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In 1839, the Bank of the State of Alabama seized and sold twenty people once enslaved by the recently deceased William Fry. Two years earlier, the nation had descended into financial chaos thanks to the global financial crisis known in the United States as the Panic of 1837. When the Panic struck, Fry had owed the bank more than $37,000. Despite taking advantage of a reprieve the state legislature had offered debtors and undertaking an ambitious program of repayment, at the time of his death Fry still had nearly $18,000 outstanding on his debt. As collateral for his loan, he had listed an array of banknotes and thirty enslaved people. The bank (and Fry’s fellow enslavers) believed the enslaved accounted for more than two-thirds of the securing property. In trying to recoup the debt Fry owed them, the Bank of the State ultimately took possession of and sold twenty of the people in question. Fourteen different purchasers bought people from the bank, paying in exchange just over $13,000—a fraction of what these individuals would have brought a few years earlier, and not nearly enough to cover Fry’s debts. The Bank of the State’s troubles with Fry, moreover, were only beginning. In addition to his own debts, he had also endorsed those of other Alabamians, creating a tangled web of indebtedness—largely backed by human property—that the bank had to unravel as it sought to remain solvent in the post-Panic world. In many ways, these problems were of its own making. Banks like the Bank of the State had played a critical role in financing the explosion in slaveholding and cotton cultivation that had swept Alabama during the previous two decades. The mania this had produced, however, left debtors and creditors standing on a shaky foundation and the enslaved people whose lives and labors secured so many of the banks’ loans dangerously exposed to sale and separation.

Two generations earlier, the idea that enslaved property would occupy a prominent—perhaps even the dominant—place in southern commercial banking would have seemed absurd to the directors and operators of those institutions. Banks (constrained both by the language of their
charters and the inherent conservatism of their proprietors) by design rarely extended loans that extended beyond a few months. These loans were, for the most part, small, intended to facilitate primarily mercantile commerce. Across the late eighteenth and nineteenth centuries, however, as Sharon Ann Murphy demonstrates in Banking on Slavery: Financing Southern Expansion in the Antebellum United States, commercial banks underwent a rapid if inconsistent evolution. Many older banks, alongside a swarm of newer institutions, adapted their practices to meet the demands of their clients—particularly the enslavers pushing steadily southward and westward toward newly opened cotton lands between the Appalachians and the Mississippi. Two revolutions thus proceeded in tandem: in banking methods, and in American slavery. In investigating these shifts, Banking on Slavery ably, and in admirable detail, provides a deeply revealing interpretation of early American political economy.

America’s earliest commercial banks served a discreet purpose within the young nation’s economy. They issued banknotes that served as a circulating currency and offered short-term loans, discounting commercial paper and allowing commerce to flow. Most loans lasted sixty to ninety days and were secured by specific goods the banks’ primarily mercantile clientele planned to sell. While enslaved property sometimes entered these loans as collateral—or as the property of those who stood credit the loan—this was, for the most part, incidental. These services, however, were of limited use to the nation’s heavily agrarian populace, which required and demanded larger loans on longer terms in keeping with the significant land and labor requirements of farming enterprises, especially the plantations dotting the American South.

Legislators and financiers thus wrestled with how best to accommodate the needs of their people, particularly on the burgeoning frontiers of the states. In some cases, lawmakers altered the terms of banks’ charters to enable them to extend loans that catered to the needs of farmers and planters. In other cases, banks either read their charters loosely or ignored them entirely, responding to the demands of their communities (and, in many cases, the interests of their own leadership). These created complicated chains of credit that bound southern financial institutions ever more closely to the institution of slavery. Banks, meanwhile, gradually accepted enslaved people as collateral for ever-larger loans, depending on the continual upsurge in the prices offered for them to remain afloat. While the Panic of 1819 dealt these institutions a severe blow and underscored the perils of extending credit in exchange for a property whose price was incredibly variable, whose persons were perishable, and whose anguish was palpable upon sale, broadly speaking, it chastened the banks and their backers but little.

As the rush to the cotton and sugar frontiers continued, the opportunities for and demands on banks steadily increased. Starting a cotton plantation could easily cost $60,000, and the demands of sugar cultivators were still larger. The young states of the Old Southwest chartered increasing numbers of banks on ever more creative terms, stretching the previous limits of their charters to enable the spread of the Cotton Kingdom. These culminated in the “plantation banks” of Louisiana and other states, whose very capital originated in shares purchased backed with mortgages on enslaved laborers, and whose purpose was to provide the hundreds of thousands of dollars in credit sugar producers needed. The plantation banks were, however, merely the purest form of a financial system thoroughly permeated by slavery.

Considered a strength throughout the 1830s, this became a decided weakness following the Panic of 1837, when banks struggled to untangle their ties to enslaved assets whose values depreciated spectacularly. Rather than preserve their own profits, Murphy argues, on the macro level these banks sacrificed their own balance sheets for the
broader survival of the slave system; their own entities could be put on the line, but slavery itself was simply too big to fail. As they sought to remain viable in the wake of the Panic, banks struggled with the realities of human property. In some cases, they operated plantations directly. In others, they fought to recover enslaved collateral spirited across the then-international border to Texas or among various slaveholders as enslavers sought to hide their human property from the bank’s efforts to recover it. In a specific case involving the Citizens’ Bank of Louisiana, one that engaged the bank in a twenty-year legal battle, Murphy notes that as long as the outcome remained within certain parameters, the actual outcome was subsidiary to the larger stakes for the slave system. “As long as” the bank remained able to meet its specific legal obligations, Murphy notes, by securing the financial needs of “the state’s largest planters” it reasonably “could argue that it was fulfilling its obligations to its shareholders, bondholders, and noteholders” (p. 221).

In the end, Murphy argues, the commercial banks that funded the spread of slavery across the Old Southwest became victims of their own success. The system of slavery might have survived the Panic, but the crisis of 1837 nevertheless ruined many individual enslavers, who vented their spleen against the very banks that had enabled their rise. In many cases, state legislators either wound down insolvent banks or repudiated the bonds that sustained them. These actions resulted in the sale and dispersal of untold numbers of enslaved people as the banks called in their loans and untangled the financial structures constructed on enslaved lives and families. Into the breach created by the absence of or suspicion toward these commercial banks stepped private financiers of various stripes. These institutions, compromised of a combination of merchants, factors, and private banks (abetted by the passage of “free banking” laws in the 1840s and 1850s) embraced more conservative models of banking, returning to the early republic practices of issuing bank-notes and discounting short-term paper. They could do so in large part because the heaviest lifting in the construction of the Cotton Kingdom had already been accomplished. As a result, Murphy argues, by the 1850s white Southerners had all but declared “that the system of slavery no longer needed the support of banks” (p. 313).

*Banking on Slavery* is adjacent to but not precisely the book many will expect it to be. It does not, for example, have a great deal to say about the slaveholding legacies of present-day financial institution, nor about the profitability of slave-based banking. This is due primarily to Murphy’s relatively narrow focus on commercial banks, which, she contends, were “the most important financial institutions of the early nineteenth century” (p. 12). Her emphasis lies on the political economy of these banks, which renders interpersonal extensions of credit, such as those offered by cotton factors, international financiers, and northern mercantile banks outside the scope of the work (save for her final chapter, which places these institutions in contrast with southern, state-backed commercial banks). As a result, the ties between northern financial institutions and the wider world of Atlantic finance goes largely unexplored (Murphy argues these actors experienced a “relationship with slavery [that] was usually more indirect” than that of southern commercial banks, p. 12). Some additional plumbing of these ties would, nevertheless, have been welcome, especially in the early going of the book. As historians like Woody Holton have demonstrated, for example, pre-Revolutionary enslavers felt themselves encumbered by chains of credit extending across the Atlantic.[1] How did these relationships shape the banking practices and their evolution in the early republic? Moreover, Richard Kilbourne has argued that non-bank forms of credit predominated in portions of the antebellum South.[2] How did enslavers choose among the different financing options available to them—and how widely available were these options at various points?
All told, however, these absences detract but little from the powerful study Murphy has produced. *Banking on Slavery* evinces deep research in the surviving records of financial institutions, as well as in the documents produced by litigation over them and manuscript sources. Murphy also does yeoman’s work in highlighting the silences forced upon the people ensnared in these transactions, naming them wherever possible, drawing on the narratives produced by people like William Wells Brown and Moses Grandy who were themselves caught up in slave finance, and pointing out the relentless violence commodification imposed upon them. The resulting work is exacting in its detail, precise in its accounting, and devastating in its depiction of the ties between slavery and finance in the antebellum South and will reward careful readers with a significantly deeper understanding of the evolution of American slavery.

Notes


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