

## Hamilton, Burr, Livingston, Clinton, Van Buren: Building Banks, Canals, and a Political System in New York State



*Common-place* talks with Brian Murphy, author of *Building the Empire State*, about the business and politics of early New York State, how historians address questions of political economy, and the resonances of early republic politics in the twenty-first century.

**Why did so many early Republic politicians seek incorporation for institutions such as banks and companies dedicated to infrastructure and internal improvements? What powers and protections did they afford?**



credit: Victor G Jeffrey II

The easy answer is that a corporation—that is, an organization or business that’s been granted the privilege of a state-issued corporate charter—enjoys a particular set of legal protections and economic advantages. They are why businesses still incorporate today.

As a fictional corporate “person,” a corporation has the right to sue and be sued in court as its own entity. That means the board of directors or larger population of shareholders don’t have to file lawsuits individually; instead, they can just do it under the aegis of their corporate organization. Similarly, you can go after a corporate entity in court rather than each shareholder-owner separately.

A corporate structure also lends longevity to a firm. Whereas a partnership has to be dissolved or bought out when someone dies or quits, a corporate charter ensures that managers or directors can be replaced without fundamentally changing the structure or mission of the company. Names change and often rotate, and the company itself endures for as long as a charter will allow, which is called perpetual life.

For these and other reasons, the corporation was an ideal vehicle for “capital formation”—a term we use to describe the pooling of investment capital. People can buy shares, vote in elections for seats on the corporation’s board of directors, and buy more shares if they like how things are going. If they don’t, they can sell their shares. That all makes it easier to raise money for a project, and it’s why state legislatures that were short on cash were willing to grant charters to early American improvement promoters who were looking to make money by building infrastructure projects or founding banks and other companies. The state could mobilize private capital toward public ends, and set the terms of that company’s mission and scope by writing the language of its corporate charter.

**Why have historians struggled with understanding how Americans in the early republic distinguished between public and private forms of finance and business investment?**

Our language around public and private often obscures more than it illuminates. Ultimately, it's not at all clear to me that there was a bright line between public and private spheres of action in the early republic. It's a muddled gray zone of colliding intentions and interests.

I think many historians are basically uncomfortable with that idea. Much of the historiography of the early republic assumes there were identifiable divisions between public and private finance and action, and that, if there weren't, people must have been very upset about it. We don't like the contradiction of being self-dealing and publicly minded at the same time. We want to see some angst. A reviewer recently suggested that what I was really writing about in my book is deal-making in the early republic, as if state formation was something more refined and above the logrolling I describe. But this is what legislating and governance looked like in the late eighteenth and early nineteenth century United States.

In my research I kept seeing colonial kinship networks, political patronage, dependence on credit, insider dealing, and political party affiliations all intersecting to make the financing of projects and banks a complicated affair that was partly new and also partly a throwback to pre-Revolutionary ways of doing business. With that in mind, one of the interventions I'm trying to make in the literature is to show that many legislators and early American internal improvement promoters were comfortable with these arrangements. So instead of searching for clean hands or applying a one-dimensional analysis, I think a better approach is to dive into the details and try to understand the context. The evidence speaks for itself: political economy involved politics.

**Historians often explain the national development of political parties (to the extent that they existed formally) through discussions of editor networks or galvanizing issues such as the French Revolution. How does *Building the Empire State* alter that narrative?**

I don't think you can understand the development of institutional political parties in this era unless you realize that they were supported by, and existed within, a network of early American corporations, particularly banks.

Because state governments had the right to grant charters—municipalities and counties couldn't—incorporation was an inherently political process. After all, legislators controlled access to something that people wanted and they would never grant every request. So the first question is: how do you wrangle a charter?

It turns out that the process of assembling a coalition and petitioning lawmakers on behalf of a project was a kind of political mobilization. The process followed the same cycle elegantly embedded in the First Amendment's

speech clause: speech, press, assembly, and petitioning. So to win a bank charter, you have to organize a coalition, print up materials to attract investors, hold a public meeting, and submit a petition for a charter. But to win that charter—to get a majority of votes—you ultimately have to recruit supporters in state legislatures. And that's where the political entrepreneurs come in: well-connected people who act as intermediaries between elected officials and would-be investors. They might not know anything about banking, but they're helpful and necessary. They know which legislators will want to be rewarded with board seats or stock shares, or access to bank credit.

This means that there's already a concentration of political capital and expertise in early American corporations. But banking is even more special: because lending is inherently discretionary, you have to be a member of the board or know one, or know someone who knows someone, to access a limited supply of credit. That means that these bankers have sway in their communities. They're gatekeepers who control access to a pile of money, and it's a short leap before they start using that influence toward partisan ends by rewarding allies and supporters and punishing dissenters.

The thing to realize here is that party formation is gradual. It's not a sudden shock like the French Revolution. The Bank of New-York wasn't founded as a Federalist bank. After all, there aren't Federalists in 1784. But what happened is that the bank's leadership and lending gradually became more—and almost exclusively—concentrated in Federalist hands by the late 1790s. When Aaron Burr and other Republicans founded the Manhattan Company as an alternative, they knew that they'd be able to recruit political supporters among people who had been denied credit by the Bank of New-York. And they knew that credit offered them a tool to exert discipline among an unstable political coalition of Federalist opponents. Credit (or debt—there's no sense in getting worked up over which term you use since they're flip sides of the same coin) was thus a way to maintain and discipline political coalitions and mobilize support among legislators and voters alike.

Therefore, before there were formal political parties that had their own institutional structures or a state apparatus that could dispense vast amounts of patronage, partisanship dwelled in corporations. Banking and internal improvements were something that partisans could do together that gave them a shared material interest in their alliances with one another. It wasn't just that they shared ideological commitments or read from the same newspapers; they were also in business together, a cooperative effort that extended beyond the narrow window of the calendar year devoted to electioneering.

### **To what extent is the story of banking and canal-building applicable to the history of the United States outside of New York?**

I wrote this book about New York because I wanted to be able to provide some deep context for what was happening around the country in this era. Pick up the legislative journal of any state in any year in the early republic and see what

lawmakers are working on: petitions from coalitions of investors seeking exclusive monopoly privileges, special rights, or corporate charters for a road, bridge, manufacturing enterprise, or some other public-private initiative. The specific projects may be different from what was happening in New York, but you'll find similar legislative processes and the interposition of political entrepreneurs who acted as intermediaries between capital and the state.

In some cases states very explicitly emulated New York. Pennsylvania's canal experiments were attempts to replicate the success of the Erie Canal, despite obvious geographical differences. But New York's 1790s canals were inspired in part by Virginia's 1785 Potomac Company. People interested in internal improvements and banking were keeping tabs on what their peers in other states and nations were doing, and they saw themselves as progressive, transformative voices in their own locales.

I also argue that once the Erie Canal opens and commercial trade to the west flows through New York City, New York's canal experience becomes a de facto national story. That's a transformative moment for the city, state, and the country as a whole. Suddenly, Philadelphia and Boston and a bunch of other cities are, from an economic standpoint, less relatively important. The financialization that happened in New York provided the basis for building the canal, and the canal in turn amplified the scale and scope of those financial institutions and markets.

**Among its contributions, *Building the Empire State* seems to offer an alternate route into recent debates about the history of capitalism. That is, your narrative of finance and internal improvement seems to shift the conversation away from the role of slavery, on which many of the most prominent recent books in the field have focused. In what ways do you see *Building the Empire State* as an extension of or challenge to that work?**

I certainly didn't set out to challenge that recent work, and many of those books came out while I was revising or rewriting a project that had started way back in 2002. Along the way I was influenced by Stephen Mihm's book on counterfeiting and Julia Ott's book on investing and shareholding. Jessica Lepler and I have been circling each other since a SHEAR conference in Montreal and reading one another's work for a decade now.

A story I'm trying to tell is how markets are structured by the state and how entrepreneurs used the rules of the game to enrich themselves and shut out competitors. I think the state is the agent of change in the early American economy. But I have to say that I don't really think of myself as someone writing about capitalism per se because I don't know how useful that term is for me as a way to frame an investigation into how the profit motive expressed itself in early American politics, and how people either resisted or accommodated it. For me, it was crucial at the outset to ground my work in institutional settings, and "political economy" was a far more useful

conceptual way to enter the literature.

When I read some of the economic historians who had done work on banks, it often seemed like they were missing the fundamental, obvious fact that corporate chartering was an inherently political act. Likewise, I think some of the recent work on capitalism and slavery is under-institutionalized or relies on terminology and jargon to do heavy lifting that could have more effectively been accomplished by investigating and explaining concrete financial relationships and the rhythms and mechanisms of commerce. When we describe capitalism as a culture, what does that mean exactly? In some venues it can mean anything and everything, and you can write about capitalism without ever writing about money or banks or credit. If you end up comparing apples to oranges and can't show the frequency or impact of particular activities, people who know the economics won't be able to figure out what to make of your work.

I think a challenge we have as historians right now is to ask how the early American economy was structured and functioned and why there's this explosion of banks, corporations, stocks and bonds, mortgages, insurance policies—all of these instruments—contributing to a rapid financialization in the antebellum period. It's a big deal, and I hope my book is a helpful piece of the puzzle.

**You've written [previously](#) at *Common-place* about how your historical training has aided you in your recent work reporting on corruption in New Jersey politics. Can you discuss the reverse process, that is, how your work as a journalist has helped you understand the construction of the Erie Canal?**

In many ways my work as a journalist is why I became a historian. I covered personal investing and then a presidential campaign in 2000, and then had this interesting job covering state politics in New Jersey in 2002. I had no idea at the time that that job would later be so important in the overall trajectory of my career, but even then it was provocative and interesting.

I reported on Cory Booker's first race for mayor of Newark in 2002, when he lost to the incumbent mayor, who was also a state senator, the chairman of a water utility, and a coach on the payroll of a local community college. Plural office holding! In the twenty-first century!

I covered a newly elected governor and state legislators and intensely local politics in a state big enough to have some regional variety but small enough that you could pretty much get a handle on everything important that was happening in a few months. And in that time something became clear: many of the most powerful people in politics weren't names I had heard before. They operated behind the scenes and in mixed economy institutions that straddled the public and private spheres. For the most part, the general public has no idea who they are. I had already read Robert Caro's book about Robert Moses, *The Power Broker*, so I already had a reference point to process what I was seeing. Nevertheless, it was a revelation.

When I started thinking about the Manhattan Company, I became interested in why

Aaron Burr and Robert Livingston would use a water utility as an institutional foundation for opening a bank. How did that work legislatively? How did they build the coalition? What role did it play in New York? Who was in the room where these decisions happened, whose interests were at stake, and whose were prioritized?

People had written about the Manhattan Company before, but there was something missing from those accounts. It seemed to me that they didn't quite get the politics and the nuance. So I started digging. I didn't decide to impose an analysis and then go hunting for evidence to back a worldview. I wanted to know how it happened.

Something similar happened when I started that Erie Canal chapter. The legislative history of that project is a two-volume set published to commemorate its opening. There are petitions, meetings, reports, hearings, surveys, land transfers. It's huge. But I kept thinking of something that modern-day reporters and legislative staffers say all the time: until everything is agreed to, nothing is agreed to. And so I was interested in seeing what particular unresolved details had derailed previous canal plans, and what the last-minute hurdles were before the New York legislature gave final approval to canal legislation in 1817. It turned out that the issues and principles at stake in that moment turned on a question about the propriety of financing large internal improvement projects via corporations governed by private interests. When lawmakers decided to fund the canal's construction with state-issued bonds, they were laying out on a new course for how we build public works in the United States.

It was fun to write a chapter with that big a payoff and have this fantastic set of people—DeWitt Clinton, Martin Van Buren, Gouverneur Morris—driving the narrative. The big institutional story matters, but I think my journalism background always drags me toward writing it up in a way that feels immediate and personal. I want students and people outside of our profession to be able to pick the book up and share my excitement about this stuff.

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