua non* of endless increases in wealth—not a bug but a feature. If they saw deeper, beyond what the pushing-westward of the whipping-machine gave to them as individuals, judicious but amoral capitalists would see that slavery's thriving in the First Republic was also the reason why the First Republic survived.

From the founding of the U.S. in 1776, enslavers who wanted slavery to expand dominated national policy-making. Both as political leaders, and as an interest group, they were from the earliest days of the Confederation able to both to ensure that the developing federal republic put its authority and its revenue behind the project of slavery's geographical growth. Even those who decried slavery's influence, like Thomas Jefferson and George Mason, quickly abandoned in the early 1780s the idea of placing unilateral limits on slavery's expansion. Instead, they supported proposals that opened western territories for slavery and regulated-into-being a domestic slave trade. The interstate trade, incidentally, profited Chesapeake enslavers from slave-surplus regions, a fact noted with some bitterness by South Carolina delegates to the Constitutional Convention in 1787. At that point the domestic trade was still unorganized and scanty, but never doubt the ability of the Virginians to make educated guesses about the future implications of supply and demand curves: if, as they wished, the Atlantic trade was closed, the South Carolina and Georgia entrepreneurs who were already opening up a new frontier for cotton in the interior of those states would have no chance but to buy up the surplus children of the old tobacco and grain districts.

The constitutional deal that extended the Atlantic slave trade until at least 1807 was made in part because Georgia and the Carolinas threatened to abandon the national project if they were not given two decades of open borders in which to fill up new enterprises with African slaves at the cheapest possible price. Some at the Convention protested that the Atlantic slave trade was immoral, as British activists like Olauduh Equiano and Granville Sharp were using new tools of publicity and public opinion-formation to argue. However, South Carolina's John Rutledge, who would soon be named Chief Justice of the U.S. Supreme Court, insisted that "Religion and humanity have nothing to do with this question. . . . Interest alone is the governing principle with nations." Rutledge was supported by Connecticut's Oliver Ellsworth and other representatives from merchant-dominated coastal districts in New England. Responding to Rutledge and his fellow South Carolinian Charles Pinckney, who urged the "carrying states" to think about the fact that they made their money by transporting slave-made commodities like indigo, rice, and now, increasingly cotton to European markets, Ellsworth smoothly urged his fellow delegates "not to intermeddle." Let the market decide where the slaves come from, whether that meant Africa, or Virginia. And so the Convention extended the trade for at least twenty years. Perhaps 200,000 additional enslaved Africans would be transported to the U.S. in consequence of the Convention's desire to put interest first. But this was not the only way in which the 1787 Constitution baked slaveholder power and expansionist momentum directly into the structure of the new Union. [9]

Neither the letter of the law alone, nor the language of the deals cut behind the shutters of Independence Hall that summer of 1787 map all of the ways in which expansionist enslavers managed to dominate the first American republic from its inception. Perhaps the most consequential was the most controversial, and that was the impact of law as practiced. And not just any law. The ones that mattered most ensured that whenever liberty and property were competing goods, property rights would trump both natural rights and the decisions of legislative majorities who represented citizens. Legal historians have shown how conflicts between property owners and broader communities played out in debates about whether or not small-town capitalists could impinge upon traditional rights to "the commons" by—for instance—building large milldams that blocked the migrations of salmon and shad and thus made it harder for poor families to gather protein-rich foods. Even more consequential for the First Republic, however, were Supreme Court decisions, nuggets embedded in the Constitution, and government policies that dictated to the future the principle that no one could constrain the legal right of enslavers to own people and to use them as commodities. Most explicit was the inclusion of a fugitive slave clause in the Constitution, which was immediately activated by a 1793 law passed by Congress. Federal law now insisted that enslavers' property rights to enslaved people's bodies trumped emancipating states' claims that freedom was a natural right. Later court decisions like *Prigg v. Pennsylvania* and laws like the Fugitive Slave Act of 1850 underlined the point. Enslavers' property claims transcended state laws and boundaries, the at least in that way, the federal government was prepared to enforce the pecuniary "interest" of enslavers over and above the principles of natural rights and presumptive freedom.[10]

Less clearly focused on slavery, but at least as significant for embedding slavery-expansionism in federal law and policy, was the 1810 Supreme Court decision *Fletcher v. Peck*. This overturned a Georgia legislative decision that itself had attempted to overrule the 1795 sale of Georgia's "Yazoo" land claims in Alabama and Mississippi to a group of outside investors. They bought the land from Georgia under highly favorable terms, in part because they had bribed most of the state legislature. The majority of white Georgians clearly opposed the sale, in which the state received only $500,000 in return for claims to 35 million acres. Here, as elsewhere, expansionist enslavers did not always agree with each other, much less with non-slaveowning Southern whites. But in this case, the courts supported and legitimize an alliance between entrepreneurial enslavers and Northern financial markets. As populist Georgians attempted to overturn the Yazoo sale by passing an "Expunging Act" in the state legislature, the land companies securitized the land claims. They transformed shares of their company's holdings into bonds that were traded in northeastern and southern financial circles. Their market value rested on the hope that the federal government would recognize the sale and compensate the bondholders with either land or value, as well as on the expected return from the land. And that in turn depended on whether potential bond buyers believed in slavery's future.[11]

Indeed, they did. When the decision came in 1810, it ratified the sale of the Yazoo lands, thus preserving confidence in financial markets that were busily bringing more investment money into the new cotton frontiers of the southwest. It also unblocked the sale of tens of millions of acres of land whose title had heretofore been uncertain. But the decision, which has always been credited to Chief Justice John Marshall, did something even more important. Though the decision never mentioned slavery, it established the principle that legislatures could not overturn contracts. And this put the property to which contracts established title outside of the reach of majorities as well. This, in turn meant that the Supreme Court had established a precedent by which any purchaser or heir of a slave could challenge the right of any government to deny them the rights and privileges of enslavement.

Enslavers would seize upon the idea that the Constitution itself protected their right to own slaves, though in this case it was the Constitution-as-interpreted and not as-written that justified them. Eventually John C. Calhoun and others expanded the idea that property rights in slaves transcended the control of state legislatures to a claim that anticipated the Second Republic's classic doctrine of substantive due process. Like Calhoun, the so-called *Lochner*-era decisions insisted that the Fifth Amendment's safeguards against seizure of property "without due process of law" didn't just mandate that legislatures and courts couldn't take away individuals' property without following due procedures. In fact, Calhoun in the 1840s and substantive due process advocates in the 1880s-1930s era argued, the Amendment's language confirmed a deeper common-law protection of property-owner's rights that preceded constitutions. No court or legislative outcome that took property rights from property-owners, especially from whole classes of property-owners like factory moguls or entrepreneurial enslavers, could be just or constitutional.

Many historians and political scientists have argued that the pre-Civil War (or even pre-1887) U.S. did not possess anything that we could identify as a "state." Certainly, Washington, D.C. wasn't filled with extensive bureaucracies staffed by professional civil servants empowered to regulate either the market or society, which is the Weberian idea of the modern state. Scholars assert that the most important long-term factor slowing the development of an activist modernizing state in the U.S. was the reluctance of Southern enslavers to countenance a source of power that might regulate, limit, or even abolish slavery. Some scholars have argued that at most, the U.S. state was constituted along a "courts and parties" model. Courts established interpretations of constitutional, common, and statutory law, and so regulated practice. In this account, parties staffed the limited bureaucracies through patronage, while also mediating between the voter and the lawmaker. Parties also fulfilled other functions that in an archetypal modern, Weberian model would've been fulfilled by the state. For instance, when Secretary of the Treasury Louis McLane wanted to assess the health and extent of U.S. industry in 1832, he requested information not from state-employed bureaucrats but from Democratic Party functionaries scattered across the manufacturing cores of the northeast and Middle Atlantic. Even so, the "courts and parties" model depicts a limited, mostly negative state capacity.

Yet when one looks at the pre-Civil War U.S. with an appreciation of the success of the entrepreneurs who turned an entire subcontinent into a giant cotton field in the course of a single lifetime, the nature and extent of the U.S. "state" start to look a bit different than what the "courts and parties" model, for instance, would suggest. In fact, the American state was constituted of numerous apparatuses, almost all of which supported the unprecedented-in-world-history geographic expansion of U.S. settlement. That settlement was almost entirely composed of individual agricultural enterprises, and the federal government spend most of its budget on enabling their relocation and success. Of necessity, much of this support went to the expansion of the slave states, since they generated far and away the greatest amount of market activity not only in the West but in the nation, and because their expansion deployed the greatest amount of wealth. Here are some of the state functions. The Indian agencies of the U.S. deployed huge amounts of resources, and one should also add the money that was spent on making treaties that accomplished the goal of moving Indians out of future cotton territory. Mapping, surveying, selling, and financing the purchase of land employed thousands of men each year. Then there was the postal service, which connected families across space, making migration more conceivable, but also enabling long-distance financial and business communications. The armed forces protected frontiers from Indian incursion, and put down the only large, organized slave revolts in the history of the First Republic. Southerners blocked the federal state from building most roads and all canals. They had their steamboats, and the federal state did spend a lot of money on clearing rivers and improving harbors, which carried cotton out and other goods (paid for with cotton earnings) back in to the U.S. If we think of all those efforts as constituting a state—and we should—then all of a sudden, the U.S. turned out to have a state that was more extensive than we have acknowledged. And that state was devoted almost exclusively to supporting slavery's expansion.

Of course, for most of the life of the First Republic, enslavers were politically dominant not just in the law and the state, but in the actual practice of electoral federal politics—dominant enough to ensure that the federal government would never threaten slavery where it already existed. Even though white Southerners were a minority from independence onward, and slaveowning families were never more than a third of white Southern households, for forty-seven of the first sixty years of the Republic, the President was a slaveholder. Enslavers controlled half of the Senate. The so-called "3/5 clause," which counted each slave as 3/5 of a person for purposes of allocating Congress' proportional-representation chamber, also made Northern whites believe that the slave states were over-represented. Whether they were over-represented or not, the fact remain that slaveholding states controlled at least 40% of the House for most of the First Republic, and an even higher fraction of electoral votes. Since the Northern states regularly split along other issues like tariff policy, or openness to immigrants, Southern politicians could demand that their free-state allies support slavery-expansionist polices or risk losing all hope of winning national elections. When grass-roots critics of Southern slavery began to send petitions to Congress in the 1830s, many of their complaints focused on the domestic slave trade and on the possibility that the U.S. would annex the newly established slaveholding republic of Texas. Enslavers successfully insisted that their allies cooperate in banning discussion of these essential components of slavery's expansion in Congress, even though many believed that the right to petition was an essential commitment of any government, especially a representative one.[12]

The consequence of slavery-expansionists' political dominance was that federal policy choices consistently permitted and supported the further growth of the second slavery in the U.S.

The Louisiana Purchase in 1804 opened the lower Mississippi Valley to the growth of a vast cotton-and-slavery complex. "War Hawks," mostly from slavery's frontier, pushed the U.S. into the War of 1812, hoping to acquire more territory. They were lucky to escape the war with Louisiana intact, but they also forced huge concessions from native peoples in Alabama and Georgia. In 1819-20, federal support of Andrew Jackson's rogue invasion of Florida finally accomplished acquisition of that territory, one the goals of the 1812 War Hawks. Although non-slaveholder John Quincy Adams won the hotly contested election of 1824, his presidency foundered. It did so due to the opposition of Southern enslavers on issues like recognizing the state of Haiti and above all, their refusal to allow Native Americans to hang on to any land that might bear cotton plants. While Andrew Jackson's inauguration has been celebrated by historians as the millennium of the common man, his inaugural address promised to acquire more Indian lands, probably in the slave states, adjust the tariff to make it more palatable to Southern enslavers, and expand into Mexico's Texas territory.

Jackson, of course, is recognized as one of the founders of the national Democratic Party, which has for most of its history been the only truly nationwide party in the U.S. He would've been unable to dominate the politics of the era between the Panics of 1819 and 1837 without widespread support from both Northerners and non-slaveholding Southern whites. He served some of their wishes, including the desire for a more responsive politics. This was not necessarily what Southern elites wanted. But Jackson showed them the way that a populist style and even certain policies could be packaged as anti-elitist and yet simultaneously be turned to the benefit of entrepreneurial slavery expansion. In his "war" against the Second Bank of the U.S., for instance, Jackson characterized his unilateral disestablishment of the country's central bank and main conduit of foreign investment funds as a democratic decapitation of an evil "hydra" that menaced the manhood of his common-man supporters. Yet he and his administration also turned the disestablishment of the B.U.S. into new opportunities for entrepreneurial profit on the slave frontier.

Until late in the First Republic, enslavers and their political leaders almost always found it possible to build majority coalitions behind policies suitable to their needs. Even when political styles changed, becoming substantively more democratic for white men, the geographical expansion of U.S., plus the rewards generated by the profits of slavery's expansion, meant that the political allocation of rewards and access wasn't necessarily a zero-sum game. Indian removal in Jackson's administration, for instance, created massive opportunities for speculators and planters, but also opened vast new regions in which aspirant yeoman farmers could find unclaimed land and buy it at the minimum price. True, the extent to which Democratic Party policies were in and of themselves positive for working-class Northern Democrats has been exaggerated, perhaps. The defeat of entrenched bank elites helped them little, and land booms were also of little use unless they moved west. Yet Irish immigrants, native-born white laborers, and others marshaled to the polls by Democrats in the heyday of the so-called Second Party System gained psychic rewards from participating on the winning side. Northern Democratic leaders like Martin Van Buren, who believed that a national North-South alliance was necessary in order to prevent the U.S. from being turned into an anti-democratic, aristocratic society, consciously subordinated Northern whites' interests to those of his southern allies until late in his career. And Whigs in the North desperately needed Southerners to cast Whig votes, so they too had to avoid the deadly charge of antislavery leanings.

For party loyalties were more likely to split Northerners than Southerners, especially when the most valuable chips were on the table. When slavery's expansion was threatened, enslavers formed up in a united bloc. So they did, for instance, during the 1819 Missouri Crisis. If free-state politicians and voters had done the same, their greater numbers would have enabled them to close slavery's unending frontier. Yet not enough free-state politicians and voters wanted to resist. Many concluded that they had their own interest (though not always a uniform one) in the second slavery. Most, but not all of them, affiliated themselves with the Democratic Party, which more consistently supported slavery's expansion. In recent decades, U.S. historians have focused on the ways in which working-class Northern whites, both immigrant and native-born, used racism to legitimize their own claims to democratic equality with the better-educated and better-born. To construct an ideology that justified (male) whiteness as the only ticket of admission to the polity, they insisted on the exclusion of free black men from Northern voting ranks and developed blackface minstrelsy into a consuming cultural style that ridiculed those whom it imitated. Such Northern white men tended to vote Democratic. The implication of "whiteness" studies is that they did so in exchange for the psychological coin of a sense of superiority. What has been less studied is the fact that such white men had plenty to gain in physical coin from slavery's growth. Many working-class white men in the free North hoped to take advantage of the opportunities that would come from new conquests. Their support for "filibustering" expeditions that proposed to seize Cuba for the Union was notorious.

Outside of the northeastern cities, meanwhile, virtually the entire agricultural sector of the northwestern free states circa 1830 (Ohio, Indiana, and Illinois) depended on trade with the slave states via the Mississippi River system. During times of rapid expansion, slave labor camps specialized in producing cotton, in particular, as entrepreneurs left the corn-growing and pig-raising to free northwestern farmers from whom they could buy supplies. Such markets were crucial to the developing economies of those free states. Just as important as the mass support of northwestern farmers and the northeastern urban working class for the politics of slavery expansion was the interest of numerous northern elites for slavery's further expansion. This should come as no surprise, since southern slavery was the core of the northeastern economy up until the coming of the Civil War. Wealthy cotton magnates, merchants and bankers in New York City and Philadelphia, and manufacturing employers all tended to support pro-Southern policies until late in the pre-Civil War era. Southern expansionists had plenty of these Northern allies, many of whom had extensive and direct financial interests in the expansion of slavery. These people were very significant in moderating between Northern fear of Southern domination and Southern desires. One could find exceptions like that Tappan brothers, wealthy dry goods merchants who sold supplies to the South but funded the development of an abolitionist movement from the 1830s onward. But one could oppose each such example with one like August Belmont, New York financier and proslavery supporter of Cuban annexation plans in the 1850s.

So enslavers and their allies among non-slaveholding Southern whites dominated politics at the federal level. For sixty years, they could always use their ability to unite quickly on a regional basis to tempt Northerners to join them for a coalition strong enough to force slavery-expansionist outcomes. But now begins the final episode of pre-Civil War financial innovation. This one would be different, for at last, we have reached the point at which the economic, social, and demographic forces unleashed by speculators' cumulative creative destructions shook loose the political moorings of the First Republic. The balance of forces within the state, and its orientation towards supporting the continual expansion of the cotton economy in all its permutations, had remained stationary in key ways, even as the map of the nation expanded.

ERA IV:

Throughout the 1840s Southerners still refused to pay back what they had—some thought—stolen from investors outside the region. Large institutions like Barings Brothers were unwilling to risk much capital, new financial institutions did not emerge inside the South to replace all of the ones that had died in the crisis of Era III, and states were unable to borrow on a large scale. One consequence of this fact was the lull in infrastructure investment in the southwest. Before 1840, southern railroad construction had moved as rapidly as it had elsewhere in the country. After 1850, it would do so again. But railroad construction did not happen in the South during the 1840s, even as it accelerated elsewhere. The cause was the absence of financing, and the consequence was the long-lasting deficit vis-à-vis the free states in railroad capacity. In addition, by 1850, Chicago boosters had taken advantage of the sudden weakness of New Orleans—the city that had been, in the 1830s, supplied with the densest concentration of banking capacity in the country—to seize control of much of the northern Mississippi valley's commercial networks.

In general, Southern entrepreneur-enslavers experienced the 1840s as a sustained loss of control over their own financial destinies, a sense of loss that increasingly shaped their worldviews. They came to view themselves as excluded and stigmatized, which was of course augmented by the continued hammering-away of the small but loud abolitionist movement's rhetoric. Even after cotton prices rose again in the late 1840s, a wave that lasted all the way through the 1850s—the longest period of high prices in the entire pre-Civil War era—enslavers increased their complaints. In their newspapers and magazines, they complained endlessly of exploitation by their own trading partners, who supplied them with credit and with markets.

They certainly had much less control over their own financing—much less so than when they had printed the bonds and run the banks themselves, deciding how much to lend to themselves and their relatives, and when to demand (or more likely, not demand) repayment. But they were not destitute of credit. Carrying the running annual expenses of slave labor camps in the cotton South, and investing in further expansions of said camps, was still the annual task of a vast financial machine. But now the credit reached enslavers through a new system of organization. Commercial banks lent their money to "factors"—northeastern businessmen based in New York or Boston, but with offices in New Orleans, Mobile, etc. Factors, in turn, lent to planters, often the security of individual mortgages on slaves recorded in and enforced by local courts. Planters often lent money out to even smaller-scale cotton growers who mortgaged *their* slaves, making this a truly capillary system of credit distribution and collateral. This system not only generated cotton, which continued to be the baseline commodity of the industrializing world's trade. It also tapped the vast pool of collateral—perhaps the largest such pool in the Western world—represented by Southern slaves. But enslavers did not control this system, and they knew it.

In the 1850s, another 250,000 enslaved people were moved from the old states to the new. The slave trade that moved so many of them also changed, incorporating railroad and telegraph. These in turn reduced arbitrage opportunities and led many traders to shift to a model in which they simply consigned enslaved people from one market to another; from one seller to a buyer, instead of taking the capital risk of owning them during their transit from the southeast to the southwest. The forced migrants of yet another generation joined the children of the previous one, and they cleared vast new areas for cotton: the ten-mile fields of the northern Mississippi Delta south of Memphis, the East Texas thickets, the counties across the river from Natchez. From the mid-1840s, when the U.S. was producing between 1.5 and 2.1 million bales of cotton per year, production soared until by 1860 it reached 4.5 million bales. The enormous total revealed the ongoing daily process of whipping-machine efficiencies, extracted from the creativity and dexterity of each individual hand. Quotas in many labor camps had increased to well over 200 pounds per day, meaning that each "hand" as an investment was more valuable than ever.

But after the great reversals of the late 1830s, entrepreneurs were nervous. And they wanted to restart rapid growth. In periods of expansion, investors and borrowers got excited. Financial innovations appeared, making credit more widely available for enslavers on the southwestern frontier. Opportunities for profit-taking were everywhere. It was no coincidence, for example, that many of the most ardent supporters of annexing the independent republic of Texas were those who had bought up its depreciated bonds at cents on the dollar. They calculated that the U.S. government would redeem them at full value. So from 1843 to 1846, Southern political leaders deceived and manipulated Northern Democrats into supporting not only annexation of a vast new empire for slavery in the shape of Texas, but a nationalist-expansionist war against Mexico.

Then in 1846, something unexpected happened, although this event had been growing more likely ever since the crisis of Era III. Northern resentment over an economic depression caused by Southern speculation, and of enslaver-entrepreneurs' unwillingness to pay the debts of either their own individual enterprises or their communities' financial schemes, had been building. Now it was starting to break down the interregional coalitions which enslavers had been able to steer towards a slavery-expansionist agenda. When David Wilmot, a Northern Democratic Congressman, proposed in 1846 that none of the territory taken from Mexico should become slave states, he catalyzed simmering free-state fear of slave-state domination. Four years of stubborn maintenance of the Wilmot position ultimately forced the Compromise of

1850. In the short term, at least, slavery would not invade California. Angry Southerners were talking about secession, and votes in Congress had not been following party lines for four years now. The two major parties were coming apart from the strains, and the Whigs, in fact, would be gone within three years.

At last the enduring compromises that made the First Republic possible were shaking. There were many causes for Northern resistance to moving in the same harness that had so long domesticated their political force to enslavers' service. In addition to Northern resentment of Southerners' financial unreliability, at a structural level, Northern economies had become more diverse and less dependent on hands' picking of cotton as the motor of growth. There was one more reason, as well. That was the growing insistence among Southerners that Northerners would have to swear allegiance to a version of the First Republic that was more explicitly than ever before committed to the eternal expansion of slavery. Calhoun and those who took up his calling after his 1850 death worked tirelessly to force the federal government to incorporate affirmative government protections for slavery *everywhere*—including in the free states, and definitely in all territories—into all of its commitments. Not satisfied with the Democrats' willingness to acquire Cuba, expansionist Southerners demanded that the party commit to overturning the Missouri Compromise in 1854. In 1857, Southern Democrats and Northern allies on the Supreme Court declared that slavery could not be barred from any territory, throwing the door open for more expansion. And in 1860, enslavers destroyed the one remaining national party, the Democrats, over the question of whether or not the party should commit itself to turning the whole West into a new version of Mississippi.

So, in famous words, the war came. The Second Slavery was the foundation of the First Republic, which lasted until it dissolved in 1861 in the throes of secession. In one way, what enslavers did to bring the First Republic to an end was actually an attempt to reimpose an older version—or their version—of that republic upon a reality transformed by seventy years of their own innovation and profit-taking and exploitation. But one thing was certain. The U.S. that emerged from the storms of war and emancipation was utterly different from the one that secessionists hacked apart.

What could be more tumultuous than the years from 1861 to 1865 in the U.S.? What was more disruptive than the destruction by war and politics of a kind of claim to property which from the founding of the republic leading statesman had insisted was the *sine qua non* of Southern participation in the Union? And of course, the system of accounting of those property rights, a kind of counting and measuring that was itself wiped out by war, priced property rights in slaves as the single largest pile of wealth in the republic. All of that—wealth, foundational political conventions, legal categories, the engine of the most rapid economic growth and geographic expansion in human history—was gone, in four years. They were replaced with not only a new distribution of political-economic power, but with a set of constitutional revisions so significant that some have described them as a new constitution. [13] Indeed, the transformation from the pre-Civil War era was so dramatic that we should refer to them as the shift from the First Republic to the Second Republic.

From First Republic and Second Slavery, from whence came First Industrial Revolution, to Second Republic, emancipation (which meant, as Eric Foner's ambivalent reminder points out, "nothing but freedom"), and Second Industrial Revolution. This is the grand sweep of U.S. history. Telling the story in that framework enables us to escape one repeating pattern of American history-telling. That is the attempt to acknowledge the presence of slavery by describing it as a tragic contradiction that was ultimately resolved. This comforting construction assures us that the proper solution was present all along, and that the essence of the American national project has always been libertarian.

Such an impulse is false. That nationalist history wants the reader to believe that the past is whole, that there was no rupture from the founding to the present. Once we come to grips with the fact that the re-founding after 1861 ended the First Republic and gave birth to a fundamentally different nation that deserved the designation of Second Republic, we see the breadth and depth of the rupture. And when we gaze back to the far side of the canyon, we see the distinct terrain of the land of First Republic and Second Slavery at last. We can recognize the desolation that lay there, the desert across which one million forced migrants were forced to move from one dry spring to another one that was dryer still. We can understand how powerful were the traps in which enslaved people were bound, and how relentless and unified were the forces that made freedom for them an exception to a rule. Then at last, too, we can understand something about what Patsey felt on the day that the white man from New York came to free Solomon Northup, whom she knew as Platt, from his twelve years of bondage. Patsey, who “danced” in the field, the finest picker on the enslaver’s labor camp, and yet the one who was whipped the most (in order to make her pick even faster and so set a standard towards which the rest could be driven), “ran from behind a cabin and threw her arms about my neck. “Oh! Platt,” she cried, tears streaming down her face, "you're goin' to be free—you're goin' way off yonder where we'll never see ye any more. You've saved me a good many whipping, Platt; I’m glad you're going to be free—but oh! Lord, Lord! what'll become of me?”[14] For she had no reason to believe she’d ever see the end, and perhaps she never did.

---

[1] Solomon Northup, *Twelve years A Slave: Narrative of Solomon Northup, a Citizen of New York,* (Buffalo, NY, 1853), quote from 321; Charles H. Nichols, "Who Read the Slave Narratives," *Phylon* 20 (1959), 149-162.

[2] *St. Albans'* (Vt.) *Messenger,* Dec. 11, 1856. David Fiske, *Solomon Northup: His Life Before And After Slavery,* (n.p., 2012).

[3] It would be easy to skim over this story if one was reading an ex-slave's narrative. So it must be, for readers have been missing this extraordinary reality for more than a century now. Over most of the last two hundred years, in fact, analysts from Adam Smith to Frederic Law Olmstead to most modern historians have been asserting that slave-based agriculture was less efficient than free-labor production. Even those who actually measured slave agriculture, like Robert Fogel, who realized that cotton plantations were more productive than comparable farms in the free North, got the reason wrong. A more recent study asserting that new cotton plants were responsible for the increase in individual labor productivity also fails multiple tests—including that of evidence presented by ex-slaves.

[4] Naomi Klein, *The Shock Doctrine*, ; John Cassidy, *When Markets Fail,* ; Jefferson Cowie, *Stayin' Alive: The Last Days of the American Working Class*, ; Nocera and ?, *All the Devils Are Here*;

[5] Balliesin ; Temin's analysis was largely Friedman-based; historical economists did not agree that all the answers had already been found

[6] **(**And the reasons why that is so will, incidentally, shed some light on why, in addition to prior dogmatic commitments, hard-core Marxists who focus on European social and economic history almost universally reject the notion that slavery has anything to do with the emergence of the Industrial Revolution in Britain.)

[7] [Sidney Mintz,, *Sweetness and Power*; Robin Blackburn, *The Creation of New World Slavery: From the Baroque to the Modern*, (London, 1997); [David Hancock;][skills from Braudel etc]

[8] "Condition of Banks," Doc. 111, 249, 299, 535; McGrane, 228-29; [**Polk papers for banks in TN**]; R.T. Hoskins to R.T. Brownrigg, Dec. 19, 1835, Fol. 3, Brownrigg Papers, SHC; Miles, *Jacksonian Democracy in Mississippi*, 140-41; Roeder, "New Orleans Merchants," 334.

[9] See notes from my chapter one

[10] Here I think the citations would include Lightner, Fehrenbacher, Donald Robinson , Van Cleve

[11] C. Peter Magrath, *Yazoo*; Kamensky, *The Exchange Artist: A Tale of High-Flying Speculation and America's First Bank Collapse*, (New York, 2008).

[12] William Lee Miller, *Arguing About Slavery*

[13] E.g. George Fletcher, *Our Secret Constitution: How Lincoln Redefined American Democracy*, (New York, 2001)

[14] Northup, *Twelve Years A Slave*, 308. I altered the more stereotypical dialect