

Debtor Diplomacy: Finance and American Foreign Relations in the Civil War Era, 1837–1873. By Jay Sexton. Oxford: Oxford University Press, 2005. ix + 287 pp. Figures, bibliography, notes, index. Cloth, \$74.00. ISBN: 0-199-28103-3.

Reviewed by Mark Wilson

While historians of international relations have long emphasized the importance of commercial and industrial interests, they have done less to describe the influence of financiers. With this book, Jay Sexton joins a group of scholars—including P. J. Cain, A. G. Hopkins, and Niall Ferguson—who have recently highlighted the work of bankers in the realm of international politics. A gracefully written book, full of original research, *Debtor Diplomacy* shows that financiers were major players in mid-nineteenth-century Anglo-American relations. Not least among their achievements was helping to create the foundations of the so-called special relationship. Prizing stability, bankers on both sides of the Atlantic encouraged the United States and Britain to avoid repeating the kind of military conflict that had broken out in 1812.

Sexton begins the book with a long chapter on the antebellum decades, which he dubs “the Baring years,” thus acknowledging the dominant role of the powerful Barings Brothers bank in the business of marketing American securities abroad. During these years, public debt accounted for nearly three-quarters of all American foreign debt, close to 90 percent of which was held in Britain. Using the records of Barings and other London banks, as well as the personal correspondence of their agents in America, Sexton shows that financiers were active participants in trans-Atlantic politics and diplomacy during this period. In 1842, former Barings head Lord Ashburton (Alexander Baring) worked with U.S. Secretary of State Daniel Webster—himself a paid Barings consultant—to hammer out a treaty that resolved disputes over the Maine–Canada border. The Barings bank, by suggesting that it stood ready to market United States bonds once this agreement was reached, apparently encouraged the deal. As it turned out, however, Barings never performed this marketing service for the U.S. Treasury because of the growing American public finance disaster that came in the wake of the panic of 1837. By 1842, eight of the American states had defaulted on their debts, outraging British

investors. London bankers responded, as Sexton shows skillfully here, by mounting a behind-the-scenes public-relations campaign in the United States. By distributing campaign contributions and commissioning anti-repudiation magazine and newspaper articles, the London bankers helped to convince several states to resume payments on their debt. In the late 1840s and 1850s, London bankers continued to work for harmonious Anglo-American relations, even as they assisted American continental expansion by selling American bonds used to finance the Mexican War.

The greatest conflict of this era, of course, was the Civil War, and here too British and American financiers worked at diplomacy. Again, the Americans and British managed to avoid what could have been a disastrous war. But in their financial efforts in London during the war years, American agents foundered. In twin chapters on Union and Confederate financial efforts abroad, Sexton relates two stories of failure. The North, despite being extremely well represented in London by financial agents such as August Belmont and Joshua Bates, failed to mount a coordinated campaign to convince British bankers to market its bonds. In the end, only about a tenth of the North's wartime debt was absorbed abroad, mostly by Dutch and German investors. The South, for its part, had no more luck in London (where the antebellum repudiations of several Southern states were well remembered), although it did manage to obtain modest financial assistance in Paris in 1863, in the form of the well-known Erlanger loan. For the South, this was too little, too late. Confirming the conclusions of other scholars, Sexton finds that the Confederacy made a grave error in late 1861 by employing an informal cotton embargo, instead of shipping as much cotton as possible to European warehouses, where it could have been used as collateral for significant loans.

In the book's final chapter, Sexton surveys the development of Anglo-American diplomacy and finance during the years immediately following the Civil War. The central story in this chapter concerns the settlement of the *Alabama* claims, which grew out of the considerable damage to Union shipping wrought by a handful of warships the Confederacy had managed to have built in British yards during the early part of the conflict. Here again, financial interests worked for the settlement of a diplomatic impasse, even as many politicians and much of the press employed fierce nationalistic rhetoric. In the case of the *Alabama* claims, Sexton shows, the U.S. Treasury's interest in

refinancing the nation's massive war debt made American negotiators more willing to compromise in 1872.

While this excellent book succeeds on its own terms, by concentrating on the role of London it necessarily says little about the most important side of Civil War finance. Failing during the war to find investors in Britain (for the reasons that Sexton explains so well in this book), the United States relied almost entirely upon home-grown banks and financiers, including Wall Street firms and the remarkable Jay Cooke. Parts of this story have been told over the years by financial historians; among the recent political histories to take it up are Richard Franklin Bense's *Yankee Leviathan: The Origins of Central State Authority in the United States, 1859–1877* (1990); Sven Beckert's *Monied Metropolis: New York City and the Consolidation of the American Bourgeoisie, 1850–1896* (2001); and Melinda Lawson's *Patriot Fires: Forging a New American Nationalism in the Civil War North* (2002). Sexton's new account of trans-Atlantic activities complements these previous works nicely, while confirming the importance of the domestic developments they address.

An outstanding synthesis of diplomatic and business history, Sexton's book should encourage other historians of foreign relations to make better use of bank archives and say more about the work of financiers as official and informal diplomats. While the bankers may not turn out in other cases to have been quite so devoted to reasonable compromise and peace as they appear in Sexton's work, the new scholarship that extends the work of this book will undoubtedly enliven diplomatic history and business history alike.

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