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RICHMOND'S REACTION TO THE  
DEPRESSION OF 1837

by

Barbara Cahoon

History Honors Thesis  
Westhampton College  
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## PREFACE

Depressions affect people and institutions in a variety of ways, from leveling the wealth until a recovery is impossible to showing the weaknesses inherent in the system, thus enabling workable solutions to be a result. The economic emergency of 1837 was such a phenomenon. Much has been written about its effects on a national and state level, but localities have been slighted. All do not necessarily react the same, and consequently the aim of this paper is to show Richmond's particular response to her poor market conditions, and the political developments of the havoc that occurred from 1837-1842.

The bulk of my research was done at the State Library of Virginia in the newspapers, House Journals and Documents, and pertinent secondary sources on the subject. Before one can deal in the smaller sections one must have a conception of how the depression was experienced by the country as a whole, then the localities can be seen in a better perspective. In dealing with Richmond, I have endeavored to keep this in mind.

In order not to confuse the reader I have taken the liberty to refer to the Richmond Whig and Public Advertiser as the Whig in the body of my paper and in the footnotes and bibliography. The paper changed name in 1839 to the Richmond

Whig, back to the Richmond Whig and Public Advertiser in 1840, to the Richmond Daily Whig in 1841, and in 1842 assumed its original name.

America has seen and experienced various economic crises, but the panic of 1837 was one of the most ruinous financial catastrophes the nation ever endured. A new epoch in America's industrial history had begun,<sup>1</sup> and she was passing from a rural culture to one filled with the complexities of urbanization, monetary credit, and sectionalism that was not to be fully realized until the twentieth century.<sup>2</sup>

Every critical juncture in history has a maze of causes contributing to its immediate and long term effects. The panic of 1837 was no exception. Every segment of society gave its reasons and named its appropriate scapegoat, whether it was European investors or the President, leaving no stone unturned. Still there was a thread of thought, a way of life in America, preceding the crash of 1837 that seemed to precipitate the economic consequences that were felt until the 1840's. The culture of the people was experiencing a transformation, acclimating itself to a more urbanized future from its agrarian background. The liberty expressed by the founding fathers now became personified into money making schemes and laissez-faire. An aggressive, individualized economy became established, **advocating** not what one saved, but what one acquired.<sup>3</sup> This attitude of mind led to speculation in land, excessive imports, and a false sense of financial security. During the years 1830-1837 the

amount of imports in the United States exceeded the exports which made the sum lent and invested in America by English merchants and investors very large.<sup>4</sup> This unstable trading situation, augmented by sale of public lands, made the nation's economy unsure. The policy was to sell the land for \$1.25 an acre which intended to enable the poor to have purchasing power, but instead allowed professional speculators to obtain large quantities of land.<sup>5</sup>

Confounding the economic situation with political overtones, Andrew Jackson destroyed the Bank of the United States between 1832-1837, and "thereby laid the foundation for the crisis of 1837."<sup>6</sup> This destruction, which Jackson believed essential for the democratic right of the people, had profound results. Until 1837 no legal requirements were placed on federal reserves, and the situation was worsened because there was no federal bank applying pressure on the various banks to redeem their notes.<sup>7</sup> The market was flooded with paper money and as a result the banks financed more schemes which necessitated the creation of new banks.<sup>8</sup> In 1835 the public debt was paid and this occurrence led to more speculation and over-trading for most Americans felt that being able to extinguish the debt was an indication of public thrift and honesty, but it was merely the result of unwise schemes in business and over-trading, coupled with a protective tariff.<sup>9</sup>

Andrew Jackson, still viewing the bank as entrenched privilege, in July 1836 issued his famous Specie Circular stating that public lands had to be paid for in gold and silver.<sup>10</sup> Thus, the bank had met its end. A mania immediately seized the business world and specie began to disappear from circulation. "The instant people saw that the government suspected the reliability of the banking institutions, 'distrust seized upon the public mind', and 'like fire in the great prairies.' nothing could stop it."<sup>11</sup> The only thing that stopped it at least for a while was the fact that banks in 1837 had to suspend specie payment, and when this happened the depression had taken root.

The depression nationwide, in its repercussions, spread to the South. Virginia like much of the South depended on a single crop like cotton, tobacco, rice or sugar. The section plunged deeper into debt as slaves, tools, and machinery were bought on credit.<sup>12</sup> To meet this crisis new banks were created with few restrictions which allowed them to engage in unbelievable practices making credit facilities less stable.<sup>13</sup>

In order to cope with the existing disorder, many states enacted banking legislation which usually incorporated limitations on circulation, investments, and liabilities, as well as abandoning internal improvements as exemplified in Virginia.<sup>14</sup> Still others adjusted and diversified crops

to build a stable economy once again.<sup>15</sup> The South and Virginia sought solutions.

Discontent grew and this afforded an opportunity for a party to attempt to find the source of the trouble, to place the blame, and hence rise to power. The Whigs perceived this situation and gained influence from 1837 to 1840, and the conflict between bank and government was commenced once again. "But the best examples of Whig gains by 'panic methods' were evidenced in Virginia and Louisiana. In 1838 the breach in the Democratic ranks in Virginia was most pronounced, and the petty jealousies of certain members among the Democrats were kept a fire by vigilant opposition."<sup>16</sup> The Whig party prospered particularly in Virginia where in Richmond it continued to lash out against the government and became the voice for the city's political reaction to the depression of 1837.

The depression of 1837 was national in scope but also dealt heavy blows locally. Each section of the country was touched by its desolating hand, and to this fate Richmond was no exception. She too suffered the woes of economic setback but rallied politically to salvage what she could from her debased state. Bending under the harsh conditions of the times, Richmond grappled with her financial problems and found solutions to appease her citizens and hard her on the road to recovery.



As the depression spread southward, it was felt by all segments of society in Richmond, Virginia. Because of the city's size and importance in the 1830's the conditions, both financial and political, could be used as an accurate mirror of the conditions of the state as a whole. Richmond didn't feel the pangs of the depression as severely as did many of the states in the deep South, but she experienced hard times and had to enact many measures to build up her economy.

In order to rectify the abuses which plunged Virginia into the depression, the General Assembly passed certain laws in 1837 to establish general regulations for the incorporation of banks in the state. Richmonders subjected to the effects of the depression reacted strongly against such curtailment of funds. In a letter published in the Richmond Enquirer, the author gave an accurate description of the general market conditions.

....Our staple articles will sell at ruinous prices, if moderate and reasonable facilities be not granted by the banks. Tobacco will not yield the cost of production, and the millers cannot buy the wheat that may be made. Rapid curtailments, under the present condition of things, must necessarily paralyze enterprize of every sort, and our infant manufacturing establishments will be suspended in their operations, and the capital already expended on them become dormant from the want of means to compute them. ....You will find it better to do too little than to have done too much.<sup>17</sup>

Since money was scarce and markets poor, certain segments

in Richmond called for the issue of five dollar notes which would circulate and still leave an abundant supply of specie to transact business. When the measure was defeated, an article carried this cryptic response:

It will be seen that the question is settled in the House of Delegates, as to the lowest denomination of notes to be issued by Banks hereafter to be incorporated. No note under \$10 is to be issued, and the right is reserved to restrict the Banks to twenties. Experience, we doubt not, will prove the folly of the measure.<sup>18</sup>

The situation had become so grave that in May a group of concerned citizens, in a meeting at the Eagle Hotel, drew up a plan to submit to the banks in Richmond to persuade them to suspend specie payment. The citizens felt that it would be "...much wiser for our Banks to resort immediately to a suspension of specie payments, than to wait until they shall be inevitably compelled thereto, by their vaults being drained of all the Specie they now have in their possession."<sup>19</sup> Not only did they offer a mild form of coercion but remained calm and urged "...every good citizen to contribute all in his power to allay any excitement; (and) ...to sustain the Banks by all means in our power...."<sup>20</sup>

The Bank of Virginia did suspend payment in coin in the same month<sup>21</sup> and called in about two millions of dollars of the outstanding debt of the Bank, and would have called in more if it had not been for the unstable economy.<sup>22</sup>

Richmond's merchants and populace continued to suffer

under the strains of diminishing specie which led to more concrete and persistent actions. Such activity took the form of a request from the citizens of Richmond to the Common Council for the city, to issue bills of such denomination as might relieve the strain on the retail trade which was caused by the lack of small change.<sup>23</sup> The Common Council refused the request, and the citizens sounded a rejoinder filled with anger and dissent. "We are not less sensible than the Common Council of the respect and obedience due the laws, when respect and obedience are proper. .... When the legislation of the country ceases to be subservient to the higher laws of equity and good sense, it loses its claim to the respect of the people and will not long retain their obedience."<sup>24</sup> The citizens then resolved to recommend to the public to pay and receive checks of less than five dollars but to give preference to checks drawn by certain prominent men of Richmond.<sup>25</sup> The hard times were making the people vocal, and they were becoming active participants in the politics of the city.

The scarcity of money caused serious economic implications in 1838, sending the market downward. In January business was very unsettled, and the merchants were at a loss to set prices and often did not until an offer was made.<sup>26</sup> Wheat prices fell from \$1.25 in January to \$1.20 in August with corn falling to 75cents.<sup>27</sup> With the decline of prices

in April 1838, an article in the Richmond Whig called for a resumption of specie payment by the banks in order to enjoy a sound and redeemable paper currency.<sup>28</sup> The new year, 1839, brought a rise in prices. Corn sold for 85cents, wheat for \$1.40, and the demand for flour went up.<sup>29</sup> Still money matters in 1840 grew more oppressive, causing the sale of stocks to come to a standstill and the payment of notes swallowing up the remaining available funds.<sup>30</sup> Trade was also crippled and the banks scarcely had sufficient money to meet their needs.<sup>31</sup> The market mirrored the financial situation when corn sold at 65cents, and the demand for wheat was almost non-existent.<sup>32</sup> The commercial scene was the same in 1841 and often times the business transactions were not even reported in the papers. Wheat and corn prices did rally in the summer, but tobacco sales went off heavily.<sup>33</sup> The financial crises persisted which some blamed on the veto of the Bank Bill, establishing a national bank with branches in the states if they so desired, but the blame did not rest fully here. Adding to the difficulties, tobacco receipts were very small and not enough was sold to fix prices.<sup>34</sup> Along the same line, wheat and corn remained dull with little change.<sup>35</sup> The tide of economic failure flowed on into 1842, and crops hit a low with corn at 50cents, wheat at \$1.00, and tobacco with no change.<sup>36</sup>

"His distress spread, political strife became more

embittered"<sup>37</sup>, and the whole pattern of American life reflected the mood of the depression.<sup>38</sup> In Richmond the Democrats became the scapegoat for the prevailing troubles, and the public vented their passions on them.<sup>39</sup> All the "ills of society" were traced to one source—the administration—often referred to as a curse upon the country.<sup>40</sup> In regard to the publication of the insolvency of the government, an article in 1837 stated that such a condition of affairs was enough proof that the men in government were unfit for the station they occupied.<sup>41</sup> In June 1837 Richard Anderson wrote a letter to the Richmond Whig in which he saw the cause of suspension of specie payments by the banks of Virginia as a direct result of like action of northern banks.<sup>42</sup> Other letters came forth in publication appealing to the humanitarian aspects, urging people not to hoard specie so that the daily business processes could be carried on.<sup>43</sup> Even in January 1838 the failure of the Pet Banks in Boston was explained by Richmonders, not as a failure of banks per se, but of their connection with the government.<sup>44</sup> Thus Whig power was growing, and they pushed for measures for the good of the community, and not for the interests of the corporations.<sup>45</sup>

More solutions to the problems of the depression began to arise among the Whigs in Richmond, and in 1839 two important tenets were published, "That the control and

safeguarding of the public moneys belong to the representatives of the people and that Congress ought by law to divorce the public purse from the custody and control of the President....<sup>46</sup> The Whigs felt that the republic could survive only by keeping the purse separate from the President.<sup>47</sup> With their added momentum in 1840, the Whig's Good Doctrine was published which stated:

1. One term only for the President, to guard against the temptation to prostitute the powers of the Executive to obtain his reelection
2. No Sub-Treasury System, which increases executive power, 'already too great for a Republic'...
3. No Bankrupt Law by the General Government to be applied to our State Banks, which would enable the Executive of the U. States to crush our State Institutions and destroy our State Government.
4. No discretionary power in the hands of the President to use and dismiss the banks as it may suit...
5. No discretionary power to the Secretary of Treasury to issue Treasury notes, ad libitum...
6. No more of Mr. Van Bruen<sup>48</sup>

By 1841 the Whigs were truly the spokesmen for Richmonders, and with their added influence urged the passage of the Distribution Bill which would give the states proceeds from the sale of public lands. The city's views on it were expressed in an article in 1842 that gave three solutions to alleviate the poor economic conditions of the times, "...an increase on foreign importations..., a National Bank which would equalize exchange s.... (and) reception by the

state of the distribution fund, which will enable them to pay their debts, (and) expend it in education....<sup>49</sup> The Whigs had solutions but unfortunately not until 1844 did the currency attain a state of perfect soundness.<sup>50</sup>

The Whigs became the spokesmen for Richmond's reaction to the depression of 1837 by using the commercial crisis to its fullest advantage.<sup>51</sup> By seizing upon the weaknesses in the system and offering tangible alternatives, the Whigs rose to power in politics in Richmond.

Between 1837-1843 America passed through a deep and far-reaching economic cycle, leaving the air heavy with doubt and distress.<sup>52</sup> Richmond reacted to this situation both economically and politically. Her markets were low and goods were hard to purchase which made living difficult. The financial distress was accentuated by the change in politics not only in the new Whig leadership but also by the active participation of citizens in government. Any situation can be used for good or ill, and Richmond fully realized the gravity of the circumstance, reaching workable solutions and electing men who would adhere to their needs.

Out of the depression grew a new spirit of liberty, one which embodied vigorous, acquisitive, and ingenious people, intent on being involved in the events of the world.<sup>53</sup> Richmond suffered under the hardships of the depression, but as a consequence moved into a place of

leadership and example. As exemplified in the Whig's doctrine published in Richmond, the city embodied the principle of state's rights. This idea became an inherent part of the southern tradition and would color not only Richmond's later actions but also the South's. The depression brought great states and her cities to their knees, but a period of political growth germinated during these times. Richmond, as many cities, emerged bearing deep scars of the hardships, but brandishing a new thought and political order needed for her role in the late nineteenth and twentieth centuries.



Footnotes

1. Reginald McGrane, The Panic of 1837 (Chicago, 1924), 1.
2. Bray Hammond, Bank and Politics in America from the Revolution to the Civil War (Princeton, 1957), 326.
3. Ibid., 327.
4. Ibid., 452.
5. Ibid.
6. McGrane, 1.
7. Hammond, 453.
8. McGrane, 17.
9. Hammond, 454.
10. McGrane, 61.
11. Ibid., 63.
12. Ibid., 19.
13. Ibid., 24.
14. Ibid., 121.
15. Ibid., 122.
16. Ibid., 169.
17. Richmond Enquirer, March 28, 1837.
18. Richmond Whig and Public Advertiser, January 31, 1837.
19. Whig, May 16, 1837.
20. Ibid.
21. Whig, May 15, 1837.
22. Enquirer, May 16, 1837.
23. Whig, July 21, 1837.
24. Ibid.
25. Ibid.

26. Whig, July 21, 1838.
27. Whig, August 3, 1838.
28. Whig, April 17, 1838.
29. Whig, April 12, 1839.
30. Whig, July 10, 1840.
31. Whig, July 24, 1840.
32. Whig, July 1, 1841.
33. Whig, November 23, 1841.
34. Ibid.
35. Ibid.
36. Whig, January 3, 1842.
37. Samuel Reznick, "Social History of an American Depression", American Historical Review (July, 1935), 663.
38. Ibid.
39. Ibid., 669.
40. Whig, January 13, 1837.
41. Whig, May 19, 1837.
42. Whig, June 30, 1837.
43. Whig, July 7, 1837.
44. Whig, January 19, 1838.
45. Whig, April 17, 1838.
46. Whig, January 22, 1839.
47. Ibid.
48. Whig, July 21, 1840.
49. Whig, April 15, 1842.

50. McGrone, 236.
51. Ibid., 149.
52. Reznick, 662.
53. Hammond, 671.

## Bibliography

### Primary Sources

Journal of the House of Delegates of Virginia, sessions 1837, 1839, 1840, 1841. Richmond.

In trying to gauge Richmond's conditions during 1837-42, an overall view of the state was necessary, and the Journals provided the needed information. By giving a day by day account of the resolutions, bills, and debates which took place, the reader could acquire a feeling of the age. In reading the proceedings, I was able to see what legislation effected the state as well as Richmond. I found the speeches by the Governors expounding the needs of the state very advantageous in understanding subsequent legislation. Richmond was touched by the actions in the House, and her reaction to it was easier to comprehend after reading these Journals.

The Richmond Enquirer, 1837-42.

This newspaper furnished an opposing side to the views of the Whig which helped me to gain a perspective of the conditions in Richmond. I did not use all the months of the years because the markets' prices, etc. were not fully reported in the issues. The main advantage the Enquirer afforded was that it enabled me to see all facets of life in Richmond during the depression of 1837.

The Richmond Whig, 1837-42.

Reflecting the changing political and economic scene in Virginia, the Whig was invaluable to me as the major source of information for my paper. I found its editorials and market reports very beneficial in ascertaining the effects of the depression on Richmond. The Whig reported thoroughly the events of the period, and I found that its being the spokesman for a new political order helped put the men and times in a better perspective.

Secondary Sources

                    , Biographical Directory of the American Congress, 1774-1961. Washington, D.C., 1961.

The directory was used to obtain a list of Virginia's legislators in Congress. I used it mainly to see how many Richmonders were in Congress between 1837-42 to try to get a picture of the citizen's political involvement on a national scale. Since my paper was localized, the source was not used extensively.

Cappon, Lester, Virginia Newspapers, 1821-1935. London, 1936.

The bulk of my research was done with newspapers, and Cappon's book provided a good index to the papers available. I found it very useful since it also gave the location of the newspapers which facilitated my research.

Channing, Edward, The Period of Transition, 1815-1848 (A History of the United States, V). New York, 1921.

Channing presents a good general survey of the period 1815-1848 which I found helpful in obtaining a good background from which to work. The book is divided into chapters covering definite periods with chapter fourteen dealing with the panic of 1837.

Dorfman, Joseph, The Economic Mind in American Civilization, 1606-1865. 2V. New York, 1945.

I used Dorfman's book for background material so that I could delve deeper into my subject. His second volume covered my period, and presented a balanced picture incorporating the thoughts of men, not just the actions involved in the economics of the era.

Hammond, Bray, Bank and Politics in America from the Revolution to the Civil War. Princeton, 1957.

Hammond provides a good survey of banking and politics before the Civil War. Such a survey was essential in my research of the depression of 1837. The chapters dealing with the panic, suspension, and resumption broadened my understanding of the politics as well as the economic trends in the period 1837-38. I found the book very helpful, and its clarity aided my comprehension of the period.

Humbert, R. Lee, ed., Virginia Economic and Civic. Richmond, 1933.

I did not find this book too useful for my purpose. I was working with a depression, and the book is a general compilation of economic facts not pertinent to my period.

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- Humbert, R. Lee, ed., Virginia Economic and Civic. Richmond, 1933.  
I did not find this book too useful for my purpose. I was working with a depression, and the book is a general compilation of economic facts not pertinent to my period.

McGrane, Reginald Charles, The Panic of 1837. Chicago, 1924.

McGrane combines well the forces of business and politics that were important factors in the panic of 1837. He not only describes the economic forces but also the leaders involved in the crisis. The work was one of my main secondary sources which I used for clarification of the tempo of the age.

Redlich, Fritz, The Holding of American Banking, Men and Ideas. 2v. New York, 1951.

Redlich's volumes cover the history of banking in America from late seventeenth to the early twentieth century. His works were invaluable sources for my understanding of banking development and trends in America. The chapter in his second volume on the general characteristics of banking in the 1840's, furnished added insight into the depression of 1837's effect on banking in America.

Remini, Robert V., Andrew Jackson and the Bank War. New York, 1967.

In his book Remini begins by a discussion of Jackson and Biddle, the main opponents in the bank war. He goes into the struggle and points out how Jackson capitalized on it to transform the Presidency. The book is important for background material preceding the panic and depression of 1837-42.

Reznek, Samuel, "Social History of an American Depression", American Historical Review, LIII (July, 1935), 662-687.

Reznek's article gave me a new insight into the depression, the social aspect. By reading the article, problems which grew during the distress became very poignant. He traces labor's demands, bankers, and the whole society at large. The trend toward a new life style in America became very apparent from reading this article. I found the work as essential in writing about Richmond's reaction to the depression of 1837.