

BRITISH LOAN ATTEMPTS OF THE ADMINISTRATION
OF MIRABEAU BUONAPARTE LAMAR

By

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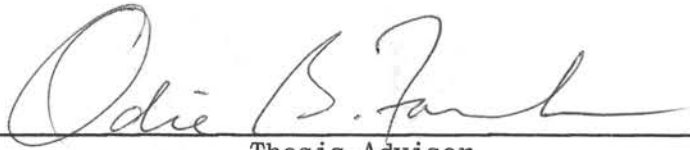
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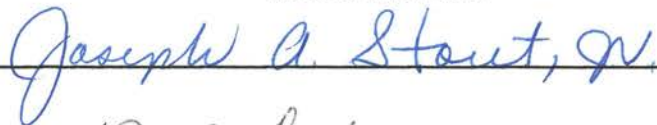
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PREFACE

This thesis is an examination of the various factors that prevented the Lamar administration from obtaining a loan from British financial interests. The study examines these factors in two ways. First, the pressures on British foreign policy, both internal and external, that prevented the British Government from recognizing the Republic of Texas as an independent nation. Recognition was needed by the Republic of Texas before its securities could become negotiable on the British money markets. The internal pressures came from the anti-slavery element in parliament, and the merchants and investors concerned with foreign trade and investments. The external pressures involved British foreign policy, particularly in the Caribbean region. Second, the attempts of the Lamar administration to procure the loan and its attempts to obtain recognition from the Mexican Government, which, if successful, would have also gained the Republic of Texas recognition from the British Government.

The source material used in writing this study includes Texas Diplomatic Correspondence, Texas Treasury Papers, and the Papers of Mirabeau Buonaparte Lamar as the major primary sources, along with numerous secondary sources dealing with Lamar and the Republic of Texas.

I would like to express my thanks to several members of the History Department for their assistance and guidance: Dr. Odie B. Faulk, my adviser, whose advice and untiring patience brought this study to a

successful conclusion; Dr. Joseph A. Stout, for his assistance as my second reader; and Dr. Homer L. Knight, former head of the department, without whose counsel and encouragement my graduate studies would have never been completed.

In addition, I owe a great debt to the staff of the Oklahoma State Library for their prompt and willing help, particularly for the many hours devoted to procuring inter-library loans necessary for this study.

Also, my family deserve a great deal of credit for my having completed this study. Once again my son and my daughter will have a father.

Despite the best efforts of all these people, there may be numerous errors in this thesis. Any mistakes which have been made are mine alone and I accept full responsibility for them.

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CHAPTER I

INTRODUCTION

The Republic of Texas was in deep financial trouble when its second president, Mirabeau Buonaparte Lamar, took office on December 9, 1838. Government expenditures were exceeding revenue, an unfavorable balance of trade existed, there was little money in the Republic's treasury, and the value of Texas money was fast depreciating. Nearly everyone in Texas believed the only satisfactory solution to the Republic's financial dilemma was a loan from foreign financial circles. The Texas Congress had authorized negotiations for such a loan in November, 1836. Loan commissioners were appointed by President Houston and sent to the United States, soon after the United States recognized the Republic of Texas on March 3, 1837, in an attempt to negotiate a loan at one of the major money markets but no progress had been made. Lamar optimistically continued the negotiations and at the same time embarked on an expansionist program that staked the success of his administration, and possibly that of the Republic, on obtaining a loan.

The loan negotiations continued to drag on with only promises, as the effect of the financial panic of 1837 began to be fully felt in the United States, causing Lamar to turn his attention toward the major money markets of Europe for a loan. British financial circles were high on Lamar's list as he directed the loan commissioners to exert every possible effort to obtain a loan immediately, for time as well as money

was a factor. Lamar's ambitious plans for the Republic of Texas called for large amounts of money, and the Republic's treasury was nearly empty.

Throughout the first year of Lamar's administration, there was high hope that the long-sought loan, needed to correct the Republic's financial difficulties, would soon be forthcoming. Furthermore, there was a good possibility the loan could have been arranged in 1839. Financiers in London were ready to make the loan, but were prevented from doing so because the Republic of Texas had not been recognized as an independent nation by the British Government. Normally, the British Government used as its criteria for recognizing a nation three factors: land, population, and control of the land and population. In the case of the Republic of Texas, these factors were complicated by pressures on British foreign policy, both external and internal. The external pressures were associated with British foreign relations with Mexico, France, and the United States, while the internal pressures came from the opponents of slavery and those persons and businesses involved in foreign trade and finance. It was the inability of Lamar and his administration to cope with these pressures on British foreign policy in relation to the Republic of Texas that was primarily responsible for the failure to obtain a loan from British financial circles.

Beyond the fact that Lamar had served for a time in the cabinet of the interim government and later as the first Vice President of the Republic of Texas, there was little else in his background or past experiences to prepare him for being a head of state. Lamar was born August 16, 1798, the second of nine children, near the Georgia frontier town of Louisville. His formal education was limited to local schools

and to some tutors from whom he developed a passion for reading, particularly history. Yet in 1819, he chose to enter the mercantile business in Cahawba, Alabama, in preference to attending Princeton. The business venture was unsuccessful as was a newspaper business two years later. Needing to recover his losses, Lamar returned to Georgia.¹

Politics intrigued Lamar. In 1823, he supported George M. Troup in the Georgia gubernatorial campaign and was rewarded for his support by becoming the Governor's private secretary after Troup won the election. When his term as secretary to the governor expired, Lamar married Miss Tibitha B. Jordan of Perry, Alabama and retired to the farm in 1826, but not from politics. In 1829, he ran for the Georgia State Senate on a platform of states' rights and hostility to the Indians, but withdrew when his wife died of tuberculosis. Recovering from this tragedy, Lamar campaigned unsuccessfully for the United States House of Representatives in 1833. The following summer another tragedy, the suicide of his favorite brother Lucius, prompted Lamar to withdraw from all public activities and to seek comfort in travel.²

Recalling the vivid accounts of Texas by his good friend James W. Fannin, Lamar traveled to Texas. He arrived in the middle of June, 1835, and like many other young men of his time, fell in love with Texas and the people who lived there. The investment possibilities offered by Texas land excited Lamar, and he decided to make this his home. Returning to Georgia, Lamar closed out his affairs and hurried back to Texas,

¹Stanley Siegel, A Political History of the Texas Republic 1836-1845 (Austin, 1956), pp. 100-102; Asa Kyrus Christian, Mirabeau Buonaparte Lamar (Austin, 1922), pp. 3-5.

²Ibid.

arriving on the eve of the Battle of San Jacinto. In a daring display of horsemanship the following day, Lamar rescued the Secretary of War of the Interim Government, Thomas J. Rusk, and was thus rewarded with the rank of Major. That same night, Lamar's cavalry unit held an election and voted him the rank of Colonel.³

Because of Lamar's popularity, Interim President David G. Burnet asked him to join the cabinet, replacing Rusk who was returning to the army. Using the cabinet position effectively, Lamar campaigned for and won the office of vice president in the election that fall. On October 22, 1836, Mirabeau Buonaparte Lamar took the vice presidential oath of office, shortly after Sam Houston had been sworn in as the first president of the Republic of Texas. In five short months, Lamar had risen from a private in the cavalry to Vice President of the Republic.⁴

The Constitution of the Republic of Texas prohibited the president from succeeding himself. This Constitution also limited the presidential term to two years, with subsequent presidents having three-year terms. Lamar was one of four candidates for the office of president in 1838. Two candidates, Peter W. Grayson and James Collingsworth, died before the election. Grayson was killed at Bean's Station in Tennessee, and Collingsworth jumped off a steamer into Galveston Bay and drowned. Lamar won the election defeating the remaining candidate, Robert Wilson,

³Herbert Gambrell, Anson Jones: The Last President of Texas (Austin, 1964), p. 69.

⁴Jim Dan Hill, The Texas Navy in Forgotten Battles and Shirtsleeve Diplomacy (Chicago, 1937), p. 106.

by a vote of 6,995 to 252 and on December 9, 1838, was sworn in as the second president of the Republic of Texas.⁵

The public debt stood at \$1,886,425 when Lamar took office and rose rapidly throughout his administration reaching \$7,446,740 by the end of his presidency.⁶ He inherited a nearly empty treasury and what money there was disappeared quickly to meet existing obligations. The Republic was already printing paper money, with \$684,069 -- worth eighty cents on the dollar -- in circulation. Hoping to increase the money supply, Houston's administration had authorized the printing of \$500,000 in Promissory Notes in 1837. The notes were to run for one year, with interest set at ten per cent. The notes were so successful that the following year the Texas Congress authorized their re-issuance, and to increase the money supply still more, an additional issue of one million dollars in new notes; both issues to run indefinitely. President Houston had vetoed the new issue only to have Congress override his veto.⁷ He was, however, able to hold down the amount of new notes printed, but Lamar, as soon as he became president, allowed the printing presses to run unchecked. From January to September, 1839, additional notes amounting to \$1,569,010 were printed, with yet another \$1,983,790

⁵Hubert H. Bancroft, History of the North Mexican States and Texas (San Francisco, 1889), XVI, p. 313.

⁶Edmund T. Miller, A Financial History of Texas (Austin, 1916), p. 391.

⁷Herbert T. Hoover, "Ashbel Smith on Currency and Finance in the Republic of Texas," Southwestern Historical Quarterly, LXXXI (January, 1968), pp. 420-421.

in notes printed the following year.⁸ This action rapidly increased the amount of money in circulation and, at the same time, just as rapidly depreciated the value of Texas money. By the end of Lamar's administration, Texas money, which had been worth eighty cents on the dollar at the beginning of his term, would be nearly valueless outside of Texas and worth no more than twelve to fifteen cents on the dollar in most areas of the Republic.⁹

The First and Second Texas Congresses had expected revenue from direct taxes, custom duties, the sale of public land, and land dues would be sufficient to meet the expenditures of the Republic, but that was not the case. The deficit spending of all previous congresses added to the financial crisis Lamar inherited. Expenditures authorized by Congress during the years 1836 through 1838 exceeded revenue by \$2,011,877.¹⁰

Revenue from direct taxes for the years 1836 through 1838 amounted to only \$100,455.¹¹ The financial panic of 1837 in the United States sent a surge of immigrants to Texas, but they brought little money with them. The few possessions they brought were either untaxable or produced little revenue once those items required in the individual's trade, which were excluded from taxation by law, were deleted.

Custom duties for the same period totaled \$133,649, well below the

⁸ William M. Gouge. The Fiscal History of Texas; Embracing an Account of its Revenue, Debts, and Currency, From the Commencement of the Revolution in 1834 to 1851-52 (Philadelphia, 1852), p. 268.

⁹ Asa Kyrus Christian, "Mirabeau Buonaparte Lamar," Southwestern Historical Quarterly, XXIII (April, 1920), p. 244.

¹⁰ Miller, A Financial History of Texas, p. 391.

¹¹ Ibid.

amount the Texas Congress had anticipated.¹² Congress had counted heavily on foreign trade to solve the Republic's financial woes and had not considered that Texas goods would have to compete with goods from the United States in the economically depressed European market. During the early years of the Republic, imports exceeded exports at a ratio from five-to-one to as high as nine-to-one.¹³ Exports for the period September, 1835, to September, 1838, amounted to \$183,323, while imports for the same period totaled \$1,740,376, an imbalance in foreign trade that would continue throughout the Lamar administration. The first year of the Lamar administration alone imports exceeded exports by \$1,232,379.¹⁴

Land dues and the sale of public land for these same two years would bring only \$21,123 to the Republic's treasury.¹⁵ This was a great disappointment to those in office, for they had counted on the sale of public land as a major source of revenue. Nevertheless, it was the liberal land policy of those same office holders that prevented the sale of public land from being a major source of revenue. When the Republic was organized, the Government owned approximately one hundred eighty million acres of land.¹⁶ The First Congress had donated land to the veterans of San Jacinto, to those at the siege of Bexar, to the families of the martyrs of Goliad, and to the families of the defenders of the

¹²Ibid.

¹³Gouge, The Fiscal History of Texas, p. 278.

¹⁴Ibid.

¹⁵Miller, A Financial History of Texas, p. 391.

¹⁶Lewis W. Newton and Herbert P. Gambrell, Texas, Yesterday, and Today with the Constitution (Dallas, 1949), p. 160.

Alamo. All volunteers in the revolutionary army received land on a basis of: three months service - 320 acres, six months service - 640 acres, and nine months or longer service - 1,280 acres.¹⁷

After taking care of the veterans of the revolutionary army and their families, the Texas Congress then turned its attention to those non-veterans residing in the Republic. In December, 1836, a law was passed granting all newcomers to Texas, who were heads of families, 1,280 acres free, and all single men 640 acres, with both having the right to preempt additional acreage at fifty cents an acre.¹⁸

Immigrants continued to pour into the Republic of Texas, all seeking one thing -- free land. The Third Congress responded to their wishes with a new land law on January 4, 1839, but at the same time reduced the amount of free land granted to each individual and also required the grantee to pay the cost of surveying and land office expenses. Under this act, any free white male who was actually residing with his family in Texas and who had immigrated to Texas after October 1, 1837, or who would immigrate before January 1, 1840, could receive 640 acres of land free. This was a conditional grant, with the land becoming his at the end of three years' residence. All single free white men could receive 320 acres under the same conditions. The act also granted the same amounts of free land to all officers and men engaged in the service of the Republic of Texas prior to March 1, 1837.¹⁹

¹⁷Seymour V. Connor, Adventure In Glory (Austin, 1965), p. 31.

¹⁸Ray Allen Billington, The Far Western Frontier 1830-1860 (New York, 1956), p. 134.

¹⁹H. P. N. Gammel, The Laws of Texas, 1822-1897 (Austin, 1898) II, pp. 35-36.

This act was also intended to place some control on land speculation and prevent the further buildup of ownership of large blocks of the best land by a few individuals, thereby greatly reducing the saleable potential of government land.

Despite the fact the Texas Congress was giving land free to encourage immigration, land was still the only saleable commodity the Republic of Texas had. The speculative possibilities offered by Texas land was what decided Lamar, and many others, to settle in Texas. Means were found to circumvent the land law requiring an individual to reside on his land, and many individuals invested in Texas land. All this was good for the future of the Republic, but contributed little money to a nearly empty treasury. The Republic of Texas needed large sums of money immediately, not later.

Financial problems were a way of life for the young republic. From its beginning, the Republic of Texas was plagued by the shortage of funds; what little money there was came mainly from friends in the United States.²⁰ These same friends, and others like them, had helped the Republic of Texas through its financial difficulties during the Republic's revolutionary period. The merchants of New Orleans, Mobile, and other southern cities, had advanced supplies on credit. Individuals and groups of individuals in these same cities who were sympathetic to the Texas cause either gave or loaned money to help ease the revolution's financial plight, but the money received never equaled the money needed. Little of the money ever reached Texas, for most of it was spent in New Orleans and other southern coastal cities to procure badly

²⁰Christian, Mirabeau Buonaparte Lamar, p. 236.

needed supplies. The treasurer's report of March 1, 1836, showed a total of \$3,981.85 received and expended, with revenue providing most of this amount. When the amounts of money given and loaned to Texas during its revolutionary period were totaled, \$25,000 came from donations and \$100,000 came from loans.²¹ Even in its revolutionary period, loans were an important part of the future republic's finances.

The first time a formal attempt was made to secure funds through a loan was on October 27, 1835. The Permanent Council, a group of Texans charged with carrying out the functions of government from October 16, 1835, to November 3, 1835, appointed Thomas F. McKinney, a New Orleans merchant, to negotiate a loan of one hundred thousand dollars in New Orleans. McKinney excused himself on the grounds the Permanent Council's authority was questionable. Furthermore, he felt the firm of McKinney and Williams, together with other local merchants in New Orleans, were capable of supplying the immediate necessities of the revolutionary army.²²

With the refusal of McKinney to negotiate a loan, the General Consultation, which had assumed the functions of government from the Permanent Council, concluded the best approach for obtaining a loan was through commissioners. On November 12, 1835, the Consultation appointed B. T. Archer, W. H. Wharton, and Stephen F. Austin as commissioners to the United States. They were given such powers and instructions as the

²¹Eugene C. Barker, "The Finances of the Texas Revolution," Political Science Quarterly, XIX, No. 4 (1904), p. 634.

²²*Ibid.*, pp. 614-615.

"governor and general council may deem expedient" to conclude a loan.²³

The Consultation then organized a Provisional Government, consisting of a governor, lieutenant-governor, and a council, and then adjourned until the following March first.

The Council took a week to decide on its instruction to the commissioners and two weeks more to pass an ordinance authorizing a loan of one million dollars. Ten \$100,000 bonds, payable in not less than five years nor more than ten years, bearing interest not to exceed ten per cent per annum, were prepared. The commissioners were instructed to secure the best possible terms, and if the bonds were not considered sufficient security "to pledge or hypothecate the public lands of Texas, and to pledge the public faith"; in short, everything Texas had, as security.²⁴ Two weeks later the commissioners sailed for New Orleans where they hoped to sell the bonds.

On January 10, 1836, the commissioners informed Governor Henry Smith they had arranged for two loans totaling two hundred and fifty thousand dollars. The first loan was for two hundred thousand, and was subscribed by four men from Cincinnati, three from Kentucky, two from Virginia, and one from New Orleans. The lenders advanced ten per cent of the amount, with the balance to be paid upon ratification of their contract. The contract gave the lenders the right if they chose-- and they did--to accept land at a rate of fifty cents an acre as a suitable method of repayment. The Texas Government was to survey

²³Ibid., p. 627.

²⁴Ibid., pp. 628-629.

and plot the land into six hundred and forty acre tracts, with the lenders having two months in which to select their tracts of land.²⁵

The second loan was for fifty thousand dollars. Seven of the twelve subscribers came from New Orleans, three from Virginia, and two from Kentucky. This loan was supposed to have been made in cash, but only \$45,802 can actually be accounted for. The basic difference between the two contracts was that the subscribers of the first loan had the right of first choice on land location. As in the case of the first loan, acquisition of land was the sole purpose of the subscribers.²⁶

Ratification of these loans became the responsibility of the Interim Government of David G. Burnet. When the General Consultation reassembled on March 1, 1836, the delegates had plenary powers to form a permanent government. By this time, separation from Mexico was the desire and main interest of nearly everyone in Texas. On March second, the convention made a declaration of independence and sixteen days later adopted a constitution. Burnet was appointed president ad interim and the convention adjourned, pending ratification of the constitution.

Burnet questioned the contracts, and believed they might not have been in the best interests of Texas. Particularly he questioned two articles in which he felt the commissioners had exceeded their authority. Article five provided that "no grant or sale of land shall be made by the government of Texas, from and after the date thereof, which shall not contain a full reservation of priority for the location to be

²⁵Ibid., p. 630.

²⁶Ibid., pp. 630-631.

made under this loan."²⁷ Article six went even further in assuring the lenders access to choice Texas land by declaring that "none of the public lands are to be offered at public or private sale until after the locations hereinbefore provided for shall have been made."²⁸

President Burnet and his cabinet opposed ratification of the loans, seeing them for what they were, land speculation on a large scale. Furthermore, these loans committed the Texas Government to stopping all future land sales until the lenders had received satisfaction, at a time when the prospects for revenue from the sale of Government lands looked good. The Texas Government proposed to refund the lenders what money they had advanced, with twenty per cent interest. Payment would be made in two equal payments, one in six months and the other one year later. The lenders refused the proposal, they wanted land. A compromise was finally reached that was acceptable to the majority of the lenders. They agreed to surrender their right of prior location in return for thirty-two leagues of land, a league being 4,428 acres, with distribution among the lenders in proportion to the funds they had advanced.²⁹

While this compromise was being worked out, the Texas Government put additional public land on the market. Thomas Toby and his brother of New Orleans were authorized to sell five hundred thousand acres at fifty cents an acre, the same price the subscribers of the two loans had agreed to pay for their land. This action by the Texas Government

²⁷Ibid., p. 630.

²⁸Ibid.

²⁹Ibid., p. 632.

terminated the monopoly created under the loans and the lenders refused the compromise, charging the Texas Government with bad faith. Not until the Texas Congress, in two acts approved on June 3, 1837, and May 24, 1838, which appropriated land at fifty cents an acre to pay off the two loans, was a final settlement achieved.³⁰

After completing the two loans in New Orleans, the commissioners moved east in search of additional loans. At Mobile they were offered a fifty thousand dollar loan, based on the same terms as the New Orleans loan, but for reasons unknown, nothing ever came of it. The commissioners left Mobile in late February and for a period of time were kept busy trying to quiet the rumors that Mexico was reconquering Texas, and that a quarrel existed between the governmental authorities in Texas. Not until the end of April would the commissioners again find anyone willing to invest a large amount of money on the future of the Republic of Texas.

Trying desperately to secure a large loan, Commissioner Austin, on April eleventh, made a proposal to Nicholas Biddle, president of the United States Bank at Philadelphia. Under the proposal, five hundred thousand in Texas bonds would be deposited in the bank in return for a five hundred thousand dollar loan. The bonds would run for ten years and bring eight per cent interest. But Texas bonds had no bankable security, other than land and the public faith, and nothing came of the scheme. Four days later, Austin appealed to President Jackson and the United States Congress, trying to obtain a part of the thirty-seven million dollar surplus in the United States Treasury. As there was no

³⁰ Ibid.

legal basis for the request, this, too, was unsuccessful. Two weeks later, a one hundred thousand dollar loan was arranged in New York. The contract was similar to the New Orleans contracts, except the lenders had the option of taking land at twenty-five cents an acre. Ten per cent of the loan was supposed to have been paid, but only seven thousand dollars can be accounted for. As in the case of the other loans, this loan provided little immediate relief for the financially bankrupt Texas government.³¹

Thus, in spite of the numerous loans attempted or contracted for by the commissioners, they were unable to obtain a loan of sufficient size to bring a degree of financial stability to the Republic of Texas. However, they were able to procure many small loans from persons sympathetic to the Texas cause. Most of these loans were in the fifty to a few hundred dollars category, with a few exceeding one thousand dollars. All told, the commissioners were able to raise one hundred thousand dollars for the Republic of Texas. At the end of August, 1836, the public debt, including the one hundred thousand dollars in loans, was estimated to be \$1,250,000.³² Loans were a big help to the early Texas governments, but had not solved their financial problems.

Still, the possibility of putting the Republic's financial house in order through loans continued to dominate the thinking of most Texans and their government. Soon after the Houston administration took office in October, 1836, it was evident that loans were the only immediate means whereby the Texas Government could balance its budget and reduce

³¹Ibid., pp. 633-634.

³²Ibid., p. 634.

the public debt. One of the early laws of the Houston administration, approved on November 18, 1836, authorized the President to negotiate a five million dollar loan in either the United States or some European country. Houston appointed A. J. Yates and M. B. Menard as agents but they met with no success, and Yates soon withdrew. Albert B. Burnley and Thomas W. Gilmer then replaced Yates and Menard, and likewise were unsuccessful. Gilmer was replaced by Sam M. Williams, and a short time later General James Hamilton, a former governor of South Carolina who had been highly successful in obtaining loans from European sources to resolve South Carolina's financial crisis, joined Burnley and Williams as an assistant.³³

On December 10, 1836, the Texas Congress authorized the President to negotiate for still another loan, this time to pay for ammunition and munitions of war. The twenty thousand dollar loan was to be secured by selling land script, which could not be sold for less than fifty cents an acre.³⁴ The Republic of Texas was trying to raise money by the only means available to it, the selling of public lands, but it was finding few purchasers.

Government expenditures continued to mount and in early May, 1837, Houston furloughed the army to reduce expenses.³⁵ In an attempt to alleviate the money shortage, the Texas Congress, on June 9, 1837, authorized the printing of five hundred thousand dollars in Promissory

³³ Joseph W. Schmidt, Texas Statecraft, 1836-1845 (San Antonio, 1941), p. 49.

³⁴ Gammel, The Laws of Texas, 1822-1897, I, p. 1136.

³⁵ Joseph M. Nance, Attack and Counter-Attack The Texas-Mexican Frontier, 1842 (Austin, 1964), p. 3.

Notes. To provide redemption of the notes, Houston was authorized to sell five hundred thousand acres of land script at not less than fifty cents an acre. The notes were to be used for the civil expenses of the government.³⁶ Thus, Texas began the policy of printing money backed by an all but empty treasury and the future sale of its public lands. While the notes temporarily reduced the money shortage, in the long run they led to the depreciation of Texas money, as the notes were issued, along with additional issues, again and again. A large loan still continued to be the only practical solution to the Republic's financial crisis.

Before loan negotiations could begin in any foreign country, the Republic of Texas needed recognition as an independent nation so that its bonds would be valid securities in world money markets. On March 3, 1837, the United States had recognized the Republic of Texas as an independent nation.³⁷ Thus, with this recognition loan negotiations could begin. But the United States was presently in a financial crisis, diminishing the chances for a loan from that quarter. On June 20, 1837, Houston appointed General J. Pinckney Henderson, his Secretary of State, as Agent and Minister Plenipotentiary to Great Britain and France.³⁸ Henderson was first to secure recognition of the Republic and then borrow money.

To assist its loan commissioners, the Texas Congress, on May 16,

³⁶ Gammel, The Laws of Texas, 1822-1897, I, pp. 1309-1310.

³⁷ Schmidt, Texas Statecraft, 1836-1845, p. 46.

³⁸ George P. Garrison, ed., "Diplomatic Correspondence of the Republic of Texas," Annual Report of the American Historical Association, III (Washington, 1908-1911), II, p. 808. Hereafter cited as DC.

1838, passed a loan law similar to the one of November 18, 1836. The new law authorized the President "... to negotiate a loan on the lands of the government not to exceed five million dollars."³⁹ Bonds were to be issued in amounts suitable to the purchasers and two million dollars worth would be redeemable at the Texas Government's option, in not less than five nor more than thirty years. The public faith was pledged to insure payment of interest and redemption of the bonds.⁴⁰

Despite its financial crisis, the United States was still considered the primary source for a loan. The commissioners were instructed to contact first the United States Bank at Philadelphia, then the Manhattan Bank of New York, and finally the Union Bank of Louisiana, to act as fiscal agents for the Republic of Texas throughout the United States and Europe. The commissioners were unable to induce any of the banks to act as agent for the Republic's bonds. Neither was Henderson able to gain recognition from Great Britain or France. Thus, the Republic's financial affairs stood when the Lamar administration took office. The badly needed loan was still as far away as ever. The public debt had climbed to nearly two million dollars, and the Republic's treasury was still nearly empty. Government expenditures still exceeded revenue and the balance of trade deficit continued to increase. Texas money was now worth eighty cents on the dollar, but the

³⁹ Herbert Rook Edwards, "Diplomatic Relations between France and the Republic of Texas," Southwestern Historical Quarterly, XX, (April, 1917), p. 227.

⁴⁰ Ibid.

nearly empty treasury and the printing presses would soon bring down its value.⁴¹

Notwithstanding the poor state of affairs, Lamar was highly optimistic about his ability to bring financial stability to the Republic of Texas. To him, it was a simple matter. The budget could not be balanced nor could the public debt be eliminated without additional revenue. There was little hope of obtaining this internally, for the majority of Texans were living at or near the poverty level. Thus, a loan from foreign sources seemed the only logical answer. Even though all previous administrations had been unable to secure a loan, Lamar was confident his administration could do so. Furthermore, he did not believe financial conditions were as bad as they were pictured. Besides, he had great plans and high hopes for the Republic, refusing to believe that others could not see, as did he, a Republic "... stretching from the Sabine to the Pacific and as far away to the Southwest as the obstinacy of the enemy may render it necessary for the sword to make the boundary... ." ⁴² Such a Republic, Lamar believed, should have no difficulty obtaining a loan.

But the Republic Lamar envisioned did not exist. The one he now governed was in dire financial straits and had to have immediate financial assistance if it was to continue. Thus, as the Lamar administration began its first year in office, the procurement of a loan from foreign financial circles became a must.

⁴¹Ibid.

⁴²Ernest Wallace and David M. Vigness, Documents of Texas History (Austin, 1963), p. 127.

CHAPTER II

1839: A YEAR OF HIGH HOPES

Notwithstanding the poor financial condition of the Republic of Texas, the Lamar administration began its first year in office with great hopes for the Republic's future. The administration's overwhelming victory in the previous year's election convinced Lamar the Texas people were tired of Houston's conservative policies and ready to accept the ambitious expansionist program he had in mind.

Favorable expansion was already occurring in foreign trade. The effect of the Commercial Agreement that Henderson was able to work out with Lord Palmerston, the British Foreign Minister, the previous April, was just now beginning to be felt in the Republic of Texas. Under the arrangement, Texas ships would continue to enter British ports under the provisions of the existing treaty between Great Britain and Mexico, and would continue to do so until such time as Great Britain acknowledged the Republic of Texas as a separate and independent nation.¹ Furthermore, Texas ships could import Texas goods into Great Britain as in the past, and could continue to do so on "the same footing as British ships, so long as British ships shall practically enjoy the same privileges in in Texas",² or until such time as some definitive arrangement is made

¹Henderson to Irion, April 12, 1838, DC, I, pp. 856-859.

²Ibid., p. 857.

between Great Britain and the Republic of Texas. This meant that the British Government would in effect fail to notice Texas ships no longer had Mexican registry. Now, Texans would not have to pay the double import duties and high transportation costs on British goods, which previously entered Texas through the United States. Also, Texas cotton could now be shipped direct to the mills in England which, in time, would have a great impact on the balance of trade deficit, as more and more cotton was grown in Texas. This arrangement would greatly increase direct trade between the two countries, but the Republic of Texas still lacked recognition. Loan negotiations still could not begin in Great Britain.

Lamar had loan negotiations continued in the United States. But as bad as the Republic needed a loan, domestic programs claimed his immediate attention. In his first message to both Houses of Congress on December 21, 1838, Lamar outlined a highly ambitious program of expansion for the Republic. His major domestic programs called for: (1) a National Bank, (2) an enlarged Civil Service, (3) a greatly expanded Army and Navy, (4) the removal of the Republic's capital to Austin, (5) a system of frontier defenses, and (6) the removal of native Indians farther west.³

The National Bank was to provide all banking services for the Republic, no private banks were to be chartered. The bank was to be secured by three guarantees; land, specie, and the public faith. Also, banking operations were not to begin until adequate specie was on

³Charles Adam Gulick, Jr., and Winnie Allen, eds., The Papers of Mirabeau Buonaparte Lamar, VI (Austin, 1924), II, pp. 349-369. Hereafter cited as Lamar Papers.

deposit. But the financial panic of 1837 in the United States had destroyed faith in banks and there was never enough specie deposited for the bank to begin operations.⁴

Under Lamar's program, the Civil Service was to be enlarged sufficiently to meet the administrative demands of the Republic. Custom houses had to be built and operated, land offices must be opened so land could be sold, titles recorded, and fees collected. Also, laws and judicial proceedings had to be translated from Spanish into English, and a system of courts set up throughout the Republic. These requirements resulted in expenditures for the Civil Service the first year of Lamar's administration of \$550,000, as compared to \$192,000, for the last year of Houston's administration.⁵

The Republic's Army called for the heaviest outlay of funds. Army appropriations would amount to \$1,140,000 the first year; decline slightly to \$1,056,369, the second year; and drop to only \$111,050 the last year of Lamar's administration. The majority of these funds were used in connection with Lamar's Indian Policy. The Indians had land the settlers wanted and had to be moved further west, or the flow of immigrants would cease. Altogether, Lamar's Indian Policy cost the Republic \$2,552,319 and produced little financial gain. By contrast, Houston expended only \$190,000 on the Indians in his first term as president.⁶

Lamar's Naval Program called for a Navy that would be an effective

⁴Lamar Papers, II, pp. 362-363.

⁵Christian, "Mirabeau Buonaparte Lamar," p. 245.

⁶Ibid., pp. 245-246.

force in the Gulf of Mexico. He planned to use the Navy to force recognition from Mexico, which he saw as a major stumbling block to recognition from European countries. The first Texas Navy ceased to exist after the Battle of Galveston Coast in June, 1837. Appropriations for a second Navy were made in 1837-1838, and the Naval Commissioner was authorized to expend \$280,000 for six new ships.⁷ The ships were delivered in the fall of 1839, and responsibility for payment fell on the Lamar administration. Naval appropriations were \$380,455 in 1839, \$525,000 in 1840, and \$100,000 in 1841.⁸

The frontier defense also called for large appropriations. The defense plan designed by Lamar's administration was based on a string of eight forts to be built from the Nueces River to the Red River west of Austin. The forts were to give security to the frontier and also provide protection for the settlers from Mexican and Indian raiding parties. The Texas Congress passed three acts in January, 1839, appropriating \$1,080,000 for construction costs and for troops to man the fortifications.⁹

Removing the Republic's capital from Houston to Austin called for building a city on the then unprotected plains along the Colorado River. According to stories told, Lamar is supposed to have selected the site for the capital on a hunting trip. Land speculation developed and the Government realized considerable revenue from the sale of land and city lots, but the revenue did not equal the expense of moving the capital.

⁷Connor, Adventure In Glory, pp. 134-135.

⁸Christian, "Mirabeau Buonaparte Lamar," p. 246.

⁹Siegel, A Political History of the Texas Republic 1836-1845, p. 106.

All these programs called for large amounts of money. Appropriations were made but the treasury was nearly empty and could only meet this demand by printing more money, and in doing so, it rapidly decreased the value of Texas money. In the first six months of the Lamar administration, the value of Texas money depreciated by thirty-seven and one-half per cent and was now worth no more than fifty cents on the dollar.¹⁰

After initiating his domestic program, Lamar then turned his attention to foreign affairs and the badly needed loan. As Lamar saw matters, there were two issues standing in the way of a loan, annexation to the United States and recognition as an independent nation by Mexico. The annexation issue, he concluded, was presently holding up a loan from the United States and possibly had a bearing on Great Britain's reluctance to recognize the Republic of Texas. The lack of recognition from Mexico Lamar saw as the primary reason Texas did not get recognition by European countries. The annexation issue was relatively easy for Lamar to understand, but he was unable to solve the issue of recognition by Mexico.

Annexation to the United States had been an issue from the early days of the Republic. In fact, many citizens in Texas and the United States believed that Texas was once a part of the United States under the Louisiana Purchase of 1803 and had been wrongly returned to Spain in the Adams-Onis Treaty of 1819. In the early days of exploration in the Southwest, both Spain and France claimed the region that is now Texas. France based her claim on the explorations of La Salle and the

¹⁰Gouge, The Fiscal History of Texas, p. 268.

colony he established at Matagorda Bay in 1685, while the Spanish claimed the area by right of settlement and French abandonment of its colony.

By the Treaty of Fontainebleau, in 1762, France had ceded Louisiana to Spain. In the secret Treaty of San Idelfonso, Spain had retroceded Louisiana to France in October, 1800. Once the terms of this treaty became known, the United States Government became concerned over its right of free navigation of the Mississippi River, and the right of deposit at New Orleans, which Spain had guaranteed under the Treaty of San Lorenzo, in 1795. It was this concern that ultimately led to the purchase of Louisiana by the United States in 1803.

The treaty under which the United States purchased Louisiana included language of the French-Spanish Treaty of San Idelfonso, wordage that would lead to disputes over the location of the boundary between the United States and Spanish North America; and would not be resolved until the Adams-Onis Treaty of 1819. The Adams-Onis Treaty described Louisiana as

'the colony or province of Louisiana, with the same extent that it now has in the hands of Spain, and that it had when France possessed it; and such as it should be after the treaties subsequently entered into between Spain and other States.'¹¹

Thus, the question arose as to the boundaries of Louisiana when France first claimed it. Did its western boundary lie along the Neches River, which Spain considered as the boundary between Louisiana and Texas, or did it begin at Matagorda Bay, where La Salle established the French colony in 1685? The dispute was settled for the most in 1819,

¹¹ Julius W. Pratt, A History of United States Foreign Policy (2nd ed., Englewood Cliffs, 1965), p. 52.

when the Adams-Onis Treaty set the Sabine River as the western border of Louisiana. But many still refused to accept the Sabine as the boundary. Therefore, when the Republic of Texas presented its petition of annexation to the United States Congress in 1837, many in the United States considered Texas as being returned to its rightful place.

But there were also many others that did not welcome the Republic's request for annexation, namely the anti-slavery people and the abolitionists. They saw in the annexation of Texas a threat to the delicate balance of power established in the Missouri Compromise of 1820 regarding slavery. With Texas in the union, the balance of power would be upset and the exponents of slavery would have a majority in the United States Congress. Many violent debates followed. The issue was temporarily sidetracked when the United States recognized the Republic of Texas on March 3, 1837, but the debates continued. By the summer of 1838, annexation had become such a hot political issue that President Van Buren used his influence and induced John Q. Adams to make a speech that for the time ended the Republic's chances for annexation.¹²

Houston, seeing there was no chance for annexation at this time, decided to withdraw the Republic's petition. Furthermore, the mood of the Texas people had changed, and they no longer favored annexation. On the twelfth of October, Anson Jones, the Republic of Texas Minister to the United States, withdrew the petition.¹³ This was less than two months before Houston's term as president expired, and left to the

¹²Samuel Eliot Morison, The Oxford History of the American People (New York, 1965), p. 553.

¹³Schmidt, Texas Statecraft 1836-1845, p. 62.

incoming administration the decision of raising the issue of annexation again at a more favorable time.

There was no place for annexation in the plans Lamar had for the Republic of Texas. Had there been any doubt in his mind as to his course of action, it was dispelled in a letter he received from James Hamilton, who had just returned from England in October. Hamilton told of his conversations prior to departing from England with Lord Palmerston, the British Foreign Secretary. According to Hamilton, Palmerston had expressed a great deal of interest in the Republic's ability to maintain itself against Mexico. From this Hamilton concluded that if the Republic would withdraw its petition of annexation, England would soon recognize the Republic of Texas, and with recognition accomplished, the loan Texas needed would soon follow.¹⁴

Once in office, Lamar was not long in spelling out his administration's stand on annexation. In his inaugural address to both Houses of Congress in December, 1838, Lamar recalled that at one time nearly everyone in Texas favored annexation, but now the majority of Texans favored an independent Texas. He then summarized the rights Texas would lose under annexation and contrasted them with the Texas he envisioned, concluded that:

I cannot regard the annexation of Texas to the American Union in any other light than as the grave of all her hopes of happiness and greatness; and if, contrary to the present state of affairs, the amalgamation shall ever hereafter take place, I shall feel that the blood of our martyred heroes had been shed in vain--that we had riven the chains of Mexican despotism only to fetter our country with more indissoluble bonds, and that a young republic just rising into high

¹⁴Hamilton to Lamar, October 11, 1838, Lamar Papers, II, pp. 243-245.

distinction among the nations of the earth, had been swallowed up and lost like a proud bark in a devouring vortex.¹⁵

A few days after Lamar's inaugural address, the Texas Congress formally withdrew its resolutions endorsing annexation, an action the previous congress under Houston had refused to do.¹⁶ Annexation was a dead issue as far as the Lamar administration was concerned.

Lamar next turned his attention to the task of gaining recognition from Mexico, which he believed to be the one remaining obstacle to recognition by the European countries. Once Mexico granted recognition, there was good reason to believe the loan would soon follow. He did not mention Mexico in his inaugural address. However, in his first message to both Houses of Congress on December 21, 1838, Lamar left no doubt as to the Republic's stand in independence. As far as Texas was concerned, he noted there was no change in its desire for full independence and any hope Mexico had of recovering Texas was a futile one, moreso since it had no means whereby this hope could be realized. Furthermore, Lamar continued,

. . . it may become the duty and interest of Texas, to reduce the question of her right of Independence, to a more summary adjustment than our adversary seems inclined to give it. While we would meet with alacrity the first indication of a desire, for a just and honorable peace, we should compel a more active prosecution of the war. If peace can be obtained only by the sword, let the sword do its work.¹⁷

In short, Lamar felt the time had come for Mexico to recognize the independence of the Republic of Texas, whether peacefully or through force.

¹⁵Lamar Papers, II, p. 321.

¹⁶Christian, Mirabeau Buonaparte Lamar, p. 131.

¹⁷Lamar Papers, II, p. 348.

Seeking to obtain recognition from Mexico peacefully through negotiation, Lamar, on February 20, 1839, appointed his Secretary of State, Barnard E. Bee, as Agent and Minister Plenipotentiary to the Government of Mexico.¹⁸ According to instructions received from James Webb, Lamar's new Secretary of State, Bee was to proceed to Vera Cruz, or some similar location on the Mexican coast, and attempt to hand his credentials to a representative of the Mexican Government, which, if received, would constitute recognition of the Republic of Texas. Once Bee had been received, he was to try to negotiate a treaty of peace, which must include the unconditional recognition of the independence of the Republic of Texas; a Texas with boundaries as defined by an Act of the Texas Congress on December 19, 1836.¹⁹ Under this act, the Republic of Texas established the Rio Grande as its boundary with Mexico, instead of the Nueces River, which Mexico had always considered as the southern boundary of the Department of Texas.

Webb, aware that the Mexican Government would have little inclination to recognize Texas as an independent nation, suggested it would be better for Bee to attempt to enter Mexico as an Agent of the Texas Government. Furthermore, as Webb pointed out, Bee had authority to treat for peace as an agent or minister. Thus, should the Mexican Government receive Bee as an Agent of the Texas Government, the instructions continued, and Bee found the Mexican Government willing to treat

¹⁸ Bee had been Secretary of War in Houston's administration but fell out with him over the appointment of James Hamilton to negotiate the loan, resigned from Houston's cabinet, and joined those supporting Lamar in his bid for president. Bee became Lamar's Secretary of State but resigned to accept the appointment to Mexico.

¹⁹ Webb to Bee, February 20, 1839, DC, II, pp. 432-437.

for the restoration of peace and then recognition of the Republic of Texas but not a Texas as defined by the Texas Congress, Bee was authorized to offer the Mexican Government up to five million dollars for the land between the Nueces River and the Rio Grande. Texas would pay for this land in five equal payments, with the first payment to be made one year after the exchange of ratifications of the treaty.²⁰ Knowing the chaotic financial situation in Mexico, the Lamar administration believed that the Mexican Government would be unable to turn down this offer. Also, the offer provided the Mexican Government with a means whereby it could justify the loss of land to the highly emotional Mexican population, by pointing out that Texas was willing to buy worthless land.

There were, however, others besides the Republic of Texas who were interested in this land between the Nueces and the Rio Grande. English holders of Mexican bonds were also interested in this land. When Mexico declared its independence from Spain in 1821, financial stability soon became a major issue for the Government. Loans were sought abroad, with several being obtained in England. But the Mexican Government never seemed able to repay the loans. Thus, a \$3,200,000 loan received in 1825, together with accumulated interest, amounted to slightly over five million dollars in 1839.²¹

In April 1837, the Mexican Government offered the English bondholders land in its northern departments, which included land between the Nueces River and the Rio Grande, in payment of their claims. This

²⁰Ibid., p. 433.

²¹A. Andreades, History of the Bank of England (New York, 1966), p. 250.

move by the Mexican Government would accomplish two things. First, it was a means of settling the claims of the English bondholders and reducing the national debt; and second, English landowners would soon call for English colonists and with them would come involvement with the British Government. This would further strengthen relations between the British and Mexican governments and also bring England into Mexico's dispute with Texas.

The English bondholders accepted the offer in September of that year. On October thirteenth, Henderson brought this offer up in his first meeting with the British Foreign Secretary, Lord Palmerston. Henderson asked Palmerston if the British Government had any direct interest in the claims or if it sanctioned these proceeding, to which Palmerston replied that the British Government had neither.²² On October sixteenth, Henderson advised F. De Lizardi and Company, the London agents of the Mexican Government, the land offered by the Mexican Government between the Nueces River and the Rio Grande was located in what is now the Republic of Texas, and Mexico no longer has sovereignty over Texas. Also,

That the people of Texas having on the 7th day of November 1835 assumed the reins of Government in that country and subsequently declared their independence and entire separation from Mexico, and established the present constitutional government, no grant or sale of Land in Texas made by the Government of Mexico, since the said 7th November 1835, will be regarded as valid by the present government of Texas.²³

Thus, nearly two years before Bee began his mission to Mexico, the

²²Henderson to Irion, October 14, 1837, DC, I, pp. 818-819.

²³Henderson to Irion, October 14, 1837, DC, I, p. 830.

Republic of Texas let the world know that it considered the land between the Nueces and Rio Grande as being a part of Texas.

For reasons unknown, Bee did not set out for Mexico until the first of April, 1839. He went first to Pensacola, then Mobile, and finally to New Orleans, looking for transportation to Mexico. In the meantime, instructions similar to Bee's were sent to Richard G. Dunlap, the Republic's minister in Washington. Dunlap was given plenary powers to treat for peace and independence with the Mexican minister at Washington. Also, in event the United States could be induced to act as mediator for the dispute, Dunlap was authorized to negotiate with whoever was designated to negotiate. Washington would provide a neutral ground for negotiations and at the same time prevent the Mexican Government the embarrassment of having the negotiations held in Mexico. Dunlap presented the idea of mediation to the United States State Department. In reply, Forsyth, the Secretary of State, advised Dunlap the United States was willing to act as mediator, provided that the Mexican Government also asked the United States to interpose. But no request was received from the Mexican Government and the matter was dropped.²⁴

While waiting in New Orleans for passage to Vera Cruz, Bee became acquainted with a Mr. Gordon of the House of Lizardi, an English trading company. In addition to representing the Mexican Government in its attempt to settle the long standing claims related to loans Mexico had obtained in England, the company also had extensive trade interests in Mexico and was on good terms with the majority of the Mexican Government

²⁴Webb to Bee, February 20, 1839, DC, II, p. 436; Webb to Dunlap, March 13, 1839, DC, II, pp. 368-372.

officials. In the conversations that followed, Bee let it be known the Republic of Texas was willing to pay up to five million dollars for the disputed land between the Nueces and Rio Grande. Gordon, seeing a chance for the English bondholders to be paid for their long standing investment in Mexican bonds, offered to write the Mexican Government urging consideration of Texas's overtures for peace; and also to Pakenham, Great Britain's Minister to Mexico, suggesting the use of his office to further the cause for peace. In his letter to Pakenham, Gordon also pointed out that once peace and recognition of the independence of Texas were arranged, there was a good possibility the English bondholders could end up with the five million dollars Texas was willing to pay for the disputed land.²⁵

Bee sailed for Mexico on May second, arriving at Vera Cruz six days later. He contacted General Victoria, the Commandant at Vera Cruz, who informed the Mexican Government of Bee's arrival and the purpose of his visit. While Bee waited at Vera Cruz to hear from the Mexican Government, Pakenham, who by now had received Gordon's communication, attempted to intercede for Bee. He made several attempts to get the Mexican Government to listen to Bee's proposal for peace but was unsuccessful. The Mexican Government would listen to no proposal whereby the country would be dismembered, still considering Texas a rebellious department that must be brought to terms. Finally, Pakenham advised Bee there was no chance the Mexican Government would receive him at this time, neither would it consent to considering his proposals for peace and recognition. On May twenty-ninth, Bee returned to New Orleans, more convinced than

²⁵Hamilton to Fox, May 20, 1839, DC, I, pp. 867-870; Christian, Mirabeau Buonaparte Lamar, pp. 136-138.

ever negotiation should have been initiated in Washington. Thus, Lamar's first attempt to negotiate a peaceful settlement with Mexico ended in failure.²⁶

Lamar had not let his concern for peace and recognition from Mexico allow him to forget the necessity of procuring a loan. Soon after becoming president, he reviewed the previous administration's loan attempts, much of which was well-known to him as vice president of that administration. Burnley and Williams, Houston's last loan commissioners, had spent the past summer and fall attempting to obtain a loan from Nicholas Biddle and the United States Bank at Philadelphia. For quite some time, Biddle has shown a great deal of interest in Texas and its financial dilemma, and both commissioners felt he was just on the verge of offering a loan to the Republic of Texas.

In late September, Hamilton, who had been to Europe assessing the prospects for a loan in France and England, joined Burnley and Williams. Hamilton was a close friend of Biddle and had worked with him when securing the loans for South Carolina. It was hoped that Hamilton's close friendship with Biddle would enable him to convince Biddle to offer the loan.

But the political atmosphere and economic conditions in the United States were not favorable for Biddle to offer a loan to Texas. The nation was now beginning to feel the full effect of the financial panic of 1837, and the abolitionist forces and sentiment against slavery were gaining strength in the northern states; states which included many directors of Biddle's bank. On October 6, 1838, Biddle wrote Burnley

²⁶Christian, Mirabeau Buonaparte Lamar, p. 137.

and Williams that despite the fact he was strongly in favor of extending a loan to the Republic of Texas, the present political situation prevented his doing so at this time.²⁷ Burnley and Williams remained in Philadelphia hoping that Biddle would change his mind, while Hamilton went to Texas to report on loan prospects in Europe. Thus, the loan attempts up to the beginning of the Lamar administration had not produced the much needed loan.

As soon as Lamar had his domestic program under way, he turned his attentions to the loan negotiations. On December 24, 1838, Lamar nominated Hamilton for the post of Commissioner of Loans. Two days later, the Texas Senate confirmed the nomination. Hamilton was to replace Williams, who had been rejected by the new Congress. According to Hamilton's instructions, he was to join Burnley, who was still in the United States, and try to secure a loan; and if unsuccessful, they then were to proceed to Europe and try to obtain one from either France or England, provided Henderson had received recognition for the Republic of Texas.²⁸

Hamilton had been in communication with Lamar for some time prior to being nominated for Commissioner of Loans. He had written Lamar long and detailed letters in which the prospects for a loan in Europe were assessed and had outlined how he thought the terms of the loan contract should read. In a letter written in November 1838, Hamilton suggested the advisability of establishing a three hundred thousand dollar sinking

²⁷Seymour V. Connor, The Texas Treasury Papers, III (Austin, 1955), I, pp. 133-138, Hereafter cited as TTP.

²⁸Edwards, "Diplomatic Relations Between France and the Republic of Texas," p. 229.

fund to insure that interest on the loan would be met. Also, the money for the sinking fund should be an annual appropriation and invested in securities and corporate stocks in the United States. At the same time, Hamilton had encouraging news regarding the prospects of a loan from Biddle's bank. He told of interviews with Biddle after the October sixth refusal, which led him to believe that Biddle intended to take up the loan in the spring.²⁹

The Texas Congress, however, was in no mood to wait for spring and the possibility of a loan. On January 22, 1839, an Act was passed authorizing the President to negotiate a loan of one million dollars. The loan was to bear eight per cent interest and was to be redeemable in ten years. The bondholders had the option of taking public land in lieu of principal and interest.³⁰ The five million dollar loan, it should be recalled, offered ten per cent interest and was redeemable at the discretion of the Texas Government in not less than five nor more than thirty years. Major James Reily of the Treasury Department was sent to New Orleans to sell the bonds. He received several offers, but none that would accept the Republic's bonds at par.

On February twenty-first, Lamar wrote Reily that the frontier was suffering from a lack of protection due to the government being out of funds, therefore, he was to take the offer of three hundred thousand for five hundred thousand dollars in Texas bonds, providing the payment was made in specie. After purchasing supplies for the army, Reily was to send the remainder of the money to Texas and stay in New Orleans to

²⁹Hamilton to Lamar, October 11 and November 3, 1838, Lamar Papers, II, pp. 243-245; 274-279.

³⁰Gammel, The Laws of Texas, 1822-1897, II, pp. 64-65.

sell the remaining bonds at the best possible price, but in no case less than eighty cents on the dollar.³¹ On March nineteenth, Reily wrote the Secretary of the Treasury, Richard Dunlap, that he was unable to complete the sale of five hundred thousand dollars in government bonds due to the precarious situation of the bank extending the offer. There had been a run on the bank, and it was no longer paying specie. Also, he had received no other offers nor were there any negotiations presently in progress.³²

Shortly afterward, Hamilton arrived in New Orleans. He confirmed the New Orleans money situation to Lamar and stated his intention to remain there to help Reily dispose of the bonds, although it would be very difficult in view of the fact money in the hands of brokers was worth four per cent per month. The first of April, Hamilton again wrote Lamar, but this time recommended the removal of the bonds from the market as they would bring at the best, fifty cents on the dollar. Furthermore, their remaining on the market could jeopardize the chance of selling the five million in bonds on the east coast. Dunlap further confirmed the poor money situation three days later. At the time, Dunlap was in New Orleans on his way to Washington to take up his post as Minister to the United States. On April thirteenth, James Webb, Acting Secretary of the Treasury, wrote Reily directing him to remove the bonds from the market and return them to the treasury department.³³

³¹Lamar to Reily, February 21, 1839, Lamar Papers, II, pp. 458-459.

³²Reily to Dunlap, March 19, 1839, TTP, I, p. 202.

³³Hamilton to Lamar, March 31 and April 4, 1839; Dunlap to Lamar, April 4, 1839; Webb to Reily, April 13, 1839, Lamar Papers, II, pp. 509-515; 526.

As was the case with the attempt to sell the five million in bonds to Biddle and the United States Bank at Philadelphia, the time was not right, and the first major attempt of the Lamar administration to obtain a loan ended in failure. The money markets of Europe seemed to be the only hope left.

In the middle of April, Hamilton wrote Lamar that he intended to make one more attempt at procuring a loan in the United States before he left for Europe around the middle of June. Hamilton expressed no concern that Biddle was no longer president of the United States Bank at Philadelphia, and still believed a loan could be completed with that institution. However, he concluded, due to the pressing need of the Republic of Texas for funds, a loan of only five hundred thousand dollars should be sought, and then concentrate all efforts for the five million dollar loan in Europe.³⁴

En route from his home in South Carolina to Philadelphia, Hamilton stopped off in Washington to contact H. S. Fox, the British Minister in Washington. Bee had written Hamilton of the attempt of Pakenham, the British Minister to Mexico, to act as mediator and had also included the proposal of Gordon, the agent of Lizardi and Company, whereby the money Texas paid for the land between the Nueces and Rio Grande, would end up in the hands of British holders of Mexican bonds. Hamilton discussed both the possibility of mediation by Pakenham and the plan of Gordon. He saw in Gordon's plan a way for Mexico to save its honor and at the same time treat with the Republic of Texas for peace and recognition. Hamilton also advised Fox of his appointment as commissioner to

³⁴Hamilton to Lamar, April 14, 1839, Lamar Papers, II, pp. 526-528.

negotiate a loan of about one million sterling in England and that he planned to leave for England in early June.³⁵

To reinforce the arguments for the recognition needed by the Republic of Texas before loan negotiations could begin in England, Hamilton pointed out to Fox four reasons why it was in the best interests of England for her to help bring about peace between Mexico and the Republic of Texas, and the recognition of Texas independence by Mexico. First, that by the fall of 1839, Texas would again have a navy and would be able to blockade the ports of Mexico. Since England had not recognized the Republic of Texas, and should she decide not to recognize such a blockade, such an action could lead to bloodshed and a possible alliance of Texas with the Canadian people, who were presently at odds with Great Britain. Second, Hamilton pointed out the many trade advantages to Great Britain, the vast acreages in Texas that could produce cotton for the English mills, plus its wealth in minerals and other natural resources. Next, Hamilton noted that if Mexico did not recognize the independence of Texas first, this would put Great Britain in a difficult position because of its dispute with the Canadian Provinces and also easily drive the Texas commerce into the hands of other European countries, namely France. Last to be discussed was the slave trade. Texas had prohibited slavery in its constitution, Hamilton declared; therefore, there was no issue between Great Britain and Texas. In replying to Hamilton, Fox remained non-committal beyond the fact he intended to advise Pakenham and Palmerston of Hamilton's correspondence.³⁶

³⁵Hamilton to Fox, May 20, 1839; Fox to Hamilton, May 22, 1839, DC, I, pp. 867-871.

³⁶Ibid.

Hamilton then continued on to Philadelphia, where Burnley was waiting for him. On May twenty-ninth, Hamilton wrote Lamar that he and Burnley had that day concluded an arrangement for a loan with Biddle and the United States Bank at Philadelphia. The loan was to be an advance on the five million dollar loan they expected to obtain in England, and carried the provision that word of this advance was not to be announced until after the loan in England had been negotiated. This loan of four hundred thousand dollars was in United States Post Notes and would be available at the Merchants Bank in New Orleans, just as soon as the notes could be transferred. For handling the funds, the Merchants Bank would discount them seven and one-half per cent.³⁷

Within a week Hamilton forwarded two hundred thousand of the post notes by his son, Thomas, but did not send the remaining two hundred thousand until three weeks later with James A. Treat, a New York businessman, who had agreed to help in the recognition issue with Mexico. Treat had lived in Mexico for many years and was personally acquainted with Santa Anna and many high Mexican officials. Hamilton had written Lamar previously concerning Treat, suggesting him as an aide to Bee in his negotiations, unaware that Bee had already returned from his mission unsuccessful.³⁸

Treat traveled to New Orleans, left the post notes, and then on to Texas. On August 9, 1839, he was appointed a Private and Confidential Agent of the Republic of Texas for the purpose of negotiating peace and independence with Mexico. He was given the same instructions as Bee had

³⁷Hamilton to Lamar, May 29 and 31, 1839, Lamar Papers, III, pp. 1-7.

³⁸Hamilton to Lamar, June 22 and 28, 1839, DC, II, pp. 450-455.

received; peace, recognition of the independence of Texas, with boundaries as defined by the Republic's Congress, and the purchase of the disputed land between the Nueces River and the Rio Grande for not more than five million dollars. Before Treat was to submit the Rio Grande, from its mouth to the source, as sine qua non in boundary negotiations, he was to suggest another boundary as a bargaining point. This boundary was to run from:

. . . a line commencing at the mouth of the Rio Grande mid way of its channel, up that stream to the Paso del Norte and from thence due west on a line to the Gulf of California and along the Southern shore of that Gulf to the Pacific Ocean.³⁹

Treat was not to insist strenuously on this boundary, rather it was intended to give Mexico an indication of what Texas felt was in store for Mexican lands in the far west.⁴⁰

Upon receiving these instructions, Treat immediately left Austin and returned to New York, where he remained for nearly two months before departing for Mexico the latter part of October. He arrived at Vera Cruz on the twenty-eighth of November; and gaining entrance to Mexico went on to Mexico City, arriving there on December eleventh. Treat immediately contacted Pakenham, and together they attempted to bring about an agreement between Mexico and the Republic of Texas, but no success was made during the remainder of the year.⁴¹

Meanwhile, Hamilton was still in New York. Instead of proceeding to England as previously planned, he sailed for France the first of

³⁹Burnet to Treat, August 9, 1839, DC, II, pp. 470-472.

⁴⁰Ibid.

⁴¹Christian, Mirabeau Buonaparte Lamar, pp. 139-140.

August. There were two major reasons for this change in plans. First, the London stock market was greatly depressed at the moment, due primarily to the uncertain crop conditions in England. Hamilton saw little chance for a loan under these conditions. It was the second reason, however, that was really his reason for changing his plans. Count Alphonso de Saligny, the French agent who had been sent to Texas to ascertain political and economic conditions in the Republic to be used by the French Government in making its decision regarding recognizing the Republic of Texas, was on his way back to France to make his report. Hamilton felt the report would be favorable and was determined to stay close to Saligny until the report was given. Should the report be favorable and the French Government decide to recognize Texas, this would immediately open up the French money markets for a possible loan.⁴²

Arriving in Paris, Hamilton conferred with Henderson, who was attempting to arrange a treaty with the French Government. Henderson had left England soon after completing the Commercial Arrangement in 1838, and was still trying to obtain recognition for Texas from a major European country. While in Paris, Hamilton wrote Lamar that the time was not right for attempting a loan in England. England, at that time, was trying to recover from the very unfavorable harvest the previous year, which had caused the export of about seven million sterling. This action resulted in an unfavorable balance of trade, leading to the scarcity of money and the Bank of England having to borrow two million sterling from the Bank of France. This had also increased the interest

⁴²Hamilton to Lamar, July 8 and August 1, 1839, DC, II, pp. 459; 468-469.

rates to as much as ten per cent on the best English securities, and driving foreign securities off the market. However, he was told there was the possibility of a good harvest this year. If this occurred, then English money markets would be restored to a more normal condition in a short time, and that sometime between October and January would be the earliest the Texas loan should be brought onto the market.⁴³

Hamilton sailed for England the middle of September and joined Burnley, who had been in London since late June trying to generate interest in the loan. Henderson, meanwhile, continued negotiations in Paris and on September 25, 1839, successfully completed a Treaty of Amity, Navigation, and Commerce with France, making France the first European country to recognize the Republic of Texas.⁴⁴

While in London, Hamilton asked for and was granted an interview with Palmerston, the substance of which he reported to Lamar immediately upon his return to New York in early October. In the interview, Palmerston advised Hamilton the British Government had for some time been satisfied that the Republic of Texas had achieved her independence from Mexico, and that any hope Mexico had of reconquest was illusory. Also, that Great Britain was ready to recognize and conclude a treaty with the Republic of Texas, but if recognition was given at this time, it would impair any influence she would have as a mediator between Mexico and Texas. Palmerston also informed Hamilton that Pakenham had been instructed to offer mediation, and until such time as a reply was received from Pakenham, the state of affairs between Great Britain and

⁴³Hamilton to Lamar, August 29, 1839, Lamar Papers, III, pp. 82-84.

⁴⁴Henderson to Lamar, October 11, 1839, Lamar Papers, III, pp. 118-119.

the Republic of Texas should remain as they now are.⁴⁵

This was a change in thinking on Palmerston's part and also a change in British foreign policy. When Pakenham first offered to act as mediator between Mexico and Texas, Palmerston had withheld permission. At the time, he had good reason for doing so. In the first place, it was highly important to Great Britain, both politically and economically, that the status quo be maintained in the Caribbean. British influence was very high throughout the entire Caribbean region, but there was the possibility that the United States would attempt to increase its influence in the Caribbean, something that bothered Palmerston greatly. When the United States recognized the Republic of Texas in 1837, this action moved the United States into greater involvement in the region. The Monroe Doctrine, while helping to protect British trade interests and investments in Central and South America, had awakened in the United States a spirit of paternalism that would later be called Manifest Destiny. Also, commercial interests in the United States were looking for new areas of investment. The Caribbean presented such an opportunity, but this would bring them into competition with British commercial interests, something else that Palmerston did not want. By 1825, Great Britain had over \$125,000,000 invested in Mexico, Central and South America, and British trade to this region was increasing annually.⁴⁶ The best estimates in 1838, placed British investments at nearly twice that figure.

In 1838, the Republic of Texas and Mexico both provided a barrier

⁴⁵ Hamilton to Lamar, October 11, 1839, Lamar Papers, III, pp. 126-128.

⁴⁶ Andreades, History of the Bank of England, p. 250.

to further aggression by the United States into the Southwest. But Americans were immigrating into Texas in large numbers, and Texas was rapidly becoming United States oriented, thereby greatly reducing the chances for a Mexican reconquest of Texas.

This new orientation brought up the question of annexation, which in 1838, was still unanswered for England. As far as Palmerston was able to determine, annexation, at least for the present, was a dead issue; but there was no assurance it would always remain so. Furthermore, British mills were dangerously low on raw materials, and almost totally dependent on the American southern states for cotton. The extension of slavery into Texas could provide England with an alternate supply of cotton in time; but if Palmerston recognized a Republic of Texas that included citizens who were slaveholders, he ran the risk of opposition from the anti-slavery forces in parliament.

All this left Palmerston with two choices, recognition or maintain the status quo. If he chose recognition it could mean increased difficulty in getting his programs through parliament. Besides, recognition of Texas would eliminate the possibility of Mexico and Texas reconciling their differences and re-uniting. Furthermore, such an action would anger the Mexicans and greatly reduce English bondholders chances of realizing any return on their investments in Mexico. Mexico was also considered as the spokesman for the Central American countries in the field of foreign affairs, and any lessening of British influences in Mexico would effect British influence in the other Central American countries. If, on the other hand, he chose to maintain the status quo, none of these issues would have to be confronted, at least not at the time being. Palmerston chose status quo. Thus, by keeping the British

Government out of the dispute between Mexico and Texas in 1838, Palmerston hoped to maintain the balance of power in the Caribbean in favor of Great Britain.⁴⁷

By the spring of 1839, however, Palmerston decided that Mexico was unable to retake Texas, and that it was time to change his Caribbean policy. In a letter of instructions to Pakenham on April 25, 1839, Palmerston discussed at some length the question of Texas independence and seemed ready to grant her recognition. He also pointed out that Mexico should spend its energies in rendering productive the other portions of its vast territory making this its true domestic policy, with a foreign policy based on having Texas serve as a buffer state between Mexico and the United States. Here again, Palmerston was thinking only in the best interests of Great Britain. Should Texas remain independent, it would present an effective barrier to further expansion by the United States into the Southwest. However, should the United States annex the Republic of Texas, a future possibility that Palmerston did not completely discount, then Mexico would continue to serve as the much needed barrier to American expansion. Palmerston advised Pakenham that although he did not expect Mexico to consider recognizing the independence of Texas at this time, possibly Mexico would be willing to accept an offer by Great Britain to act as mediator in an attempt to bring peace to the area.⁴⁸

⁴⁷Sir A. W. Ward and G. P. Gooch, The Cambridge History of British Foreign Policy 1783-1919, III (New York, 1922), II, p. 255.

⁴⁸Ephriam Douglass Adams, British Interests and Activities in Texas, 1836-1846 (Gloucester, 1963), pp. 29-31.

Soon after Pakenham received his instructions, there was a change in the Mexican Government, resulting in Pakenham being unable to present Palmerston's plan for over a month. He presented the plan to Juan Cañedo, the new Mexican Minister of Foreign Affairs, who agreed the arguments were sound but urged that this matter not be brought up until such time as the new government was more firmly established.⁴⁹ Pakenham was kept waiting for word to present his plan throughout the rest of the year, while the Mexican Government, like those of the past, held to a policy of non-recognition of Texas and constantly revised plans for the invasion and reconquest of Texas. Thus, when Hamilton had his interview with Palmerston in September 1839, while there was every indication Palmerston was ready to recognize the Republic of Texas, British foreign policy still dictated the time was not right to do so.

During the time Hamilton was in London, he contacted several banking houses concerning the loan. He located several that expressed an interest, but only two gave any real promise; the money market in England was too unstable. One firm, a Scottish banking house, was willing to accept the bond issue provided they had exclusive rights to the whole issue and could have fourteen days in which to return to Scotland and form a combination among Scottish banks and bankers. The firm offered eighty cents on the dollar and required a ten per cent commission. Hamilton turned down the offer as his instructions called for receiving par, or one hundred cents on the dollar. One other firm, headed by a Jewish Banker by the name of Goldsmith also offered to take

⁴⁹Ibid., pp. 32-33.

the issue, but here again with the problem of discount.⁵⁰

Although negotiations had begun with London banking firms, an acceptable offer would by no means assure Texas the loan. There were two primary reasons for this. First, the problem of recognition by the British Government still existed. The British Government could not allow Texas bonds to be bought and sold freely on the British money markets for this would be the same as recognizing the Republic of Texas. This fact did not seem to bother the Scottish banking firm that was ready to take the issue, or the Jewish banker. Evidently they both had means of transferring specie other than through the British money markets. Neither did it seem to bother Hamilton, but then he had good grounds for believing that recognition was all but an accomplished fact.

The second problem involved the transfer of specie to Texas, once the loan was satisfactorily completed. England, at the time, was in the middle of an economic recession and the Bank of England was in financial distress. Its specie reserve was the lowest in the bank's history. London was now the capital of international money, and all specie (gold or silver), moving in or out of London, passed through the Bank of England. It also served as a central bank for all banking and money interests in England, and was the repository for all reserve specie. In addition, the Bank of England had possession of all Government funds and was responsible for management of the national debt.

Since all surplus Government funds remained in the Bank of England, the Chancellor of the Exchequer had a great responsibility to the British money market as well as to the Bank of England. His financial

⁵⁰ Hamilton to Lamar, October 11, 1839, Lamar Papers, III, pp. 126-129.

actions could contract or expand the money supply, which could directly influence investments and loans. He has to arrange the Government's finances so as to prevent money panics, rather than create them. At the same time, he had to aid the Bank of England in discharging its duties, not impede it. Together, with other cabinet members, the Chancellor of the Exchequer formulates Government policy and is responsible for seeing the funds required in foreign and domestic policies are available when needed. All this requires close cooperation and coordination between the Chancellor of the Exchequer and the Directors of the Bank of England.

According to the rules under which the Bank of England was to conduct its business, it was required to keep a reserve, composed of bullion and securities, equal to its liabilities. It was also required that, whether the demand comes from home or abroad, a metallic reserve equal to one-third the bank's liabilities must be maintained.⁵¹ The Bank of England's directors frequently allowed these rules to be violated, particularly in years when crops were good and money moved in and out of the bank's vaults rapidly.

The years 1833 through 1836 were good crop years in England, exports exceeded imports, and British investors were able to expand their investments, particularly in the United States. But the expansion of foreign investments called for exporting specie. Also, a large amount of American securities were sold in England to obtain gold. The gold was needed to carry out the financial reforms brought about by President Andrew Jackson's decision not to renew the charter of the United States

⁵¹Andreades, History of the Bank of England, p. 264.

Bank in 1836. Still another exportation of gold reduced the specie level when two million pounds were sent to Ireland to prevent financial collapse resulting from the failure of the Agricultural and Commercial Bank. The Bank of England, which in the spring of 1836, had an eight million pound reserve, had only 3,640,000 pounds in reserve against liabilities of over thirty million pounds by the end of November, 1836.⁵²

To stop the outward flow of gold, the Bank of England increased its discount rate of four and one-half per cent to five per cent, and finally refused to discount any bills previously discounted by an English bank. Since it was common practice for English banks to discount American securities before placing them on the market, this action drove American securities from the market, as English banks liquidated their holdings. But this action resulted in gold being returned to England. The influx of gold continued throughout 1837. In December, the bank's metallic reserve was 10,500,800 pounds. By the following March, the bank's funds were once again in balance, with assets of 10,527,000 pounds in coin and bullion, and 21,046,000 pounds in securities against liabilities of 31,573,000 pounds.⁵³

A crop failure in 1838, caused England to import grain, with the Bank of England having to reduce its specie reserves by ten million pounds to pay for the imported grain. Crop failures on the continent also caused the drain of specie from those countries. The Bank of Belgium, in 1838, suspended payment to prevent bankruptcy, and the Bank

⁵²Ibid., p. 265.

⁵³Ibid., pp. 266-267.

of France borrowed from the Bank of England. At the same time, the Bank of England took an action that has been the subject of much controversy and many investigations by parliament. The discount rate of five per cent was lowered first to four per cent, and in November, 1838, to three and one-half per cent, causing gold to flow from its vaults. Not until the following May, did the bank change its policy and raise the discount rate to five per cent. When the discount rate was finally raised, the bank's metallic reserve amounted to slightly over four million pounds, while its liabilities exceeded twenty-five million pounds. On July 16, 1839, the reserve had fallen to 2,987,000 pounds, and on the second of September, stood at 2,406,000 pounds, its lowest point.⁵⁴ Thus, the Bank of England was facing bankruptcy, when Hamilton was in England seeking a loan. The Bank of France came to the aid of the Bank of England and bankruptcy was prevented, but it was not until in 1843, that the bank's accounts were in balance once again.

The financial conditions existing in England did not seem to concern Hamilton greatly. He considered them as only a temporary condition, one that would correct itself in a short time, and still held high hopes the entire loan would soon be contracted. There was, however, a legal problem that could possibly hold up the loan, the wordage of the Sinking Fund Act, passed by the Texas Congress in January, 1839. The sinking fund had been created to insure that funds would be available to meet interest payments on the loan, but the act had failed to state explicitly who was to administer the fund, or to authorize the loan commissioners to receive funds and pay interest payments when they become

⁵⁴Ibid., pp. 267-268.

due. In October, Hamilton left Burnley in England and hurried back to Texas to explain to the Congress the necessity of amending the Sinking Fund Act. Burnley, remained in England for a short time and then sailed for France, which had recognized the Republic of Texas in September, to see if the loan could be obtained from French financial interests.

There were matters beside the sinking fund act that made it necessary for Hamilton to return to America. The United States Bank at Philadelphia expressed concern over the delay in negotiating a loan. The bank had advanced the Republic of Texas four hundred thousand dollars, contingent on Texas obtaining a loan in Europe, and reports coming out of Europe did not sound encouraging. Furthermore, there was a matter of some three hundred thousand dollars due Frederick Dawson of Baltimore, who was building ships for the Texas Navy.

On November fourth, Hamilton wrote the president and directors of the bank, advising them of the loan's status. He also informed them of the three hundred thousand dollars due Dawson, and that unless he was paid by the first of December, his contract read he was due double that amount. Hamilton then proposed he give his note as Commissioner of Loans for the Republic of Texas for the amount due Dawson. This note would be redeemable in ninety days and bore ten per cent interest. Payment was to be made in sterling on the London exchange. In event the loan was not completed within the ninety days, the bank was to receive double the amount of the note.⁵⁵ Evidently, Hamilton had no doubt of his ability to negotiate the loan in the next ninety days.

⁵⁵Hamilton to Bank of United States, November 4, 1839, TTP, I, pp. 431-432.

But there were others that did not feel this way. One of them was Samuel Roberts, Secretary of the Texas Legation in Washington. Writing to his father in October, Roberts went into much detail regarding the banks in the United States that had stopped specie payments, and the financial situation in England. He also observed that as far as the loan negotiations were concerned, he considered them a failure.⁵⁶

Richard Dunlap, the Texas Minister to the United States, also believed the negotiations would be unsuccessful, that they had been initiated at least six months too late. The directors of the United States Bank at Philadelphia must have also reached this conclusion. When Dunlap visited Baltimore in late November, he found no arrangements for paying Dawson in evidence. Dunlap was able to work out an agreement whereby Dawson received interest due on the contract, would receive the next six months interest in ninety days, and agreed to give Texas six months in which to redeem its bonds.⁵⁷

Lamar did not feel this pessimistic, however. In his annual message to Congress on November 12, 1839, he dealt lightly with financial matters. He also pointed out that the national debt was comparatively small, still it would be necessary to lay out large sums for the Navy and the military posts to defend the frontier. As for the prospects of obtaining the five million dollar loan, Lamar considered them highly satisfactory. He called attention to the fact the commissioners had obtained an advance on the loan, which netted the Republic two hundred eighty thousand dollars. This was from the four hundred thousand

⁵⁶Roberts to Roberts, October 12, 1839, Lamar Papers, III, p. 131.

⁵⁷Dunlap to Starr, December 18, 1839, TTP, I, pp. 336-338.

dollars Hamilton had obtained from Biddle, and was supposed to have been kept secret until the loan was negotiated. Lamar informed the Congress that Hamilton had stated that current conditions on the European money markets was the only reason the loan had not already been procured.⁵⁸

Lamar was so confident of Hamilton's eventual success that on December twenty-third, he vetoed a joint resolution of the Texas Congress instructing the loan commissioners to contract for a loan of which only one-fifth would be received at the time of contracting. The remaining four-fifths could be received in either four annual or eight semi-annual payments. In his veto message, Lamar declared that it was doubtful anyone would be willing to loan money whereby they obligated themselves to receive bonds five years hence at a price set now. Anyway, he noted, two hundred eighty thousand of the one million dollars received the first year would have to be paid out at once to repay money already advanced, leaving less than seven hundred and fifty thousand on which to run the government, an amount he considered inadequate. Moreover, there was a good possibility that five years from now, Texas would be in a position to loan money instead of borrowing capital.⁵⁹ Just how Lamar planned to pay off a four hundred thousand dollar advance with only two hundred and eighty thousand dollars is extremely interesting, but he fails to discuss the matter further.

Thus, the Lamar administration ended its first year in office with high hopes and confidence in the future, but no loan to stabilize the

⁵⁸Lamar Papers, III, pp. 168-169.

⁵⁹Lamar Papers, III, pp. 207-209.

nation's economy and end its financial woes. The public debt, which was \$886,425 at the beginning of the year, had increased to \$3,855,900; and the amount of treasury notes in circulation had increased from \$684,069 to \$2,013,762. But where the notes had been worth eighty cents on the dollar at the first of the year, they now were worth only twenty-five cents on the dollar at the year's end. During the year, revenue amounted to only \$187,791 while expenditures totaled \$1,504,173. Thus, it is difficult to understand how the administration could look forward to its second year in office with any degree of confidence and optimism.⁶⁰

⁶⁰Miller, A Financial History of Texas, p. 391; Gouge, The Fiscal History of Texas, p. 269.

CHAPTER III

1840: THREE TREATIES WITH GREAT BRITAIN, BUT NO LOAN

After Hamilton had discussed the need for changes in the Sinking Fund Act with the Texas Congress, he started back to the east coast during the last week in December. While awaiting passage in New Orleans, he wrote Secretary of the Treasury, James Starr, his thoughts about a national bank for Texas. A national bank, Hamilton believed, was an absolute necessity to Texas, for it would provide the Republic with an institution in which all functions of finance, governmental and public, could be combined. In this, he was thinking of a bank along the lines of the Bank of England, one that was a repository for all specie, securities, and other types of money as well as a bank of issue responsible for managing all aspects of governmental finance. Lamar had suggested such a bank in his first message to Congress in 1838. But such a bank could not operate without specie. As matters now stood, the proposed loan was the only immediate source of specie, and Hamilton cautioned the Legislature should not take any action regarding the bank until the results of his trip to Europe were known.¹

While in New Orleans, Hamilton received word from Pakenham, the British Minister in Mexico, concerning his attempts to mediate the

¹Hamilton to Starr, January 3, 1840, TTP, I, pp. 355-356.

dispute between Mexico and the Republic of Texas. The Mexican Government continued to turn down his offer to act as mediator, Pakenham informed Hamilton. But after many communications and discussions, he was able to get a communication from the Minister of Foreign Affairs, ^ACanedo, stating that the Mexican Government was willing to listen to proposals from the inhabitants of Texas, provided nothing in the proposals touched on Mexico's sovereignty over Texas. Replying to Pakenham, Hamilton stated that Texas was not willing to enter into any discussions with Mexico except through the mediation by Great Britain. Also, that any peace would have to include the territory and boundaries Texas had defined, and for which it was willing to pay. Furthermore, he had been appointed as Commissioner for the purpose of treating with the English bondholders, and to accept the mediation of the British Government in the dispute with Mexico. Reminding Pakenham that five million dollars were at stake, Hamilton told Pakenham it was left up to him to decide whether the five million dollars were worth saving for the English bondholders. Trying further to put additional pressure on Pakenham, Hamilton also advised him that should the Mexican Government decline mediation by the British Government and the British Government still continue its policy of non-recognition of the Republic of Texas, he would be forced to turn to France and attempt to negotiate a loan there.²

In the meantime, Treat, the Republic's special and confidential agent to Mexico, was attempting to make contact with the Mexican authorities so he could press the Texas plan for settling its dispute with

²Pakenham to Hamilton, December 12, 1839; Hamilton to Pakenham, January 2, 1840, DC, I, pp. 867-871.

Mexico. Treat had arrived in Vera Cruz the previous November, but due to internal unrest in Mexico, made no attempt to reveal himself. The unrest was over the Battle of Alcantro on October 3, 1839. In the battle, a force of Mexican Federalist troops together with a group of Texasns, under the command of Colonels Reuben Ross and S. W. Jordan, defeated a force of Mexican Government troops. Alcantro was on the Mexican side of the Rio Grande. This action caused the Mexican Government to actively prepare for an offensive campaign against Texas. On January 1, 1840, the Mexican President, Anastasio Bustamante, in his annual message to Congress, expressed concern over the Battle of Alcantro and urged the Congress to pass laws needed to continue the war against Texas.³ It was against this background that Treat arrived in Mexico.

Soon after arriving in Mexico City, Treat contacted Pakenham, but it was not until February 1, 1840, that Pakenham was able to arrange an interview for Treat with Cañedo. Cañedo informed Treat he had encountered great difficulty in obtaining permission to meet with him, and that it was only because of Pakenham's intervention with the President that he was able to do so. During the interview, it was discovered Treat's credentials were only written instructions, and Cañedo asked for formal credentials before proceeding any further.⁴

While waiting for his credentials, Treat, on March first, submitted a format for a treaty, which included the Texas demands for the restoration of peace and the recognition of Texas with boundaries as defined

³Christian, Mirabeau Buonaparte Lamar, pp. 145-147.

⁴Ibid., p. 148.

by its Congress. Treat received his credentials on April fifteenth, and presented them to Canedo three days later, at which time an agreement was reached on how to present Treat's plan to the Mexican Congress. On May fifth, the Mexican Cabinet asked for all papers, documents, and correspondence to be submitted to a "Council of Government" for study. After studying the papers, they were submitted, along with the Council's recommendations, to the Congress on July third. But before the papers and recommendations could be considered, one of the periodic revolutions broke out in Mexico City and nothing came of the plan.⁵

Lamar was becoming impatient at the delays encountered by Treat. Furthermore, public sentiment in Texas was calling for action. On March twenty-seventh, Treat notified the Texas Government he had formally laid before the Mexican Government a proposal for peace. In replying to this letter, Abner S. Lipscomb, the Secretary of State, wrote Treat on May seventh, that if after he had handed his credentials to the Mexican Government and received no favorable response to the Texas plan for peace within a reasonable period of time, he was to withdraw. Also, if it was necessary for him to withdraw, he was to notify Pakenham that Texas would have to change its position and commence offensive operations against Mexico. Furthermore, these operations would not be for the purpose of extending Texas territory beyond the Rio Grande, and any occupation beyond the river would be temporary and solely for the purpose of forcing peace with Mexico.⁶

In June, the threat of a Mexican blockade of the Texas ports caused

⁵Ibid., 148-149.

⁶Ibid.; Lipscomb to Treat, May 7, 1840, DC, II, p. 635.

Lamar to dispatch the Texas Navy on a cruise of the Gulf of Mexico. The Navy commander, E. W. Moore, was instructed to proceed to an anchorage off Vera Cruz and await word from Treat. By the middle of August, Treat still had received no word concerning his proposal. On August twenty-first, he addressed a long communication to Canedo, calling attention to the many complaints Texas had against Mexico. Receiving no reply to his communication, Treat addressed still another letter to the Mexican Secretary of Foreign Affairs, in which he stated that if he had received no reply to his proposal by the eighteenth of September, it would be necessary for him to ask for his passports and withdraw. Again no reply, and on September twenty-first, Treat wrote Canedo requesting his passports. Hoping to stall off Treat's departure, Canedo finally agreed that if Treat had authority to agree to an armistice, the Mexican Government was ready to receive his proposal. Accordingly, Treat drew up a plan that called for cession of hostilities for three or four years, with a six-month notice before hostilities could be renewed. The Rio Grande was set as the boundary between Mexico and the Republic of Texas. On September twenty-ninth, Canedo sent Treat's passports by Pakenham without mentioning the proposal.⁷

On October fifteenth, Pakenham informed Treat, who had gone to Vera Cruz and was waiting there in case there was any change in the Mexican Government's position, that the Mexican Government refused to consider any proposal for an armistice that included a boundary line south of the San Antonio River, which passed through the City of San Antonio and reaches the Gulf of Mexico about midway between the present

⁷Christian, Mirabeau Buonaparte Lamar, pp. 150-151.

day cities of Corpus Christi and Galveston. Furthermore, there was nothing that could be gained at this time by Treat remaining in Mexico. Treat, who had been ill for some time, was unable to leave Mexico immediately and did not embark on a Texas ship until late November. En route to Texas, Treat died on November 30, 1840, and could not make his official report of his attempt to negotiate a peace with Mexico.⁸ The second attempt by Lamar to conclude a peace with Mexico had also ended in failure.

After notifying Pakenham of his commission to treat with the English bondholders and to accept the mediation of the British Government in the dispute between Mexico and the Republic of Texas, Hamilton journeyed on to his home in Charlestown, South Carolina. While he was en route, the Texas Congress amended the Sinking Fund Act. The Act now specified that the loan commissioners, Hamilton and Burnley, were authorized to receive and pay out the annual interest of three hundred thousand dollars, to such agents in London, Paris, Amsterdam, or wherever the loan was negotiated, and to pay dividends on the bonds given as security for the loan.⁹

While at home, Hamilton began to have doubts of being able to obtain the loan in England. During the month of February, he wrote James Starr, the Secretary of the Treasury, three long letters expressing this doubt and the possibility that negotiations would have to be switched to France. In the first letter on February fifth, Hamilton was greatly concerned over the state of the money markets in England and concluded

⁸Ibid., p. 152.

⁹Gammel, The Laws of Texas, 1822-1897, II, p. 230.

that until such time as the English bondholders decided to put pressure on the British Government, there was little chance of procuring a loan in England. He also cautioned Starr, that Saligny, who was now the French Charge d'Affaires to the Republic of Texas, should be conciliated in every way possible just in case it was necessary to negotiate the loan in France. One of the first things that Lamar should consider, Hamilton declared, was reducing the tariffs on French wines. Furthermore, Hamilton continued, should England continue refusing to recognize Texas and Mexico continue refusing to make peace, if the French were offered concessions, such as a half interest in the San Saba mines, French capital might be induced to come to the aid of Texas.¹⁰ (The San Saba mines to which Hamilton refers are located in the vicinity of Santa Fe, New Mexico. Under the Texas boundaries, as defined by the Texas Congress, this area was a part of the territory claimed by the Republic of Texas.)

Five days later, Hamilton again wrote Starr. This time it was to inform him the State of Pennsylvania had failed to meet interest on its bonds in Europe and without question this action would have an adverse effect on any loan negotiations in England. Thus, he now considered it highly important that thought be given to seeking a loan in France. Hamilton also asked for a commission allowing him to pledge the bonds for an advance on the loan.¹¹ The pledge was approved and forwarded to him.

On the twenty-fourth, Hamilton wrote Starr once again. By now he

¹⁰ Hamilton to Starr, February 5, 1840, TTP, I, pp. 377-378.

¹¹ Hamilton to Starr, February 13, 1840, TTP, I, pp. 383-384.

was fully convinced France was the only place a loan could be negotiated under existing financial conditions. Due to the unprecedented scarcity of money in England, Hamilton continued, it would be months before the financial situation in England corrected itself, and until then, England could not be persuaded to bring pressure on Mexico to accept mediation. Hamilton evidently still hoped that somehow Mexico could be forced to recognize Texas, thus opening the way for the British Government to follow suit. He reminded Starr to be sure the Texas Navy remained in port until results of the negotiations in Europe were known to the Texas Government. Any overt act by the Texas Government, Hamilton believed, would endanger the prospects for a peace with Mexico and also be detrimental to the loan negotiations.¹²

Hamilton had not entirely given up hope of a loan being negotiated in England. On February tenth, he wrote Palmerston of his authority to accept mediation by the British Government, in case Mexico concurred, and also of his appointment as agent to treat with the English bondholders, in the event the Mexican Government agreed to the five million dollars, the Republic of Texas was willing to pay for the disputed territory, being paid to her creditors in England. Hamilton also discussed his correspondence with Pakenham relative to the truce offer of the Mexican Government. Even though the Mexican Government was willing to conclude a truce with Texas for an indefinite period, Hamilton told Palmerston, he had turned the offer down, unless the Mexican Government was willing to accept the mediation of the British Government, and transfer the negotiations to London. By now it was evident that

¹²Hamilton to Starr, February 24, 1840, TTP, I, pp. 390-393.

Hamilton was doing everything he could to hold the five million dollars as bait to pressure the British Government into forcing the Mexican Government to accept mediation. If, however, Mexico should change her position and decide to accept the offer, Hamilton indicated the Republic of Texas would consent to an armistice until April 1841. On the other hand, if Mexico declined the offer, then from the first of June on, there was little question that conditions in Mexico would not be to the best interests of Mexico or Great Britain.¹³ For the first time, Hamilton voiced the threat of force against Mexico, something he was counseling the Republic of Texas not to do, because of its possible effect on the loan negotiations.

Sometime in the spring of 1840, Palmerston must have decided to recognize the Republic of Texas. Just when the decision was made is not known, neither are the exact reasons for this action entirely clear. That the United States and France had recognized the Republic of Texas no doubt had some influence on his decision. He was also aware that Hamilton was in the process of negotiating a treaty with the Netherlands. Should this treaty be negotiated, and it was on September 17, 1840, this would open a second competitive European outlet to Texas goods and Texas trade. Neither could he rule out annexation of Texas by the United States, something the British Government wanted very much to prevent, as it would expand the United States deeper into the Caribbean. Thus, if England wanted to continue its present degree of influence and continue to increase its trade with the Caribbean region, including

¹³Hamilton to Palmerston, February 10, 1840, DC, II, pp. 887-889.

Texas, the time had come for England to recognize the Republic of Texas, despite possible opposition from the anti-slavery forces in parliament.¹⁴

On February 15, 1840, Palmerston notified Pakenham of his decision. At the same time, he instructed Pakenham to press claims for the two English ships, the Little Penn and the Eliza Russell, which had been captured by the Texas Navy in the summer of 1837. The Little Penn was the property of Lizardi and Company. En route to Mexico, the ship had run aground and ships of the Texas Navy salvaged its cargo. The Lizardi Company submitted claims in the amount of 3,640 pounds to the British Government. The Eliza Russell was a British schooner bound from Liverpool to Sisal, Mexico, when captured and sent to the Texas port of Galveston as a prize ship. The ship was later released, but her captain claimed damages of 865 pounds for his detention.¹⁵

Palmerston had presented these claims in 1838, and again in 1839. When presenting the claims in 1839, he included a comment regarding Englishmen whose land had been taken away from them in territory now claimed by the Republic of Texas, and hoped that Texas would restore these lands. Lamar made these claims the subject of a Special Message to the Texas Congress on January 8, 1840. Taking up the matter of the claims against the Texas Navy, Lamar pointed out that former President Houston had acknowledged the validity of the claims for the schooner Eliza Russell; therefore, there could be no question regarding these

¹⁴J. L. Worley, "The Diplomatic Relations of England and the Republic of Texas," Southwestern Historical Quarterly, XI, (July, 1905), p. 13.

¹⁵Adams, British Interests and Activities in Texas, 1836-1846, p. 34.

claims. However, Lamar made no provisions for paying the claims and final settlement was not made until 1843.¹⁶

As to the claims of Lizardi and Company, Lamar stated that presently there was insufficient documentation on which to make a realistic evaluation of the claims. Then, taking up the matter of land lost by Englishmen, Lamar declared that he had never heard of any such persons, and therefore, must assume Palmerston was referring to persons who once held empresario grants or contracts for colonization with the Mexican Government. If this was the case, then such contracts or grants were now a matter for the Texas Government to decide; and in this matter, Texas would not allow any foreign government to interfere in their adjustments.¹⁷

In accordance with his instructions, Pakenham forwarded to Treat, who was still in Mexico at this time, several documents listing the British Government's claims related to the Little Penn, and also additional documents concerning lands claimed by British subjects. Treat transmitted the documents to Texas in April, but not until June sixth did Lipscomb, the Secretary of State, reply to Pakenham. Calling attention to the empresario contracts under which the lands were claimed, Lipscomb pointed out that according to Mexican law, only residents of Mexico could have these contracts. Therefore, only one of the claims was valid, and the Republic of Texas had made provisions whereby the claimant would receive just compensation. As for the other claims, he continued, they were highly questionable, for there was no evidence that

¹⁶ Ibid.; Lamar Papers, III, pp. 303-304.

¹⁷ Lamar Papers, III, pp. 303-304.

the claimants had ever been Mexican citizens. The claims of Lizardi and Company would need further investigation, particularly the circumstance surrounding the capture, declared Lipscomb. There was a question of just what flag the Little Penn was flying at the time of capture, British or Mexican. He then suggested the whole matter be turned over to an agent in New Orleans to investigate.¹⁸ The claims of the Little Penn were never forcibly pressed by the British Government, and seem to have been more of a formality to satisfy Lizardi and Company.

That Palmerston did not insist on pressing the claims is no doubt due to his desire to maintain the good relations between Great Britain and Texas. British influence was at an all time high, but conditions in Texas were changing rapidly. For some time now, there had been growing unrest over the policies of the Lamar administration. Annexation was once again being discussed in Texas. The citizens of Texas were greatly concerned over the inability of the present government to solve the Republic's financial difficulties, while at the same time, it continued with a policy of expansion that called for more and more money. The value of Texas money continued to depreciate, worth at the best no more than twenty cents on the dollar, in some areas of Texas even less.¹⁹ The Republic of Texas was fast approaching a financial crossroad, one that required immediate attention.

The majority of Texas people had the same high hopes for the Republic held by the Lamar administration in 1838. They favored rejection of annexation and believed the five million dollar loan would be

¹⁸ Pakenham to Treat, April 26, 1840; Treat to Lipscomb, April 29, 1840; Lipscomb to Pakenham, June 6, 1840, DC, I, pp. 891-900.

¹⁹ Gouge, The Fiscal History of Texas, p. 269.

contracted, thus, restoring the Republic's finances. By the spring of 1840, disillusionment with the Government's fiscal policies had set in. Texas money continued to depreciate as the treasury department continued to print money against an empty treasury. Governmental expenses were climbing rapidly, while at the same time, the imbalance in foreign exchange continued to spiral as imports continued to exceed exports. The loan still hadn't been completed. Talk was now being heard questioning the advisability of continuing to rely on the possibility of a loan, or whether it might be better to think once again of annexation as the better means of correcting the financial distress of the Texas people and their government.

All this unrest brought Lamar to the defense of his administration. Taking his case to the people in two letters of May twenty-eighth and June second, Lamar discussed the State of the Republic at great length. He challenged the opposition to support their charges of extravagance, that the people of Texas were able to distinguish between useful and wasteful expenditures, between honest and corrupt use of government funds. As for the depreciation of Texas money, he continued, this was not due to any fault or defect on the administration's part, rather it was the result of the conditions of the time. The government had done its best in this matter, Lamar contended, it did not have the power to compel foreign capitalists to loan their surplus funds. Still it is only a matter of time until the government resolves the financial distress of the Republic and its people, Lamar declared. Furthermore, as Lamar pointed out, a financial condition such as was presently plaguing the Republic was not unusual for a new country. The United States had made use of paper money when it first began, and paper money had solved

the problem there. Thus, there was no reason to doubt the ultimate redemption of Texas money at par value and quite likely in the not so distant future, for the prospects of a loan were still excellent. As to the imbalance in foreign trade, this, too, was just a normal situation for a young nation and would correct itself in time as the country was able to increase its exports.²⁰ Nowhere in these letters did Lamar give any indication his administration was having second thoughts about its position on annexation.

Meanwhile, Hamilton and Burnley had returned to Europe in late May. Arriving in England, they found the money market very depressed and left for the continent, Hamilton for Holland and Belgium, and Burnley for France. Hamilton concluded a treaty with Holland in September and began negotiations with Belgium. Burnley, however, was unable to make any progress on a loan in France. France was occupied with the prospects of a war with England.

They met back in England and on October third, wrote a progress report to Secretary of the Treasury, James Starr. Upon their arrival in England, they found the money market much depressed, the best American securities were being sold for seventy-five to eighty cents on the dollar. Furthermore, there was an abolitionist convention in London at the time, and it was attacking any part of the world in which slavery still existed. Therefore, to have attempted to force Texas securities on the market could have easily led to their being rejected.²¹

As to the conditions in France, the report continued, Burnley had

²⁰Lamar Papers, III, pp. 393-405.

²¹Hamilton and Burnley to Starr, October 3, 1840, TTP, II, pp. 550-552.

explored the possibility of the French Government making an advance on the bonds in return for certain commercial considerations, but found all France was involved in preparing for a possible war with England over the Near East settlement of 1839, which had reduced French influences in that area, and kept France out of Egypt. In view of this, it was quite likely several months would pass before the French Government could be approached, providing the threat of war faded quickly.²²

By the time they returned to England the first of October, conditions in England had changed. The previous gloomy forecast of a poor crop had been dispelled, the crops were unusually good. This resulted in a more favorable balance of trade for England and creating optimism among the bankers. Thus, if there was no war, on which there were divided opinions, it was almost certain that a one-half million dollar advance would be negotiated within the next thirty days, provided Texas took no offensive measures against Mexico. The success of their mission, they re-emphasized to Starr, depended on Texas keeping the peace. All offensive actions must be originated by Mexico. Furthermore, in Europe, the mere rumor of war could reduce the price of securities as much as twenty per cent. Presently, there was a rumor going around Europe that Texas intended to attack Matamoras, thus, it was up to the Texas Government as to what it wanted, Matamoras or a loan.²³

Hamilton and Burnley were highly confident of negotiating the loan and began thinking of a loan in excess of five million dollars. In order to determine if they could legally contract for a loan of as much

²²Ibid.

²³Ibid.

as seven million dollars, they had the Solicitor of the Bank of England, James Freshfield, examine the loan acts. In his opinion, Freshfield set five million dollars as the amount the loan commissioners had authority to contract for. Then he took up the problem of recognition, pointing out that since the Republic of Texas was not recognized by the British Government, Texas securities could not be dealt with as valid securities on the British money markets until such time as the British Government recognized Texas.²⁴

In the meantime, The British Government had been reviewing its policy toward the Republic of Texas. Palmerston was at last convinced that Mexico had no intention of negotiating with Texas and any further delay by England in recognizing Texas was not in the best interests of Great Britain. Hamilton had recently completed a treaty with Holland and was currently bargaining for a treaty with Belgium, which if successful, would bring to three the number of European nations recognizing the independence of Texas. Thus, if England wished to continue exercising the influence it presently had in the Caribbean, it could no longer afford to delay the recognition of Texas.

Negotiations for a treaty between Great Britain and the Republic of Texas were begun. On October 18, 1840, Palmerston sent the draft of a treaty of commerce and navigation to Hamilton. Under the terms of the Treaty, Great Britain would recognize the independence of Texas as being de facto, or fully established. The treaty would also give security to all commercial intercourse between the two nations.²⁵

²⁴Freshfield to Shaw, October 29, 1840; TTP, II, pp. 559-561.

²⁵_____. "Slavery," British Parliamentary Papers. VC (Shannon, 1969), XX, p. 68.

But the Republic of Texas would not receive recognition by the British Government so easily. Palmerston then advised Hamilton that Her Majesty's Government would not acknowledge any new nation unless a treaty for the suspension of the African slave trade was also included. This was the concession necessary to appease the anti-slavery forces. Commenting further on the issue of slave trade and slavery, Palmerston informed Hamilton the British Government was well aware of the number of people in Texas who had come from the United States and might be against the concession of mutual right of search required by the African Slave Trade Treaty. Therefore, to be sure there was no misunderstanding, the right of search, currently the subject of a discussion between Great Britain and the United States, and the right of search in the proposed treaty for the suppression of African slave trade, were two different things. The right of search being discussed by Great Britain and the United States involved a wartime right to check for deserters from the naval service, while the right of search in the African Slave Trade Treaty was the right to search merchant vessels suspected of engaging in slave trade. Furthermore, the proposed treaty stipulated that vessels found trafficking in the African slave trade were to be turned over to the country in which the ship was registered for legal action against the ship's owner. As for the issue of slavery, Palmerston noted, the proposed treaty said nothing about the question of slavery, thus, the Republic of Texas could deal with slavery within its boundaries as it saw fit.²⁶

In his reply on October twentieth, Hamilton reminded Palmerston the

²⁶ Ibid., pp. 68-69.

Constitution of the Republic of Texas prohibited African slave trade and therefore, he anticipated no difficulty in having the treaty approved. But as for slavery, Hamilton admitted that persons emigrating from the United States had brought their domestic slaves with them, which he contended, were needed to cultivate the hot, humid delta regions along the Texas rivers. Thus, while Texas was against African slave trade, it was not against slavery.²⁷

There still remained the matter of mediation by the British Government in the dispute between Mexico and Texas. Hamilton had written Palmerston in February of his appointment as agent to accept mediation by the British Government and also was authorized to treat with the English bondholders. At that time, Palmerston did not want to consent to Great Britain taking sides in the boundary dispute between Mexico and the Republic of Texas. By November, however, conditions had changed, and Great Britain was now ready to recognize the Republic of Texas. This would definitely affect relations between Great Britain and Mexico, but Palmerston was confident the British Government would still be able to carry out the proposed mediation. But Texas was not to have British mediation without paying for it. Palmerston proposed to Hamilton Texas should assume that portion of the Mexican debt, which Mexico had guaranteed by land now in the disputed area between the two rivers, in return for mediation by the British Government.

In his reply of November fifth, Hamilton informed Palmerston Texas could in no way be considered liable for any portion of the Mexican debt. Besides, there was no precedent under international law whereby

²⁷Ibid., pp. 69-70.

Texas could be found liable. However, Great Britain was offering her good services in an attempt to bring about peace between Mexico and Texas, therefore, Texas was willing to make a concession, but wanted it understood the concession was a voluntary one. If Mexico was willing to consent to a truce with Texas within thirty days of the receipt of a proposal for a truce, and would agree to concluding a treaty of amity and commerce in six months that provided boundaries satisfactory and well-defined between the two countries, Texas was willing to assume one million pounds sterling of the Mexican public debt, contracted prior to the year 1835.²⁸

This proposal was acceptable to Palmerston and in the first part of November, three treaties were drawn up. Palmerston and Hamilton signed the first treaty on November thirteenth. The treaty covered commerce, navigation, and trade relations between the two countries. The second treaty, signed one day later, was a convention stipulating the portion of the Mexican debt Texas would accept, providing the British Government was successful in its mediation attempt. The amount of the Mexican debt Texas agreed to assume coincided with the amount Hamilton previously suggested to Palmerston, one million pounds sterling. On November sixteenth, the third treaty was signed. This treaty provided for the suppression of African slave trade and for mutual right of search. Palmerston, suspecting there might be a delay in ratification of the third treaty, stipulated the exchange of ratifications was to be in London within six months, and not until all three treaties had been

²⁸ Hamilton to Palmerston, November 5, 1840, DC, I, pp. 909-910.

ratified would Great Britain accord official recognition of the Republic of Texas.²⁹

On December third, Hamilton dispatched three treaties to Texas by special messenger. One was the Treaty of Amity and Commerce with the Government of Holland; the other two, the first and second treaty with Great Britain. He did not, however, send the treaty for the suppression of African slave trade, dispatching this treaty one month later, with a long and detailed explanation of the reasons for his signing this particular treaty. The first two treaties with Great Britain reached Texas in time to be ratified by the Texas Senate in January 1841, but the third treaty did not reach Texas before the Legislature had recessed for the summer.

The time for exchanging ratifications was extended first to June 1, 1842, and then later to August 1, 1842. Finally on February 8, 1842, Hamilton notified Aberdeen, who had replaced Palmerston as Minister of Foreign Affairs, that ratifications were on the way to London. At last, Texas bonds would have legal standing in the British money markets and the way was open to negotiate the long desired loan, but the Lamar administration had ended in December, 1841.³⁰

At the same time the treaties were sent to Texas, letters were also dispatched to Lamar and Secretary of the Treasury James Starr. In the letter to Starr, Hamilton and Burnley advised him there was no assurance the negotiations could be completed before the next ship left England on

²⁹ Siegel, A Political History of the Texas Republic, 1836-1845, p. 150.

³⁰ Hamilton to Lipscomb, December 3, 1840, DC, I, pp. 907-919; British Parliamentary Papers, XXI, p. 151; XXIV, p. 320.

January 4, 1841. Furthermore, American securities were still badly depressed and scarce money was keeping the interest rate as high as twelve per cent. On the other hand, the prospects for war in Europe were diminishing daily and gold was returning to England, correcting the balance of exchange and relieving pressure on the Bank of England. Thus, they believed that in a short time confidence would be restored to the capitalists of Europe, and by early spring there should be no doubt of obtaining the loan. But in a letter to Lamar, Hamilton told a different story. He was highly optimistic the loan negotiations could be concluded no later than January first, enabling Burnley to return to Texas with the money on the January boat.³¹

Since there was little doubt Starr would advise Lamar of any correspondence he received from the loan commissioners, it is difficult to understand why the conflicting information was sent. That Lamar was having trouble with the Texas Legislature was well-known. Possibly, Hamilton felt the necessity of keeping Lamar's hopes high regarding the long sought loan, and in this way, give him support in his fight with the Texas Congress.

In November, it had been necessary for Lamar to go before the Texas Congress and deliver a State of the Republic address. Discussing the status of the Republic's fiscal affairs, Lamar pointed out that during the past year the entire expenditures of the Government would have amounted to about four hundred thousand dollars, had Texas money been at par. But Texas money was not at par, and the Congress was required to appropriate two million dollars in bonds, or five times what would

³¹Hamilton to Lamar and Hamilton and Burnley to Starr, December 3, 1840, DC, I, pp. 914-915; 920-921.

have been necessary. Furthermore, as the population of the Republic increased, government expenditures would continue to increase, driving the value of Texas money still lower, unless prompt action was taken to restore the currency to its proper value. Under present conditions, a loan was the only hope Texas had of restoring the value of its money, thus, a loan was an absolute necessity to the Republic's good health and well-being. As for the prospects for a loan, he still considered them excellent. However, as matters now stood, Lamar continued:

We cannot raise our depreciated paper to the metallic standard, nor can we shortly arrest the serious losses which the Government is daily sustaining from that depreciation. Neither shall we have it in our power to satisfy the semi annual demands of interest accruing on our funded debt and circulating bonds; and still less able shall we be to restore with that punctuality which honor may require, the advance already made to this Government and procured by our Commissioners upon the strength of their individual credit and responsibilities. Under these conditions, I could not fail to view with regret, the adoption of any measure by Congress which would endanger or defeat any negotiation, the success of which is so necessary to the maintenance of our national character and credit.³²

The Texas Congress, as well as the people of the Republic, had now begun to question a loan as being the panacea for Texas financial difficulties.

The Lamar administration closed its second year in office, as it had its first, still seeking the one big loan needed to bring financial stability to the Republic of Texas. During the year, the Republic's public debt had increased to \$6,241,409, an increase of \$2,385,500. The amount of treasury notes in circulation had increased from \$2,013,762 to \$3,287,962 while at the same time their value had dropped to sixteen

³²Lamar Papers, I, p. 466.

and two-thirds cents on the dollar, a fifty per cent drop from the beginning of the year. Revenue for the year amounted to \$453,235, while government expenditures totaled \$2,174,752. Furthermore, the treasury was empty.³³

³³Miller, A Financial History of Texas, p. 391; Gouge, The Fiscal History of Texas, p. 269.

CHAPTER IV

1841: THE YEAR OF DISILLUSIONMENT

The Lamar administration began its third and final year in office with guarded optimism for the future. However, the long sought and desperately needed loan was still as illusive as ever. Hamilton and Burnley remained in Europe, attempting to obtain a loan in England, France, Holland, Belgium, or wherever there might be a chance. The Republic's public debt continued to climb and the value of its money continued to depreciate. The Texas Congress was becoming very reluctant to pass appropriations needed by the administration to conduct its day-to-day business. Pessimism was rapidly replacing the optimism of the past, and public opinion was daily becoming more critical of the administration and its attempts to solve the nation's financial dilemma. Talk was heard more frequently that the loan was not the way to bring financial stability to the Republic, but a return to the conservative policies of the past. The word annexation was also coming up more often in conversations. But this was not all the Lamar administration had to contend with; the presidential election was coming up in a few months. Already the opposition party, led by former President Sam Houston, was attacking the administration for its total dependence on a loan to bring financial stability instead of using a policy of retrenchment.

Taking heed of the public's demand for reduced expenditures, the Lamar administration began reviewing its programs, cutting back on many

and eliminating those no longer needed. Appropriations were drastically reduced. The Army's appropriations were cut back to only \$111,050, as compared to \$1,056,369, the previous year. The Republic's population had grown, particularly on the frontier, to where a large standing army was no longer needed to provide the settlers with defense against the Indians. The naval expenditures were also cut deeply, no new ships were being built. Altogether, naval appropriations totaled \$100,000, \$452,000 less than the year before. Miscellaneous appropriations were less than twenty-eight per cent of the previous year's. Only in appropriations for the Congress was there an increase over the preceding year, \$95,000 versus \$68,150. Total classified appropriations for the entire year would amount to \$695,330 or \$1,669,369 less than the year before, the high water mark in appropriations for the Lamar administration.¹ Even though it was necessary to initiate the retrenchment program, the Lamar administration still refused to believe the loan would not soon be completed. Neither did it believe the Mexican Government would continue to refuse to negotiate.

But the Mexican Government did continue its policy of refusing to negotiate with Texas, or to accept mediation by the British Government. Shortly after the Fifth Texas Congress had convened the previous November, the news of Treat's failure in Mexico was received. Lamar recommended to Congress that Texas raise a force sufficient to compel Mexico to recognize the independence of Texas. Acting on this recommendation, the Texas House passed a resolution instructing a committee to inquire into the matter. On December fifth, the Senate notified the

¹Miller, A Financial History of Texas, p. 391.

President it had also appointed a committee to act with the House committee in considering the possibility of war with Mexico. At this time, Lamar became ill and it was necessary for him to travel to New Orleans for treatment. David G. Burnet, the Vice President, became Acting President. He continued to urge the Congress to take action on providing a force to invade Mexico.²

On January twelfth, the House committee submitted its report. The report discussed in detail the poverty of the Republic and advised against an offensive war with Mexico. However, the report did recommend Texas should be prepared to repel an invasion. Shortly thereafter, the two Houses failed to agree on an appropriation bill for the regular army, and the army was disbanded, leaving the Republic without means of defense.³

In the meantime, Hamilton had submitted another progress report on the loan. The money market was still under severe pressure in England, Hamilton informed Burnet. Furthermore, France and several other European countries were about to enter the market for large loans. In fact, he continued, loans of any type were difficult to obtain, and not even one American loan had been negotiated in Europe this past year. All this activity on the money markets had pushed the interest rates up, and the interest rate for the best English securities was six per cent, the highest in years. As for the loan's chances, he had been told by bankers, both in England and on the continent, no loan could be negotiated, or an advance received against Texas bonds, so long as there

²Christian, Mirabeau Buonaparte Lamar, pp. 153-154.

³Ibid., pp. 153-154.

was a possibility of aggressive action by Texas against Mexico. Therefore, the prompt ratification of the Mediation Treaty should have a favorable effect, since this would prevent Texas from moving against Mexico until the British Government had an opportunity to discuss with the Mexican Government the many advantages of its recognizing the independence of Texas. Palmerston also concurred with these views, Hamilton noted, and had suggested the advisability of the Republic of Texas having a plenipotentiary near Mexico, in case the Mexican Government decided to accept mediation by the British Government. As to who this person should be, Palmerston had also made a recommendation. He called attention to the fact that Burnley was present in all discussions with the English bondholders as well as all other negotiations, and suggested he quite possibly would be the best qualified person for the assignment. In this Hamilton agreed heartily.⁴

Meanwhile, the two treaties of Amity, Navigation, and Commerce, and Mediation arrived in Texas and were promptly ratified by the Texas Senate on January twenty-fifth.⁵ The treaties were then returned to England and Hamilton attempted to exchange ratifications with Palmerston. But Palmerston continued to insist the African Slave Trade Treaty must also be returned before ratifications could be exchanged. Hamilton had hoped the British Government would go ahead and recognize Texas, thus making Texas bonds valid securities on the British money markets, but this was not the case.

The African Slave Trade Treaty was dispatched to Texas with

⁴Hamilton to Lamar, January 25, 1841, DC, I, pp. 926-929.

⁵Christian, Mirabeau Buonaparte Lamar, p. 154.

Burnley. Burnley was returning to Texas in case he was selected as the plenipotentiary to Mexico. En route to Texas in late January, he stopped in New York, and while there, wrote Secretary of the Treasury James Starr of his intention to visit Philadelphia before coming to Texas. The purpose of his visit to Philadelphia was two fold. First, he hoped to persuade the United States Bank at Philadelphia to guarantee an advance on the Texas bonds Hamilton was attempting to sell in Europe. Second, once the guarantee was obtained, he hoped the bank would advance one-half million dollars, the amount Hamilton was attempting to raise from the sale of Texas bonds, which he would bring to Texas. As for the bank, Burnley continued, it already had a considerable investment in the success of the loan negotiations, or any advance made by European capitalists, therefore, should be quite willing to make the guarantee. Once again, Burnley cautioned Starr the loan prospects rose and fell as the chance of war between Mexico and Texas increased or diminished. Also, several English banking houses were much interested in the loan, provided they could be assured of peace between Mexico and the Republic of Texas.⁶

So strongly did Hamilton and Burnley believe an advance would be received on the loan that Burnley wrote Acting President Burnet that he expected to find letters waiting for him in New Orleans, authorizing him to draw an advance on the loan. As for peace with Mexico, both he and Hamilton did not see how the Mexican Government could withstand much longer the pressure from the British Government and the English bondholders, and would soon accept mediation. Once peace was assured, there

⁶Burnley to Starr, January 25, 1841, TTP, II, p. 584.

was little question of the loan being completed within the next thirty days. In fact, Burnley was highly confident Hamilton would obtain an advance, if Texas only promised to ratify the mediation treaty and to send a minister to Mexico.⁷

When Burnley arrived in New Orleans, he found no word from Hamilton waiting for him. Neither had he brought one-half million dollars with him from Philadelphia, the bank had decided to make no further concessions. Burnley decided to wait in New Orleans for word from Hamilton and dispatched the African Slave Trade Treaty on to Texas. Like Hamilton, he was afraid of the reception the treaty would receive from the Texas Senate, and suggested that if a special session was called to ratify the treaty, the general public should not be informed of its contents until after the Senate met. Attempting to justify Hamilton's actions, Burnley pointed out that Hamilton felt it was necessary to agree to this treaty as the British Government had to have assurance the abolitionists in parliament would not attempt to block recognition of the Republic of Texas.⁸

The African Slave Trade Treaty did not arrive in Texas until after Congress had adjourned for the summer. Lamar could have called the Texas Senate into special session to ratify the treaty, as he was authorized to do under Article VI, Section VII, of the Constitution of the Republic of Texas.⁹ But Hamilton, fearing that many members of the

⁷Burnley to Burnet, February 21, 1841, DC, I, pp. 931-933.

⁸Ibid., p. 935.

⁹Gammel. The Laws of Texas, 1822-1897, I, p. 16.

Senate would misunderstand his actions on such a touchy subject as slavery, repeatedly asked that no special session be called to consider the treaty until he could be present to defend his actions. The African Slave Trade Treaty was vital to the sale of Texas bonds in England, yet he was reluctant to allow the treaty to be considered, even though its wordage successfully avoided the issue of slavery. In agreeing to Hamilton's wishes, Lamar also prevented any consideration of the treaty until the Sixth Congress convened in November. By that time, it was too late for the treaty to help the Lamar administration.

Lamar had returned to Texas during the middle of February. In his absence, the first two treaties with Great Britain had been ratified. Also, the Texas Congress had refused to appropriate the funds needed to maintain the regular army, thereby terminating the possibility of any immediate offensive actions by Texas against Mexico. This action had eased the threat of war and increased the chances for mediation, and possibly loans. In line with Palmerston's recommendations, Lamar began making preparations for another mission to Mexico. On March twenty-second, James Webb, the Attorney General, was appointed Minister Plenipotentiary to Mexico. In case he was not received as minister, he was also appointed Agent for the purpose of entering into negotiations for peace and recognition. Webb received the same instructions as had Bee and Treat; peace, recognition of the independence of Texas, and that Texas was willing to pay up to five million dollars for the land between the Rio Grande and the Nueces River. Also, additional instructions were given regarding the convention with Great Britain for mediation.¹⁰

¹⁰Christian, Mirabeau Buonaparte Lamar, p. 155.

Webb arrived off Vera Cruz the thirty-first of May, asked for permission to land, and wanted to be furnished with passports to proceed to Mexico City. But the Mexican Government was unwilling to begin negotiations with Texas, and he was refused permission to land. Webb then wrote to Pakenham, requesting him to intercede with the Mexican authorities. Pakenham wrote the Secretary of State, Camacho, who replied on June eighth, that the President refused to change his stand on the principles of honor and justice, therefore, he had no inclination to consider a proposal that would in any way cause a dismemberment of the Mexican nation. Webb then returned to Texas the last of June, and reported his failure to Lamar.¹¹ Thus, the third attempt by the Lamar administration to effect peace with Mexico also ended in failure. Mexico still refused to recognize the independence of Texas, the one thing nearly everyone conceded would bring about the much needed loan.

In the meantime, Burnley had remained in New Orleans waiting for word from Hamilton, but Hamilton had decided nothing further could be done on the loan in England at this time, and had gone to France to take charge of the negotiations there. Negotiations for a loan had been going on for some time with the French Government. Henderson had discussed limitedly the possibility of a loan when he first visited Paris in August, 1838, seeking recognition from the French Government. Shortly thereafter, the French Government ordered Count Alphonso de Saligny, private secretary to the French Minister in Washington, sent to Texas. Saligny was to investigate and report on political and economic conditions in the Republic of Texas, giving the French

¹¹Ibid.

Government data on which to base its decision regarding recognizing Texas. His report led to France recognizing the Republic of Texas on September 25, 1839. In the spring of 1840, Hamilton visited France for the first time to assess loan prospects in the French capital. Although he was unable to find any firm willing to make the loan, J. LaFitte and Company, a leading Paris bank, did express an interest in the loan. When Hamilton returned to Paris in February 1841, he immediately contacted the J. LaFitte and Company. This time the company was willing to make the loan and on February fourteenth, a contract was concluded for a loan. All that remained was the assurance, or guarantee, by the French Government required on all foreign loans in France, to J. LaFitte and Company, and Texas would have her loan.¹²

While waiting for the French Government to provide the assurance, Hamilton wrote John Chambers, now Secretary of the Treasury. Hamilton was greatly concerned over the harsh terms of the loan contract and felt it necessary to explain his actions. He pointed out that fifty cents on the dollar was a very low rate. Still, when the present state of Texas securities was considered, and the price of American stocks on the London and Paris markets, Texas would be receiving a high rate on her bonds. Furthermore, at the worst, Texas would be receiving three and one-half million against a loan of seven million dollars. Hamilton was trying to negotiate a loan two million dollars in excess of his authorization. No doubt he believed this point would be overlooked if the negotiations were successful.¹³

¹²Schmidt, Texas Statecraft, 1836-1845, p. 153.

¹³Hamilton to Secretary, March 7, 1841, TTP, II, pp. 600-601.

Hamilton once again brought up the subject of a national bank. Through the use of a national bank, based on sound principles and properly managed, Hamilton continued, the Republic could issue new treasury notes that would be fiscally sound. In fact, with the three and one-half million in specie, there was no reason why such an institution could not issue up to seven million in notes on a sound financial basis. But should the Texas Government use any other method of handling the money received from the loan, the money would go the way of all other Texas money, and in a short time, no more than three years at the most, Texas would again be borrowing money.¹⁴ Just what the Republic of Texas should do about the nearly three and one-half million dollars worth of treasury notes already in circulation, Hamilton made no comment.

When the news of the loan reached Texas, excitement ran high. There was much talk about what Texas would do with the money and the benefits to be derived from a national bank. Not everyone favored the loan, however. Houston came out against it and vowed the loan would never enter the country. Once the excitement died down, people began reassessing the possible value of the loan. By midsummer, when the actual provisions of the loan were made known, public sentiment reversed itself and became opposed to the loan. Many in Texas considered five million acres of public land too high a price to pay.¹⁵ Just what would have been the final outcome had the loan gone through is problematical, but the assurance needed from the French Government was never received

¹⁴Ibid., pp. 600-601.

¹⁵Mayfield to Lamar, April 6, 1841, Lamar Papers, III, p. 520.

by J. LaFitte and Company, and the company withdrew its offer.

Notwithstanding the lack of a guarantee from the French Government, Hamilton continued to carry on negotiations with J. LaFitte and Company, hoping it would decide to go ahead without the guarantee. Finally, realizing the company would not do so, he returned to England. Lord Aberdeen was now the Minister of Foreign Affairs, replacing Palmerston in a change of government. Hamilton had several conferences with Aberdeen, attempting to obtain still another treaty from Great Britain that would link the two countries in close trade relations. He offered preferential trade concessions on various imports and ship timber from the Texas forests. Hamilton also pointed to the renewed interest in Texas for annexation, and the advisability of prompt action by Great Britain to prevent this. But all was to no avail, for on October fourth, Aberdeen informed Hamilton the British Government would under no circumstances discuss any further propositions until such time as the African Slave Trade Treaty ratification was returned to England.¹⁶

By now, Hamilton was trying desperately to obtain a loan wherever and under whatever conditions possible. He had received word of the failure of Webb's mission to Mexico. He had also been advised of the growing unrest in Texas, that public meetings were being held and war speeches heard daily. All this added further urgency to his efforts, for if Texas was to have her loan, negotiations must be completed prior to any aggressive action by Texas or Mexico.¹⁷

Hamilton lost no time in opening negotiations with Belgium. He

¹⁶ Schmidt, Texas Statecraft, 1836-1845, pp. 161-162.

¹⁷ Roberts to Hamilton, July 5, 1841, DC, I, p. 940.

offered the usual preferential advantages of one-half the regular duties and added the privilege of coastwise trade. As was usual, land was pledged as security. In return, Belgium was to extend a thirty-seven million franc loan. Instead of attempting to negotiate a treaty, Hamilton recommended to Belgium an agent be sent to Texas to study conditions and the possible advantages to Belgium of signing a treaty with the Republic of Texas. On October twenty-second, Belgium sent an agent to Texas. Just prior to the agent's departure, Hamilton made his final offer, adding a complete and absolute cession of a large tract of land if Belgium would guarantee a loan. He then boarded the same ship that was carrying the Belgian agent to Texas. Hamilton was at last returning to Texas to explain to the Senate his reasons for signing the African Slave Trade Treaty.¹⁸

Before Hamilton arrived in Texas, events there had changed all this. The presidential election was over and Houston was president once again. The new Congress was also controlled by Houston's party and had begun curtailing or eliminating the Lamar administration's programs. By early December, a joint committee on finance had spoken out against the loan. The committee contended that Texas could never support so large a loan and furthermore, that Congress could not ask the Texas citizens to assume so large a burden. Also, the threat to independence that had existed at the time the loan law was passed no longer existed, thus, the loan was no longer needed. Besides, the committee continued, the commissioners profit for negotiating the loan, ten per cent, was excessive. The committee then concluded its report, pointing out that,

¹⁸ Schmitz, Texas Statecraft, 1836-1845, pp. 162-163.

'For six long years the prospects of this loan has gone before us as a cloud by day and a pillar of fire by night, and with all submissiveness we have followed its guidance with the vain hope that it would guide us to the borders of the promised land. But experience has manifested that the light which lured us shone only to betray. It has led us on from year to year, with hopes ever bright and assurance ever strong of its speedy success;--that with its success the financial millenium would begin; that upon it hinged the prosperity of Texas, and that it would be the dawn of brighter days and brighter things for the country. But these hopes have been, and under every contingency must be deceived; these expectations must forever be disappointed. Why cherish them longer? . . . The pending of this negotiation has been a curse;--its success would be a greater curse still. . . . The only way to avoid the evil, is to abandon the measure.¹⁹

Acting upon recommendations of the joint committee on finance, the Texas Congress repealed the act authorizing the loan. On January 26, 1842, Anson Jones, Secretary of State for the new administration, notified Hamilton of the loan act's repeal, and that his commission as loan commissioner had expired.²⁰ Fortunately for Hamilton, his recall did not reach him until he was in Texas of his own accord, sparing him some embarrassment. He had labored long and hard for the Lamar administration, but was unable to obtain the five million dollar loan both he and the administration thought would solve the financial difficulties of the Republic of Texas.

Thus, the Lamar administration ended its three years in office. It had been unable to achieve its primary goal of financial stability for the Republic of Texas. It handed over to the incoming administration a republic much more heavily burdened with debt. In three years, the public debt had increased from \$1,886,425 to \$7,446,740, while the value

¹⁹Ibid., p. 164-165.

²⁰Jones to Hamilton, January 25, 1842, DC, I, pp. 943-944.

of Texas money had depreciated from eighty cents on the dollar to, at best, no more than fifteen cents, and in some parts of Texas as low as three and four cents on the dollar. During these same three years, expenditures had exceeded revenues by \$3,771,492, well within the five million dollars the Republic was trying to borrow. Yet a loan would have by no means corrected the Republic's finances owing to the amount of paper money in circulation--in excess of four million dollars.²¹

²¹Miller, A Financial History of Texas, p. 391; Gouge, The Fiscal History of Texas, p. 268; Hoover, "Asbhel Smith on Currency and Finance in the Republic of Texas," p. 423.

CHAPTER V

CONCLUSION

The Lamar administration began its term of office with the knowledge that the Republic of Texas needed a large loan in order to have financial stability. Lamar was so confident this loan would be quickly contracted that he immediately initiated his domestic program, which called for spending large amounts of money. Thus, while the administration waited for the loan's procurement, the Republic's debts increased and its chances of financial stability decreased.

When Lamar's administration took office in December 1838, the public debt was \$1,886,425; moreover, only \$684,069 in treasury notes, worth eighty cents on the dollar, were in circulation. One year later, the public debt stood at \$3,855,900 and an additional \$1,329,693 in treasury notes were in circulation. During that year, the value of treasury notes dropped nearly sixty per cent, most of this in the last half of the year. The expanded domestic program resulted in governmental expenditures exceeding revenues by \$1,316,382. But during the same time, the Republic's exports increased by nearly one hundred thousand dollars, while imports decreased by twice that amount.¹

There was a time in the early months of the Lamar administration when a five million dollar loan, judiciously administered, possibly

¹Miller, A Financial History of Texas, p. 391; Gouge, The Fiscal History of Texas, p. 269.

could have given the Republic of Texas financial stability. In fact, the value of treasury notes did not begin to depreciate drastically until after July, 1839, when they were still worth fifty cents on the dollar. This depreciation was due, in part, to the \$1,569,010 of additional treasury notes printed since the first of the year, notes printed in anticipation of a loan.² After that time, the rapid expansion of printed money, money printed without sound backing, the continuing imbalance in foreign trade, and the large amount of government expenditures made it highly doubtful that a subsequent loan could have brought financial stability. Nevertheless, the Lamar administration continued to try to obtain a loan.

In spite of the administration's best efforts, the loan was never obtained. Lamar and his loan commissioners labored long and hard, but they were unable to cope with the pressures on British foreign policy. These pressures prevented the Republic of Texas from procuring a loan from British banking interests.

Recognition by the British Government as an independent nation was the key to British banking interests and to the loan. James Freshfield, Solicitor for the Bank of England, had pointed this out to Hamilton and Burnley in October 1840. Once recognition was granted, the way was open to finalize negotiations with a British bank. Several banks had expressed an interest in the loan, once Texas was recognized and the threat of war between Mexico and Texas had passed. Therefore, if Texas was to have a loan, it had to find a way to convince the British Government of the advantages connected with granting recognition to the

²Gouge, The Fiscal History of Texas, pp. 268-269.

Republic of Texas. But there was little Texas could do, for Great Britain needed few Texas products at this time. In a few years, Texas could be a major supplier of cotton for the English mills, but at the moment Texas was primarily a market for manufactured goods. The pressures for recognition, then, had to come from other sources.

There were many issues that affected British foreign policy and contributed to its delay in recognizing the Republic of Texas: the possibility of war with France, unrest in the Canadian colonies, a boundary dispute with the United States, a dispute between Mexico and Texas, the possible loss of trade and influence in the Caribbean region with the immediate recognition of the Republic of Texas, the continued refusal of Mexico to negotiate with Texas to accept mediation by the British Government, the financial condition of the Bank of England, the African slave trade and slavery in Texas, and the external and internal pressures associated with these issues. While there was no one issue by itself that can be called the key issue, there were three issues that can be considered vital: (1) the African slave trade and slavery in Texas, (2) the continuing refusal of Mexico to negotiate with Texas or accept the British Government as mediator, and (3) the financial condition of the Bank of England.

The African slave trade and slavery in Texas were major obstacles to recognition. The anti-slavery block in the British Parliament had been responsible for Great Britain concluding thirty-one treaties. Barlow Hoy, the leader of the anti-slavery group, brought up the question of slave trade and slavery in Texas as early as 1835. At that time, Palmerston had expressed doubts regarding the existence of African slave trade in Texas and had passed over the issue of slavery, leaving

this to be discussed at a later date. The Texas position on these issues was explained to Palmerston by Henderson in 1837. Henderson admitted that some of the emigrants from the United States had brought slaves with them. However, the Constitution of the Republic of Texas prohibited the importation of slaves from any part of the world except the United States. Furthermore, the First Congress had passed a law imposing the death penalty on anyone importing a slave from any other part of the world.³ This explanation did not satisfy the anti-slavery forces; they demanded that Texas ratify an African Slave Trade Treaty before Great Britain would consider extending recognition. This treaty alone held up the recognition of Texas for more than a year. There was no way that Texas could avoid signing this treaty, for recognition and the loan were unavailable without it.

The continued refusal of Mexico to negotiate with Texas or accept mediation from the British Government also delayed recognition of Texas by the British Government. Palmerston would have much preferred Mexico to recognize the independence of Texas before the British Government. This way, there would be no question of Great Britain retaining its present commercial interests in the Caribbean. Neither would her influence in the region be diminished in any way. In fact, such an action by the Mexican Government would lead to greater trade and influence in the Caribbean for Great Britain. Both Texas and Mexico would provide barriers to further aggression by the United States into the Southwest. This thinking was evidenced in Palmerston's instructions to Pakenham in April 1839, when he pointed out that Mexico should change to a foreign

³Henderson to Irion, January 5, 1838, DC, I, p. 841.

policy based on Texas providing a barrier state to further aggression by the United States into the Southwest.⁴

But Mexico refused to change its foreign policy despite pressure from the British Government, and the English bondholders. Camacho, the Mexican Secretary of State, reaffirmed this position in June 1841, when he informed Pakenham the Mexican President would listen to no proposal that would in any way dismember the Mexican nation.⁵ This stand prevented mediation by the British Government, just as it prevented negotiations with any of the three missions Lamar sent to Mexico. By Palmerston preferring to use this approach, he delayed recognition of Texas many months. Not until he was fully convinced that Mexico would not change its stand did he change British foreign policy and offer treaties to Texas, which when ratified, meant recognition by the British Government.

The financial condition of the Bank of England was also another barrier to Texas recognition and its loan. The fact that the Bank of England would not recognize Texas bonds as valid securities until the British Government had recognized Texas, prevented English banks from extending the loan. But there is another as equally important reason. When Hamilton was in England attempting to contract the loan in 1839, the Bank of England was nearly bankrupt. The bad crops the previous year and the mismanagement of the bank's directors had reduced the bank's reserves well below the safety point. Even if Hamilton had contracted the loan, and recognition been given, it is highly unlikely the

⁴Adams, British Interests and Activities in Texas, 1836-1846, pp. 29-31.

⁵Christian, Mirabeau Buonaparte Lamar, p. 155.

bank's directors, or the Chancellor of the Exchequer, would have consented to five million dollars worth of specie being removed from the bank's vaults. It must be kept in mind the Chancellor of the Exchequer is responsible for seeing the Bank of England had the necessary funds on hand for operating the British Government. William Pitt, as Chancellor of the Exchequer, had halted the bank's paying specie, internally, in 1797, when its reserves reached a critical point.⁶ There is little doubt such an action would be taken once again, if necessary. Thus, another pressure on British foreign policy for delaying the recognition of the Republic of Texas. At the time Hamilton was seeking a loan in 1839, the five million dollars Texas was trying to borrow was slightly less than half the Bank of England's specie reserves.

Texas had no means whereby it could bring pressure to bear on any of these issues. The anti-slavery forces in the British Parliament would accept no compromise on African slave trade. In the case of Mexico, Texas had made three attempts at peace, with all three rejected. It had offered inducements to the English bondholders, hoping they could bring enough pressure on the British Government as well as the Mexican Government so that peace could be achieved, but this, too, failed. Texas had agreed to pay a portion of the Mexican debt to England if the British Government could effect mediation with Mexico, but this was an agreement not a pressure. Only when Texas threatened to renew offensive action against Mexico did it cause any concern. But this had a negative effect, it frightened off potential lenders in England. The financial condition of the Bank of England was an internal issue for England,

⁶Sir John Clapham, The Bank of England, II (New York, 1945), II, p. 1.

still it affected the Republic of Texas' bid for recognition at a time when financial stability was still a reasonable possibility for the Republic. Here again, Texas had no way of influencing decisions made regarding this issue.

There is, however, a factor which must be added to all these issues that also contributed to the delay in recognition--time. Time had one meaning to the Lamar administration and another to Palmerston and the British Government. To the Lamar administration, time was a critical factor, it had only three years in which to achieve all its goals. To Palmerston and the British Government, time meant the amount of time necessary to carry out British foreign policy. Here time was frequently measured in years, even decades. Thus, when the Lamar administration was attempting to cope with the pressures on British foreign policy, it was also fighting time.

Palmerston had applied the time factor when Henderson sought recognition in 1837. He stated that the British Government needed more time in which to make its decision and to see if Mexico was capable of re-taking Texas. Again in his instructions to Pakenham in 1839, time was involved. The lengthy attempts at convincing Mexico to recognize the independence of Texas and the repeated attempts to persuade Mexico to accept mediation all took time, time that the British Government had but not the Lamar administration. Even after Palmerston decided to recognize the Republic of Texas, he took many months before offering to negotiate the three treaties.

At no time was there any indication that Palmerston ever acted in haste; neither was there any reason for him to do so. Great Britain had power and influence and time was on its side. The Republic of Texas

had neither power nor influence; for the Lamar administration, time ran out. For three years the Lamar administration tried but was unable to find a way to circumvent the pressures on British foreign policy that prevented recognition and the loan.

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