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# State-Building After War's End

A Government Financier Adjusts His Portfolio for Peace

HANNAH FARBER

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States make war through finance; war reshapes the finances of states. At the turn of the eighteenth century, a financial revolution harnessed lenders to the British state in new ways, allowing the state to engage in wars of ever-greater size. Within a few generations, thirteen of the British Empire's North American colonies won independence through a lengthy war that required them to build financial infrastructure of their own. As the American Revolutionary War drew to a close in the early 1780s, debates over finance roiled Britain as well as its soon-to-be-independent colonies. And for the thirty years that followed, American politicians struggled to manage the cost of wars past, present, and future: the Revolutionary war debt that lingered through the 1780s, the threat to commerce posed by the French Revolutionary Wars during the 1790s, and the cost of renewed hostilities with Britain soon thereafter.<sup>1</sup>

As the War of 1812 and the broader Napoleonic conflict drew to a close, however, a new question emerged: How would the financial

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1. John Brewer, *The Sinews of Power: War, Money and the English State, 1688–1783* (Cambridge, MA, 1990); Max Edling, *A Hercules in the Cradle: War, Money, and the American State, 1783–1867* (Chicago, 2014), ch. 1, 17–49. On the commission appointed to examine Britain's public accounts in 1780, amid controversy over expenditures on the American war, see J. E. D. Binney, *British Public Finance and Administration, 1774–92* (Oxford, UK, 1958). In the United States, the 1780s was marked by intense political argument over public and private war debts, as well as over Robert Morris's war-born Bank of North America.

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infrastructure forged in war be transformed by peace? Within a few years of the war's end, the political economy of the United States was undergoing a set of dramatic, interrelated transformations. The power of the Federalists collapsed. The federal debt began to diminish. Political momentum shifted toward the states, which began to charter the hundreds and then thousands of joint-stock corporations that would come to organize domestic economic development. In the eyes of many scholars, these shifts marked the beginning of a new age of American capitalism, during which direct engagement with markets increasingly shaped American life.<sup>2</sup>

We can understand this profound change even better, however, by identifying certain underlying continuities between the ages of war and peace. Among these continuities, as this article will demonstrate, were the state's war financiers, who continued to shape the state after the wars ended. Financiers supported the wartime state with their capital, and also with their expertise. As transatlantic warfare drew to a close, they shifted their efforts in new directions, but they did not wholly disengage from the American state. In a sense, they were incapable of doing so. They remained, I argue, part of the state's broader apparatus, even as they sought out new avenues for personal gain. The career of government financier Jacob Barker is a case in point. A survey of Barker's activities before, during, and after the War of 1812 reveals that postwar capitalism remained bound up with the state in no small part because the state was made up of the strategies, reputation, and expertise of the capitalists themselves. Men like Barker did not so much destroy the apparatus of the war state as disassemble it, using its parts to build themselves new fortunes.<sup>3</sup>

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2. For visions of early American corporate enterprises as, generally, setting Americans free, see for example Joyce Appleby, *Capitalism and a New Social Order: The Republican Vision of the 1790s* (New York, 1984).

3. This argument and the interpretation of Jacob Barker that follows is derived from Hannah Farber, *Underwriters of the United States*, manuscript in progress. The idea of peace in this age, of course, hardly applies to the American state's ongoing campaign of violence against Native Americans and its efforts to expropriate Native land, although this is its own important war state/peace state story. "Peace," here, refers only to the formal conclusion of conflicts with, and among, the European powers, which had shaped the politics and finance of the United States for a generation, and which was of the utmost concern to East Coast merchants and their insurers.

Jacob Barker's life before the War of 1812 was organized around trade and finance, merchant networks, and communal institutions. Threaded through his life, too, was the logic of insurance: the pooling and organizing of capital to alleviate risk. After a childhood among the communally and institutionally minded Quakers of Nantucket, Barker moved to New York City in the 1790s. In that rising commercial city, he worked by turns for a commission merchant and a marine insurance broker, gaining further experience in finance and trade. Barker's marriage to the daughter of a wealthy New Bedford merchant enhanced his access to New England capital and information networks. And as his fortunes rose, Barker engaged in one kind of institutional life newly available to ambitious young men in the factionalized city of New York: He joined a political party. With the encouragement of his New Bedford father-in-law and his New York employer, Barker affiliated with the Democratic Republicans and became an early leader of New York's Tammany Society. Through Tammany Hall—which Barker helped build, in brick and mortar—the young merchant–financier gained access to a broader network of political allies and commercial partners.<sup>4</sup>

When the War of 1812 began, Barker shifted toward forms of profit-making that involved binding his own credit up with the credit of the American state. He directly subscribed to several of the government's wartime loans. He established himself, in addition, as a financial intermediary, creating “associations” that enabled members of the public to subscribe to high-value government debt issues. Barker even persuaded the federal government to sell him more bonds than he could personally afford, promising that he could induce state-chartered banks to buy

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4. Jacob Barker, *Incidents in the Life of Jacob Barker, of New Orleans, Louisiana: With Historical Facts, His Financial Transactions with the Government and His Course on Important Political Questions, from 1800 to 1855* (Washington, 1855), 4, 17, 6, 15; “Dissolution of Partnership,” *Mercantile Advertiser* (New York), Jan. 1, 1802; “For Freight or Charter,” *Morning Chronicle* (New York), Jan. 10, 1803. On Barker's father-in-law Thomas Hazard, Jr., see Kathryn Grover, *The Fugitive's Gibraltar: Escaping Slaves and Abolitionism in New Bedford, Massachusetts* (Amherst, MA, 2001), 21; Barker, *Incidents*, 17. On Barker and the Tammany Society, see E. Vale Blake, “History of the Society of Tammany, or Columbian Order,” *Tammany Times: A National Democratic Newspaper* (New York), Apr. 4, 1898, 9. On the Tammany building committee: Euphemia Blake, *History of the Tammany Society* (New York, 1901), 42; Barker, *Incidents*, 35.

them. Barker had, broadly speaking, begun insuring the state. Like an insurance underwriter, he purchased the government's risks personally; like an insurance broker, he made it possible for others to buy smaller pieces of a much larger risk.

Barker's relentless self-aggrandizement during the war (and throughout his life) renders his autobiography, *Incidents in the Life of Jacob Barker*, an unreliable source on the details of these projects. Still, his cultivation of his own profile is in itself a key part of his story. As even Barker's enemies realized, his constant self-promotion supported his personal credit and thus preserved the value of his investments, including those he had made in the state. Disapproving of Barker's highly publicized involvement in one \$5 million government loan, a Washington newspaper explained that the "impression is to be made of a sudden and important appreciation of the public stock; and under this factitious belief another offer for a loan is soon to be made, which, is calculated, will be eagerly filled by real and substantial money lenders." Thus Barker could not be entirely written off as a fraud. Anything that he said to prop up his own credit, however misleading and self-serving, was also, plausibly, an effort to support the value of the loans that the state needed so urgently.<sup>5</sup>

In 1814, the Treaty of Ghent formally ended the War of 1812, and in 1815, the major European powers forged a broader peace. Peace paved the way for the dismantling of what Philip Harling and Peter Mandler have termed the "war machine," reshaping government finance and forcing capital holders on both sides of the Atlantic to embark on new kinds of ventures, articulated in new moral and political vocabularies. This shifting landscape prompted Jacob Barker, like many of his fellow investors, to move in new directions. His wartime government fundraising projects had ended poorly, and in any case, the need for such projects diminished as the republic returned to peace and began paying off its debts. Barker responded to this broad transformation in American political economy by launching a new set of projects through which his political and economic ambitions could reinforce one another. Mustering his accumulated commercial and financial expertise, capital, and government connections, Barker moved into politics, banking, insurance, and commercial shipping. As his ambitious portfolio of activities reveals, Barker

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5. "Georgetown: Thursday, May 5. Jacob Barker's Loan," *Federal Republican* (Georgetown), May 6, 1814; Barker, *Incidents*, 39, 41; Edling, *Hercules*, 130.

sought not only to accumulate capital but to write the rules that would govern this capital's accumulation.<sup>6</sup>

Immediately after the war's end, for example, Barker plowed his capital, credit, financial expertise, and commercial reputation into the field of banking. While the rise of state-chartered banks has tended to strike historians as the most significant financial development of the early republic, Barker also remained active in both national and private banking. Traveling to the District of Columbia during wartime, Barker had engaged in the partisan lobbying that had helped create the Second Bank of the United States. A committee report soon emerged recommending the establishment of a national bank, with \$30 million capital and interim directors to include Jacob Barker and his father-in-law. Back in New York, Barker opened his own private bank and ran it for years in spite of the state legislature's persistent refusal to give it a charter.<sup>7</sup>

Barker also involved himself in the creation of American commercial law. As a member of the New York State Senate in 1816, Jacob Barker served *ex officio* as a judge of New York's highest court, the Court of Errors. In this capacity, he participated in the construction of law within the republic's most prominent commercial state. A key concern of American jurists during these years was the consolidation of a workable body of mercantile law. Armed with his expertise in merchant affairs, Barker entered the fray. In his autobiography he reported proudly that on one particular question of insurance law the Court of Errors adopted his perspective over that of the highly regarded New York jurist James Kent.

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6. Philip Harling and Peter Mandler, "From 'Fiscal-Military' State to Laissez-Faire State, 1760–1850," *Journal of British Studies* 32 (Jan. 1993), 44–70. For the political culture of corporation-building in Britain, see James Taylor, *Creating Capitalism: Joint-Stock Enterprise in British Politics and Culture 1800–1870* (Woodbridge, UK, 2006). For a birds-eye view of the controversy over the earliest American corporations, see Eric Hilt, "Early American Corporations and the State," in *Corporations and American Democracy*, ed. Naomi R. Lamoreaux and William J. Novak (Cambridge, MA, 2017), 37–73. The collapse of the loan is a central topic in Barker's *Incidents*, see 55, 58, 66–67, 81, 101, 104. Neither government nor banks were able or willing to follow the precise timetable that would have been required for Barker's plans to work.

7. William L. Mackenzie, *Lives and Opinions of Benj'n Franklin Butler . . . and Jesse Hoyt* (Boston, 1845), 22; "National Bank," *Danbury Gazette* (CT), Mar. 1, 1814.

“Thus laid down,” Barker noted, “[the law] has not since been disturbed either in England, France, or America.”<sup>8</sup>

This legal triumph was of particular relevance to Barker’s fortunes because he had just founded an insurance company. Marine insurance—Barker’s final major initiative after 1814—was a business that uniquely rewarded his commercial experience, financial acumen, and inclination to manage risks using other people’s money. Barker’s fellow citizens were founding many different kinds of corporations in the first half of the nineteenth century, but by 1814 the extraordinary wealth-creating potential of the insurance company, both as an actual provider of insurance and as a mechanism for growing shareholder capital, was already visible. Barker’s own father-in-law, presciently, had chartered the Bedford Marine Insurance Company in 1805. When Barker chartered his own insurance company in 1815, he gave himself a new way to pool his capital with others, and to store it in a legally secure set of institutions: the insurance company, the state-chartered banks in which the company cached its funds, and in the state itself, for early insurance companies invested heavily in government bonds. Barker was additionally able to take advantage of the period’s unique geopolitics: the disjuncture between the United States’ relative stability after 1814 and the ongoing political turbulence of the Spanish Americas, which allowed marine insurers to charge very high insurance rates to merchants trading in the region.<sup>9</sup>

Barker’s post-1814 efforts in lawmaking, banking, and insurance did not, by most definitions, constitute a coherent program of state-making. Indeed, Barker never again came close to making himself a figure indispensable to national political life. But neither did his transition from broker of national “insurance” to founder of the National Insurance Company represent a death-defying leap from an age of federalist state-making into an age of free-market capitalism. During the War of 1812,

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8. Barker, *Incidents*, 124; “New York May 5,” *Mercantile Advertiser* (New York), May 5, 1815; Morton J. Horwitz, *The Transformation of American Law, 1780–1860* (Cambridge, MA, 1977), see particularly 140–44, 51–58.

9. “An Act To Incorporate Thomas Hazard Junior & Others Into A Company, By The Name Of The Bedford Marine Insurance Company,” Mass. Gen. Laws Ch. 54 (1804). For the broader argument here, see Farber, *Underwriters of the United States*. For one unfortunate shipmaster’s tangle with Barker’s company during a Latin American voyage, see Richard Jeffry Cleveland, *Voyages of a Merchant Navigator of the Days That Are Past* (New York, 1886), esp. 221–24.

Barker had made himself a highly visible link between private lenders and the federal government. Within a few years of the war's end, Barker had settled on a set of new means to accomplish his old ends: that is to say, to shape the country's financial infrastructure and profit from it at the same time. Instead of moving his own capital and the capital of others directly into government hands, however, he now moved this capital into other kinds of institutions, which plausibly supported American public interest and produced private wealth at the same time. In short: During the war, Barker pooled money so that the state could defend itself with guns. After, he pooled money so that his insurance company could defend American merchants with capital. In both periods, he expected to make a profit. Even the name that Barker gave his insurance company, the National Insurance Company, suggests that he understood the importance of the continuity between his older and newer insurance projects, not least because referencing the former might generate esteem (and thus build value) for the latter.

Long after the United States had secured its political independence from Britain, its economy remained subject to the decisions of British ministers of finance. In 1822, some of these ministers tried to invigorate the sluggish British economy by shifting toward inflationary policies, ignoring the Bank of England's warnings that some of these policies "would throw too much capital on to the market." At the same time, a host of new private bankers—Jacob Barker's British counterparts—began to lend more extensively and on more generous terms. The repeal of the Bubble Act in 1825, moreover, encouraged the creation of large numbers of British joint-stock companies. But with canal-building on the wane and the great age of railroad investment not yet begun, British investors opted to send vast quantities of capital overseas. They took massive risks on state debt, mining, and infrastructure projects within the newly independent Latin American states, even though most of these projects' founders had little information, preparation, or political security. In late 1825, the bubble collapsed. Investors withdrew their money, and in the ensuing transatlantic market turmoil, a number of New York corporations with which Barker was involved also met their demise. The unraveling of these corporations—many of them insurance companies—revealed that Barker had maneuvered as creatively and precariously in the world of corporate finance as he had in the world of government finance. Contemporary newspapers described the corporations in question as "paper capitals" with no real substance to them. Along with a handful of other

corporate operatives, Barker was soon the target of a state indictment for conspiracy to defraud.<sup>10</sup>

The case against Barker is too complicated to re-litigate here, but circumstantial evidence does not cast him or his peers in a flattering light. As Eric Hilt recounts, the New York trial revealed:

Profligate lending to finance speculative investments . . . companies being kept afloat through the fraudulent sale of securities . . . absentee directors who had never bothered to inquire about the affairs of their firms, while other directors plundered their assets . . . extraordinarily complex exchanges of securities among large numbers of companies; and . . . managers who had not bothered to keep up their firms' books.<sup>11</sup>

Nevertheless, it is worth noting that Barker defended his behavior during the crisis in terms of personal reputation, an ancient currency that often appreciates in value when “paper capitals” collapse. “Nearly all of the failing companies were worthless,” Barker admitted, but the one that had come under his control under suspicious circumstances, the Life and Fire Insurance Company, was “supposed to be an exception.” He had loaned money to this company, he claimed, only because its president, “a gentleman of great wealth and respectability of strong mind and quick perceptions” had “bound himself personally” to secure the company’s debt. Having so much faith in this honorable man, Barker argued, he was justified in accepting control of the company, placing his own reputation behind it, and taking the radical actions that he hoped would preserve the company’s solvency and its president’s honor. The

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10. Boyd Hilton, *Corn, Cash, Commerce: The Economic Policies of the Tory Governments 1815–1830* (Oxford, UK, 1977), 203–204; Youssef Cassis, “Private Banks and Private Banking,” in *The Oxford Handbook of Banking and Financial History*, ed. Youssef Cassis, Catherine Schenk, and Richard Grossman (Oxford, UK, 2016), 91–92; Frank Griffith Dawson, *The First Latin American Debt Crisis: The City of London and the 1822–25 Loan Bubble* (New Haven, CT, 1990), esp. ch. 5, 92–118. This investment frenzy was a political as well as an economic outcome of the Napoleonic Wars, for it was fueled by British recognition of the independent republics of Latin America. Eric Hilt, “Wall Street’s First Corporate Governance Crisis: The Panic of 1826,” NBER Working Paper Series, Working Paper 14892, Apr. 2009; “DOMESTIC NEWS,” *Ariel* (Natchez, MS), Nov. 24, 1826, 3.

11. Hilt, “Wall Street’s First Corporate Governance Crisis,” 24.

institution most worthy of credit, in Barker's self-serving narrative, was the honorable man.<sup>12</sup>

The history of individuals coexists uneasily with the history of institutions, for individuals move in and out of institutions throughout their lives. They carry reputation, expertise, capital, credit networks, and information with them, becoming institutions in their own right as the years pass. What kind of institution was Jacob Barker? Was he an independent entrepreneur, who built wealth, or a flimflam artist, who invented it? A specialist in public and private risk abatement, or a con man out only for himself? A war financier, or a government parasite? Tracing Barker's career across a traditional chapter break of American history, the war-to-peace transition of 1814, reveals the degree to which our entrenched understanding of historical epoch creates these false dichotomies. In a republic at war, the avaricious Jacob Barker seems at least plausibly public-spirited; in a country at peace he seems recklessly, if not villainously, greedy. In truth, he was both public-spirited *and* greedy, during war and peace alike. During the War of 1812, Barker had used his financial acumen to place himself at the center of a complex war lending project, a matter of collective security. Then, he had bound his credit up with the state; a decade and a half later, he bound it up with a state-chartered insurance company, a different kind of institution that promised a different kind of security. Through his insurance company, as through his war lending, he expected to make a profit.

In the end, Barker was saved by the New York legal infrastructure he had helped to build—or, more precisely, by its inability to capture the complexities of corporate finance. Barker's indictment had been vague, and after multiple trials, the New York attorney general could not prove that Barker's financial maneuvers had actually violated any laws. Legally if not morally exonerated, Barker gathered together what remained of his reputation and capital, and relocated his private banking operations in 1834 to another American commercial and financial hub, the booming cotton city of New Orleans.<sup>13</sup>

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12. Barker, Jacob, Undated, unaddressed letter, Jacob Barker Papers 1810–1833, New York Historical Society.

13. Hilt, "Wall Street's First Corporate Governance Crisis," 24. As Robert E. Wright explains, too, "Ample records of the trial itself exist, but it is not clear if enough financial records and business letters . . . have survived to adequately assess their actions and motives." Wright, "Banking and Politics in New York, 1784–1829," PhD diss., SUNY–Buffalo, 1996, 1006.

The best proof of the importance of Barker's accumulated experience as an institution of finance lies in the last major investment project of his very long nineteenth-century life, which was, unsurprisingly, a project of war. Securely settled in New Orleans by the 1830s, Barker took up his old business of private banking. When the Union Army began its occupation of that city three decades later, Barker made generous, unsecured loans to the city's new conquering sovereign, the military governor Benjamin Butler—who just happened to be one of Barker's old personal connections. The corporate capitalism of the nineteenth century, which Barker himself had helped to create, offered no obstacle when Barker reverted to his moneymaking strategy of fifty years before: making personal investments in the war infrastructure of the American state.<sup>14</sup>

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14. Scott P. Marler, *The Merchant's Capital: New Orleans and the Political Economy of the Nineteenth-Century South* (New York, 2013), 156–57.