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Funds for the Republic, A Saga of Wine and Swine

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For ten years the Republic of Texas floundered on the edge of bankruptcy. A mounting debt, rapidly depreciating currencies, and lack of revenues plagued the Republic all of the days of its life. Although the Republic was never able to solve its financial problems, it did not hesitate to explore any possibility that might lead to a solution. One of its boldest schemes was the attempt to borrow $5,000,000 in France. This also turned out to be one of the most fascinating and perhaps one of the more amusing episodes in Texas history.

The founding of the Texas Republic preceded by one year the Panic of 1837 in the United States, a financial crisis of immense magnitude. Had times been better in the States, the Republic undoubtedly would have fared better, but attempts to raise money in the States largely met with failure because of the scarcity of funds. Texans then began thinking in terms of borrowing from the capital markets in Europe. The European loan became an obsession—if only it could be negotiated, then all problems would be solved. Attempts to negotiate the loan resulted in many diplomatic entanglements, embarrassing situations, and amusing involvements.

The central figure in the dramatic episode was not a citizen of the Republic. General James Hamilton, a citizen and former Governor of South Carolina, was to carry the hopes of Texans for some four years as he represented the Lone Star Republic in the Courts of Europe. General Hamilton was a man of financial genius and extensive financial connections, but he was mistaken in supposing that he could change the views of the ministers of the ancient Courts.1

General Hamilton had won many admirers in Texas because of his stand on Texas independence.2 For some strange reason Governor George McDuffie of South Carolina had opposed independence and Hamilton had strongly defended it. Because of his sympathy for the Texas cause, President Sam Houston offered Hamilton the command of the Texas Army. Hamilton declined to accept the offer because of personal matters, but he kept in close contact with officials in the Texas Government.

General Hamilton first entered into the financial affairs of Texas in the latter part of 1837, when he wrote his friend Colonel Bernard E. Bee, Texas Secretary of War, and offered to go to Europe during the summer to negotiate a loan.3 He received a reply from Colonel Bee in January informing him that his services were accepted and that he would be appointed as commissioner to negotiate the loan. Upon receiving this information, Hamilton immediately headed for the North to put his immense talents to work.
Hamilton wanted to visit the financial centers in the North in order to learn the most promising means of securing a loan in Europe. After consulting with many knowledgeable persons, including Nicholas Biddle, the President of the Bank of the United States in Philadelphia, he felt that he had learned enough to guarantee the success of the loan. On April 5th, 1838, he wrote a letter to Henry Smith, Secretary of Treasury of the Republic, to inform him of his accomplishments. Hamilton had been advised by Biddle to sell thirty-year bonds in denominations of British pounds rather than in dollars. The Texas government had considered offering ten percent interest on the bonds, Biddle recommended that the interest rate be set at five percent even if they would have to be sold at a discount. This would show public confidence in the credit of the Republic and make the bonds more saleable.

Hamilton was not a man of great patience, and he did not wish to wait for the inevitable delay that Smith’s approval would require, so he had $500,000 worth of bonds printed at his own expense in Philadelphia. The bonds were in denominations of 500 pounds and 250 pounds bearing five percent interest. He sent these to Secretary Smith with his letter of April 5, requesting that both Smith and President Houston sign the bonds. In addition to this, he asked for a ten percent commission on all bonds sold. He called upon the Government to pass a law authorizing the loan and granting authority to the Commissioner to sell the bonds on the most advantageous terms.

General Hamilton’s efforts proved to be in vain, for while he had been assured the appointment as Commissioner by his good friend Col. Bee, President Sam Houston had other ideas. Houston appointed A. T. Burnley and a Mr. Gilmer to serve as Loan Commissioners, but this did not dampen Hamilton’s spirits. After learning in May that his loan proposal had been turned down and that he was not appointed as Commissioner, Hamilton left for Europe. In October when he returned from Europe he again wrote the Secretary of Treasury offering his services. He felt that his request for a ten percent commission had prevented his appointment, and he defended this as a reasonable level of compensation.

While in Europe, General Hamilton had negotiated a loan for the state of South Carolina. The success of this loan reached the ears of the Texas Loan Commissioners, so Burnley sought out General Hamilton to obtain his advice. Hamilton studied the Loan Law that had been passed by Congress and made several suggestions that would render European success more probable. He felt that the Act of May 16, 1838, should be amended to give one loan commissioner full authority to act in case of the death of the other, and that in addition to a general pledge of the faith and credit of the Republic, that such customs revenues as may be necessary be set aside for interest and principle payments. He recommended that starting in 1842 a sum of $300,000 per year be set aside and invested in the United States to form a sinking fund for ultimate redemption of the bonds.

The advice to Burnley was not the end of Hamilton’s service to Texas, for Gilmer resigned from the Commission before they could embark for
Europe, and Hamilton was appointed to take his place. In November of 1839 General Hamilton headed for Texas to meet with Congress, hoping to strengthen their public credit and prospects for success by procuring passage of the legislation he had recommended.6

Hamilton hoped to be able to place the loan in England. The next best alternative seemed to be France. While spending several days in the French atmosphere of New Orleans, Hamilton hit upon a scheme that might guarantee the success of the loan. If Congress would give the President authority to eliminate the duty on French wine, would not the French Government be induced to aid Texas by taking the whole loan? He wrote two letters to the Secretary of Treasury in January urging such an approach.7 Whether the taste of French wine in New Orleans had any influence on this scheme is not known.

Hamilton's mind continued to generate ideas. In addition to the plan for offering commercial concessions to the French, he strongly recommended the establishment of a National Bank, half public and half private in capital structure, to provide financial stability to the Republic. He offered to have the finest talents in the U. S. engaged in drawing up a charter for the Bank.

Hamilton's letter of January 5, 1840, contained a request that was to be repeated several times. He urgently asked for a copy of the Act authorizing he and Burnley to pledge the bonds. On February 8, he repeated this request from his home in Charleston,8 and, as usual, he had some recommendations to make. First, conditions in England did not appear favorable because several of the American states were fiercely competing for funds and their credit had been badly hurt, thus France seemed to offer the greatest hope. Because of this, M. De Saligny, the French chargé de affaires in Austin, should be conciliated by every possible means so that he would make a favorable report to his government.

It was at this point that Hamilton came up with another scheme to induce the French Government to provide financial aid. He suggested that France would come heavily to the aid of Texas if the latter would take possession of the mines at Santa Fe, work them with French capital and engineers, and offer France one-half of the proceeds. This inducement along with the promise of tariff reduction might do the trick. Whether Hamilton's scheme had any influence on the ill-fated Santa Fe expedition, begun in June 1841, is not evident.

On February 13, 1840, Hamilton reported some bad news. Pennsylvania had not met the interest payment on its bonds in London, causing a tremendous drop in American securities in that market.9 He again begged the Secretary of Treasury to send him authority to pledge the bonds, requested that he see M. De Saligny to draw up a list of articles to be made duty free if France offered aid, and pointed out the necessity of maintaining peace with Mexico.

Finally, in late February Hamilton learned that Congress had passed an act giving he and Burnley authority to pledge the bonds and the authority to offer tariff concessions to France.10 He wrote to the Treas-
ury requesting copies of these acts and informing them that he had written M. De Saligny to learn the best footing for reducing import duties to France. It was his own feeling that wine should be admitted free for eight years, brandy at a reduction for five years, and perhaps reductions on other articles should be negotiated.

Hamilton patiently waited in Charleston for some type of action from the Texas Treasury. To a person of his zeal, it must have been a frustrating experience. Time was of the essence—the financial crisis grew worse and relations with Mexico were not improving. In March, a Mr. T. P. Harkins of Texas was journeying to Virginia and chanced to meet General Hamilton in Charleston. Surprised to learn that Hamilton was not seeking funds in Europe, Harkins soon wrote a letter to the Secretary of Treasury attempting to press upon him the urgency of the situation. Harkins wrote the following:

Boydton, Va. Mar. 6, 1840

Dear Sir:

I left Texas on the 17th of Feb and had not the least idea of writing Gen. Hamilton in Charleston; but to my great surprise I found him at his residence instead of being in Europe acting in his official capacity. But on investigation I found as ascertained that notwithstanding we have conferred upon him the agency of our infant Republic in effecting the loan proposed by our government, important as it is the matter has been neglected, particularly on your part in retaining the proper documents that he ought to have in his possession—before he could act with Certainy you ought to reflect that our government is hanging upon a verry slender tenur and it is important that you who fills the most important office in the republic should attend now particularly to your business. Gen. H is becoming somewhat disgusted at your course and I have no dout but he does not Receive the necessary credentials from you by which he can effect beyond doubt—He will resign as our—agent do for God sake attend to the interest of our and your—Republic

T. P. Harkins

Perhaps Harkins' letter generated some action, but on March 15 Hamilton was still waiting for the documents. Finally, the trip got underway and Hamilton and Burnley arrived in London around the first of June. They reported in a letter that bonds issued by Maryland, Illinois, and Indiana were selling at tremendous discounts. Hamilton felt that France could best be approached after the Chamber of Deputies adjourned, so he planned to spend two weeks in Holland while Burnley journeyed to France to mingle with capitalists. In two weeks they were to meet in Paris to feel out the French government. Since there had recently been some changes in the ministries, the prospects in France were uncertain.

On October 3, Burnley and Hamilton sent a detailed report to Secretary of Treasury James Starr, who had replaced Smith in that post, detailing their plans and prospects. The main details of their report were as follows:
Money markets were severely depressed.

Texas was the victim of a most wanton, false, and slanderous attack by a meeting of abolitionists held in London.

Rather than force securities on the market, it seemed best to wait until false prejudices would subside.

General Hamilton secured recognition by Holland, was negotiating with Belgium minister for certain recognition and hoped to obtain recognition from England.

Did not feel it wise to apply to French government for assistance at that time because of their enormous expenditure in preparation for war.

Felt confident of getting at least a half million dollars in the next thirty days.

Prospects for the loan in Europe seemed to hinge upon peaceful relationships between Texas and Mexico. Every rumor that an attack was underway would send fears through the European banking community. Then it was learned that the Texas Congress was considering a proposal to assume certain debts owed by Mexico to Great Britain in return for recognition by Mexico. The Loan Commissioners revised their strategy. One of them would return to Texas to urge approval of this indemnity proposal. It was decided that General Hamilton could be of more use in Europe, so Burnley returned to do his part in gaining Mexican recognition, an act that would make the loan a certainty. However, the Congress was not convinced and failed to approve the plan.

At last success was imminent. On March 7, 1841, Hamilton reported that he had made a contract with the Bank of Messrs. J. Lafitte & Co. for sale of the bonds. Lafitte & Co. were to issue the bonds in their name and sell them for the equivalent of $50, at six percent. In return for this, Hamilton had deposited the Texas bonds with them to secure payment of the bonds they would issue and he had pledged the public lands as authorized. His letter announcing the contract was addressed simply to the Secretary of Treasury, since he had not been informed as to who the new Secretary was. Indications are that the Treasury had not been blessed with people who would communicate by mail.

Hamilton took this opportunity to announce to the new Secretary, Whoever he might be, that he had two enormous projects underway. The first project was concerned with the organizing of an elaborate system of land sales by which the whole loan could be paid off in ten years without levying one cent of tax. The second project was concerned with the establishment of a National Bank. He had engaged two of the best heads in Europe to work up the details of these proposals, and felt that a special session of Congress should be called to consider them when they were more fully developed.

The loan was now set, the money would soon be forthcoming, and all problems would be solved. The contract with J. Lafitte & Co. had been signed and a prospectus had been issued. M. Guizot, the French Prime Minister, had assured in writing that the Government would guarantee the loan, and both King Louis Philippe and the Minister of Finance
had given their oral consent. Confident of success, Hamilton wrote the following letter to a New York newspaper:

Paris, Feb. 4, 1841

To the editor of the New York Times and Star:

Sir: As the commissioners of loans of the Republic of Texas were instructed by his excellency President Lamar, in the event of their effecting a negotiation of the loan for that republic, to make a public announcement of the fact, that meritorious holders of the securities of government, who may have aided the country in the hour of its necessity, may not be the victims of the speculation of those acting under secret information, I will thank you to state in your paper that I have this day concluded in this city a contract with the bank of Messrs. J. Lafitte & Co., for the Texas loan.

I am very respectfully your obedient servant,

J. Hamilton

Hamilton left immediately for England to supervise the sale of the Lafitte bonds in that country. Then a chain of events in Texas, some almost unbelievable, culminated in such a way as to turn certain success into irreversible failure.

The scene now turns to Texas. The French Government was represented in Austin by one M. De Saligny, who was the brother-in-law of the French Minister of Finance. It was hoped that De Saligny would give a favorable report to his Government, thus greatly aiding the negotiation of the loan. Hamilton in his letters had often emphasized the importance of good relations with De Saligny.

In February of 1841, a bill was pending before the Texas Congress providing for the incorporation of a French company for the purpose of bringing 3,000 immigrants to Texas. De Saligny was very much interested in this bill which provided for the settlement of three million acres. The bill passed the House, but was lost in the Senate, and aroused much unnecessary prejudice against the French in the process. This was a blow to De Saligny.

Another blow resulted in more serious consequences. One of De Saligny's servants was beaten by a Mr. Richard Bullock, an Austin hotel keeper. Some of Bullock's pigs had intruded into De Saligny's horse stables and had eaten a considerable amount of corn. The servant, in return, had killed Bullock's pigs, for which he was severely beaten. De Saligny, upon learning of the incident, filed a formal protest to the Texas Government. A portion of his formal complaint was as follows:

I have for a long time suffered from the many hogs with which this town (Austin) is infested. Every morning one of my domestics spends two hours in putting up and nailing the palings of the fence, which these animals throw down for the purpose of eating the corn of my horses; one hundred and forty pounds of nails have been used for this purpose. One day these hogs entered even to my chamber, and ate my towels and destroyed my papers.

Bullock was bound over for trial, insisting that his original grievance
stemmed from the fact that the French diplomat had refused to pay his hotel bill. He had lived in the hotel before he had established himself next door. De Saligny wanted Bullock punished in accordance “with the enormity of the offense—an odious violation of the law of nations.” De Saligny was not satisfied with the handling of his complaint so he left his post.

It was understood that the French fleet was coming to the Gulf of Mexico to settle this unfortunate affair. The Texas envoy in Washington mentioned this possibility to the American Secretary of State and the British Minister, and both promised to send squadrons to take care of the French. But when Houston returned to office, he sent a kind letter to France which satisfied her wounded honor, and De Saligny returned to his post.

Meanwhile, in London, May of 1841, where General Hamilton had arrived to sell some bonds, he learned that the Journal Debats, a special organ of the French Court had come out with a strong article against the loan. Likewise, the Messenger & Moniteur had carried a semi-official statement by the Minister of Finance, who just happened to be the brother-in-law of De Saligny, taking a similar course. As a result, J. Lafitte & Co. postponed the sale of bonds until they could investigate the change in attitude. Hamilton decided to return to Paris, certain that the King would uphold the honor of his Government by standing behind the loan as promised. Louis Philippe had not put it in writing, however, and the Lafitte bonds were never placed on the market.

In September, Hamilton sent word to Texas that he was about to negotiate a deal more desirable than that with Lafitte & Co. In addition, he sent a proposal drawn up for him by Mr. John Horsley Palmer, former Governor of the Bank of England, on the subject of a National Bank for Texas. He promised to draft a bank bill for presentation to Congress upon his return.

The details of Hamilton’s new deal were spelled out in a report to the Treasury Department dated November 3. King Leopold I of Belgium, in return for certain commercial concessions, would guarantee the loan. Hamilton would soon be returning, accompanied by a commissioner from the Belgian Government, to get the approval of Congress. Under the agreement as proposed by Belgium, Texas would admit manufactures of iron, cotton, wool, and linen at half the duties of other nations and arms and munitions duty free.

On February 22, 1842, President Houston submitted the Belgian trade agreement and loan proposal to Congress without comment, but that body did not adopt it. In fact, the previous month, Congress had repealed all laws pertaining to the $5,000,000 loan. Thus the grand scheme, guided by General Hamilton for some four years, had come to a disappointing end.

Although Hamilton’s mission had ended, he still desired to be of service to Texas. In October of 1843, he wrote to the Treasury requesting appointment to a collectorship soon to be vacated at Sabine. There is no evidence that his services were accepted. December found him still trying to collect some money owed to him by the Treasury.
Perhaps it was just as well that Hamilton failed, for it is believed that if the negotiation had been successful, the money would have been used to send an army of at least 10,000 men into Mexico in 1841.\textsuperscript{29} Even in failure, General Hamilton made many concrete contributions to the struggling Republic—in terms of friends won, people favorably influenced, formal diplomatic recognition—not to mention the $457,380 loan he arranged with the Bank of the United States in Philadelphia before leaving for Europe.\textsuperscript{30}

What motivated General Hamilton to serve as a commissioner? Was he after personal gain, or did he become devoted to a cause? In the words of one historian, "That he labored honestly for Texas there can be no doubt."\textsuperscript{31} A man of Hamilton's vast talents could have contributed much more to the Republic. Why his talents were not further utilized is a complete mystery. His National Bank plan might have contributed more than anything else to a solution of the pressing financial problems of Texas. It took annexation to solve those problems. In his dual role as diplomat and loan commissioner, Hamilton should have won the respect and admiration of those citizens he so diligently served. May present and future Texans pay him the respect that he earned.

FOOTNOTES


\textsuperscript{2}Ibid., p. 205.

\textsuperscript{3}J. Hamilton to Secretary Smith, April 5, 1838, \textit{Texas Treasury Papers}, Vol. I, p. 95.

\textsuperscript{4}Hamilton to Smith, October 11, 1838, \textit{ibid.}, p. 139.

\textsuperscript{5}Burnley to Smith, December 3, 1838, \textit{ibid.}, p. 160.

\textsuperscript{6}Burnley and Hamilton to President of Bank of the U. S., November 4, 1839, \textit{ibid.}, p. 341.

\textsuperscript{7}Hamilton to Secretary Starr, January 5 and 9, 1840, \textit{ibid.}, pp. 354, 359.

\textsuperscript{8}Hamilton to Starr, February 8, 1840, \textit{ibid.}, p. 377.

\textsuperscript{9}Hamilton to Starr, February 13, 1840, \textit{ibid.}, p. 383.

\textsuperscript{10}Hamilton to Starr, February 24, 1840, \textit{ibid.}, p. 390.

\textsuperscript{11}T. P. Harkins to Starr, March 6, 1840, \textit{ibid.}, Vol. II, p. 407.

\textsuperscript{12}Hamilton to Starr, March 15, 1840, \textit{ibid.}, Vol. II, p. 519.

\textsuperscript{13}Burnley and Hamilton to Starr, October 3, 1840, \textit{ibid.}, p. 550.


16 Hamilton to Secretary of Treasury, March 7, 1841, ibid., p. 600.
17 Hamilton to Secretary of Treasury, May 18, 1841, ibid., p. 669.
19 Ibid., p. 317.
20 Ibid., p. 316.
21 Ibid., p. 316.
24 Hamilton to Secretary of Treasury, May 18, 1841, ibid., p. 669.