‘A mystery to the future historian…’?
August Belmont and the Atlantic Trade in Cotton 1837–1865

Kathryn Boodry explores how the House of Rothschild and the financier August Belmont spearheaded a new phase of enterprise in America.

In a letter to the London house in 1863 August Belmont commented acerbically: ‘It will always remain a mystery to the future historian to explain the sympathy which a large portion of civilized Europe gave in the nineteenth century to a rebellion the principal aspect of which was the extension & perpetuation of the odious system of slavery.’ Belmont’s disingenuous claim belies the fact that he, like most agents of Anglo-American financial houses, was well aware that the American Civil War, at least in part, was about the revenue generated from agricultural goods produced in the south. Tobacco, sugar, cotton and rice, all commodities produced in the southern United States with slave labour, were vital exports for the emergent nation. After 1815, the United States was the largest producer, and Great Britain the largest consumer of American cotton.² The economic undercurrents that influenced political allegiances during the Civil War were well understood in the nineteenth century, particularly by merchants and bankers, as was noted in Punch:

Tho’ with the North we sympathize,
It must not be forgotten
That with the South we’ve stronger ties
Which are composed of Cotton.³

In the nineteenth century cotton literally wove together an Atlantic world of factors, agents, merchants, financiers, slaves, stevedores and spinners. It was a vital source of revenue for northern coffers and no doubt coloured perceptions of the need to ‘preserve the union.’ Trade in cotton also fostered the development of sophisticated financial relationships between the southern United States, New York and London. After a brief summary of August Belmont’s history with the congeries of Rothschild houses, this article will consider his operations in cotton on behalf of the Rothschilds in the context of the Anglo-American trade in American cotton in the antebellum period, as well as the approach of the Paris and London houses to business in the United States.

Belmont’s association with the Rothschild firm began humbly with his apprenticeship to the Frankfurt house at fourteen, his primary responsibilities being sweeping floors and polishing the furniture in the office. He moved up the ranks quickly, becoming a private clerk and, eventually, secretary.⁴ In 1837 Amschel von Rothschild sent Belmont to Cuba to investigate the repercussions of the first Carlist War for Rothschild interests in the region. Arriving in New York in May en route to Havana, Belmont found himself in the midst of a financial panic of global proportions that some writers have attributed in part to over-speculation in southern cotton.⁵ He was instructed by the London house to remain in New York ‘for the present time…’ since he would ‘have more opportunity for protecting our interests in New York in receiving our property from Mssrs Josephs & sons’, ‘who had suspended payments two months previously’.⁶ Belmont instead decided to settle in the city and establish his own agency, much to the chagrin of both the London and Paris houses. Baron James de Rothschild concluded that
‘he is a stupid young man…. Such an ass needs to be kept on a short leash.’ This assessment served to colour the firm’s relations with Belmont for the duration of his tenure. Nevertheless, Belmont became the American agent representing the London and Paris houses and August Belmont & Co. continued in the role in the United States until 1922.⁸

Feckless and irresponsible as Belmont’s behaviour might have appeared, he was wise beyond his years at twenty-three. He understood that remaining in the United States was a unique chance to better his position in the world, and was savvy enough to comprehend how the various markets functioned.⁹ Within three years of his arrival, he was reputed to be one of the wealthiest men in New York, as well as one of the most important bankers in the country, known as ‘the king of the money changers’ because of his mastery of arbitrage trading.¹⁰ Belmont went on to serve as the Austrian Consul from 1844–1850 and the Ambassador to The Hague in 1853. Additionally, he held various offices in the Democratic National party.

Initially the Rothschilds’ involvement in American markets had revolved around the transport and sale of quicksilver, as well as investment in state and municipal bonds. Soon after Belmont’s arrival he became intrigued by seemingly more profitable financial ventures with which to entice his employers, including speculation in commodities produced with slave labour, like sugar, tobacco and cotton. Given the recent financial panic, and shortage of money, there was plenty of room to do business if one had cash to hand, as Belmont noted early on: ‘I think that the coming season will give opportunity to a safe and lucrative business… perhaps more as than [sic] in any previous one… the prices of cotton will average low and comparatively few houses will probably be able to accept large consignments…’.¹¹ Belmont had enough confidence to believe he could eliminate, or minimise, the inevitable risk involved in these speculative ventures, and a more enthusiastic estimation of potential profits than was likely shared by his employers.

It was no secret that cotton was an increasingly lucrative commodity and that the triangular trade between southern ports, New York and Liverpool could be fantastically profitable. The difficulty was that the trade was also incredibly volatile, involving not only speculation in the commodity but often in bill discounting, arbitrage trading and the advance of credit against future crops that was part and parcel of the business.¹² The erratic nature of commercial operations was exacerbated by the fact that entry into the world of cotton speculation was relatively simple. This made it very difficult for anyone to control or dominate trade in the article, and no firm ever managed to control much more than 15% of the market in the antebellum period.¹³ More people speculating in the commodity increased volatility, so timing was often crucial. It was most advantageous to enter the market after panics, when money was scarce, prices were low and competition was minimal, as Belmont pointed out to his employers in both Paris and London on numerous occasions, often playing one against the other.

The Paris house has some idea of accepting consignments of cotton during the next season. I think that no more precipitous time could be selected. The low prices of cotton and the want of competition will allow those who come early in the market to make their own conditions…¹⁴

Unfortunately, Belmont was apparently ignorant of the almost daily communications between the London and Paris houses and this weakened the persuasiveness of some of his appeals considerably.

The Rothschilds had other views on cotton, their thoughts coloured by different assessments of risk. Baron James de Rothschild advised his nephews in London around this time, ‘all the people are speculating on cotton which will now be sold at any price and we will have to consider very carefully whether we do in fact want to get so deeply involved in the American business’.¹⁵ James was well aware of the volatility in the market and his assessment of it was quite prescient. It has been suggested by some historians that the Rothschilds failed to take
advantage of opportunities in America. However a more considered view of their involvement in financial ventures in the nineteenth-century United States reveals a thoughtful and cautious approach that, although it did not yield extravagant profit, also avoided catastrophic losses, which fits very well with an end goal of wealth preservation. Part of their hesitation around investments in American ventures can undoubtedly be attributed to their frequently acrimonious relationship with Belmont, but much of it was probably a matter of simple prudence, or avoidance of what they perceived to be an unacceptable level of risk. The inherent instability of operations in cotton was well understood by all the major Anglo-American houses. After the panic of 1837 some of them, most notably Alexander Brown and Sons, the firm most active in the consignment and sale of cotton, resolved to reduce their involvement in the commodity and focus on specie-based transactions and discounting bills, effectively transforming themselves from merchants to bankers.

In light of the precarious nature of the trade and the financial position of the respective houses it is reasonable to assume that Nathan’s sons in particular abided by his dictum that ‘it requires a great deal of boldness, and a great deal of caution, to make a great fortune; and when you have got it, it requires ten times as much wit to keep it.’ Speculation in cotton was simply not as enticing when the preservation of wealth was given precedence over the potential of high returns.

In retrospect, it is clear that the advice Belmont proffered on cotton investments was often, but not always, sound. His letters display a thorough consideration of the complex influences at play in determining supply, demand and pricing and an astute grasp of the play of larger regional and geographic interests. Belmont often considered commodity sales, the abundance or scarcity of money, and political events when determining what investments were most likely to yield ‘handsome profits’ and was quick to scold when his advice was not followed and profit forfeited as a result. He also anticipated the effects that sales, or lack thereof, would have in other markets. ‘The effect of the heavy transactions in cotton at the southern markets is beginning to be felt upon exchanges & I think that henceforth the export of specie to Europe will be on a small scale until next spring.’ He goes on to note that exchange has already dropped in New Orleans and that, in this instance, the London house lost out on a handsome profit by not giving him permission to act. Even Betty de Rothschild begrudgingly acknowledged Belmont’s detailed understanding of the American markets, stating that ‘he knows inside-out all the country’s resources; he holds the key to all the wheeling and dealing in the commercial world and he knows which sources to tap, which are the means of success, which are also the pitfalls that must be avoided.’ Much of this knowledge was hard earned, the result of years of hard work and time invested in the cultivation of business relationships in the North and South.
Belmont was also compelled to master quickly many of the difficulties attendant on trade in cotton, and by extension, stocks, bonds and discount paper. Planters were often cash hungry and capable of all types of crafty tricks in order to increase their profits, resulting in the need to evaluate critically all reports from the South. Southern planters were often deeply in debt. In part this was a result of the rhythms of the plantings and harvests, but it also had much to do with the nature of plantation life. The planter would spend profits, potential profits and future profits in the relentless quest for more slaves and land to grow more commodities.²¹ And with good reason; this type of investment yielded greater production, prestige and political power. ‘To sell cotton in order to buy negroes – to make more cotton to buy more negroes ‘ad infinitum,’ is the aim and direct tendency of all the operations of the thorough going cotton planter; his soul is wrapped up in the pursuit.’²² The wisest of agents and cotton merchants learned when a healthy dose of scepticism was warranted, developing an intimate sense of weather, borrowing and sale patterns throughout the cotton belt. Additionally they cultivated information networks across the region, often receiving daily reports from correspondents. In years when there was an expectation of a large crop, knowledge of which pushed prices downward, planters would sometimes spread rumours of frost striking the plants, or hold back the cotton in hopes of diminishing expectations of the yield and driving up the price. Invariably Belmont would pass on the reports of these erratic and spontaneous outbreaks of frigid weather, noting when he had ‘not much belief’ in the veracity of the accounts.²³

A hearty measure of caution was called for in markets that were often ruled by manic spending and irrational decisions. Default and suspension of payments were common. Planters frequently leveraged themselves to the hilt, incurring debts of such magnitude that repayment was simply impossible. Often these debts were securitised using real property, which in this time and place meant both plantations and human chattel – slaves.²⁴ When planters were unable to pay, the end result was a loss of slaves or the entire plantation for the planter and a highly resented lock-up of funds for the imprudent creditor. In this way, many Anglo-American houses, including the Browns, found themselves reluctant plantation owners. In the case of Alexander Brown and Sons, they ended up in the unenviable position of running these plantations for a period of years before they were able to sell them, eventually, for a profit.²⁵

The Paris house narrowly averted a similar fate in 1841 upon the death of John Forsyth, a former United States senator and Secretary of State. Forsyth was also a planter, to whom the Rothschilds had extended substantial credit. In settling his accounts his son found the estate unable to offer immediate remuneration in cash and instead suggested the firm accept the plantation and several slaves as payment at what was perceived to be a very favourable valuation of the property. This was refused out of hand, the Paris house opting to wait until 1850 for the payment of the debt in full.²⁶ Both houses assiduously avoided using slaves or plantations to securitise debts, which reduced their vulnerability to the volatility in Southern credit markets. On the one occasion when they might have ended up holding chattel property they opted to wait patiently for payment, losing access to their capital for nine years, but keeping their hands (relatively) clean.²⁷

Together, all of these factors resulted in a steep learning curve and suggest yet another reason the Rothschilds may have opted against the establishment of an American house, even though it seemed, at various points, that they were poised to do so, particularly in 1849 with Alphonse de Rothschild’s visits to New York and Louisiana. It is abundantly clear from Betty de Rothschild’s letters to her son during his sojourn in America that this was a topic of discussion between Alphonse, his parents and the London house. She mentions various schemes, claiming at one point, ‘I would not want to abandon the plan to see one of you established in America for anything in the world, and deliver this great future from the stupidity and greed of an agent.’²⁸ Betty proves herself particularly aware of Belmont’s status in American society and his value to the firm, even though she views him as wily, irascible, and reaching beyond his

EXHIBITS of COTTON and TOBACCO, from New Orleans, for ten years—commencing 1st Sept. and ending 31st August.

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<th>TOBACCO—BRODS.</th>
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<td>Liverpool</td>
<td>26215 206265 52417</td>
<td>6480 3539 42026</td>
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<tr>
<td>Lancashire</td>
<td>13216 10017 9186</td>
<td>459 117 4148</td>
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<tr>
<td>Glasgow &amp; Greenock</td>
<td>13097 19725 52417</td>
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<td>Cowen, Falmouth.</td>
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ANNUAL REMARKS.

For the improvement of a new commercial year upon us the expectation of a better state of things. We have the satisfaction to announce that the price of cotton, which has been so fluctuating in the last year, has now assumed a fixed position, and we have every reason to believe that it will continue so. The expectations entertained by the growers of the new crop, that it will be of a superior quality, will no doubt be realized, and we have reason to believe that the produce will be more extensively disposed of than heretofore. The market, which has been so fluctuating in the last year, has now assumed a fixed position, and we have every reason to believe that it will continue so.
rightful social position. ‘B. has created for himself a strong and independent position,’ she notes, discussing his skill in developing business relationships and his mastery of the myriad and complex skills essential to operating in the Atlantic markets, concluding ‘all that makes him an important man these days.’ She goes on to point out that upsetting the status quo too soon could have a deleterious effect on business and compromise Alphonse’s ability to succeed. It is possible that by 1849, with Alphonse of age and ready to assume the business in America, Belmont had simply gained too much traction in American society to be easily replaced, regardless of his status as a mere agent.

By the end of the Civil War in the United States, the Atlantic financial world had changed irrevocably, no longer governed by King Cotton. The merchants and bankers had moved on to other, more profitable, as well as characteristically modern avenues of business. The Rothschilds, like the Barings and Browns, had actually been moving out of cotton since the 1850s. All three firms entered into the more lucrative exchange markets, selling specie, making arbitrage trades, operating in gold and behaving much more like modern investment bankers. This shift in activities was not a conscious choice. Nor was it immediately apparent. It was governed by the availability of opportunity and can be seen in retrospect in changing patterns of investment and greater interest in financial markets. At its root lay changes in the American economy and the incorporation of the American West into larger American markets and institutions.

Kathryn Boodry is a doctoral student in the History Department at Harvard University. She is presently at work on her dissertation, a study of nineteenth-century Atlantic financial networks and the production and distribution of Southern cotton entitled The Common Thread: Slavery, Cotton and Atlantic Finance from the Louisiana Purchase to Reconstruction. She was awarded a Rothschild Archive Bursary in 2009.

BIBLIOGRAPHY


Bill drawn on de Rothschild Frères, Paris by August Belmont in favour of Sylvain Bonné, 24 March 1852 for the sum of sixty one hundred and eighty francs'.

NOTES

1 August Belmont to NMR, 17 July 1863, RAL X/1/62/1.


6 American Letter books, RAL 11/10/1, 29 April 1837.


10 Black, The King of Fifth Avenue, pp.5, 22 and 39.

11 Letter from Belmont to NMR, 10 September 1839, RAL X/1/62/1/2/4/48.


14 Letter from Belmont to NMR, 12 September 1839, RAL X/1/62/10c/2/45.

15 James de Rothschild to his nephews in London, 15 September 1839 RAL X/101/2/4/65.

16 Niall Ferguson, The House of Rothschild, 1st American edn. (New York: Viking, 1998) p.66. It is worth noting that the approach described here, a cautious, risk-averse policy that leads to steady profit in secure markets, in contrast to overzealous speculation, has a marked similarity to the approach adopted by the bank in advance of the most recent economic downturn.


19 Belmont to NMR, 12 October 1852, RAL X/1/62/1.

20 Betty de Rothschild to Alphonse de Rothschild, 7 March 1849, RAL 000/930 58/1/222.


23 Belmont’s letter to NMR, 6 May 1851 is one example: ‘There has been some news in our cotton market and prices have gone up about ¼ ct from the lowest point, in consequence of advice from the south of a killing frost in some parts of Alabama & Tennessee in which I have not much belief….there has been so much cotton planted that we have every prospect for a large crop & this with the now established fact that the present crop cannot fall short of 2500m bales must keep prices[?] down.’

24 For more on the collateralisation of debts with slaves see Richard Kilbourne’s Debt, Investment, Slaves: Credit Relations in East Feliciana Parish, (Birmingham: University of Alabama Press, 1996).


26 Probably the initial advances were made because of Forsyth’s prominence in American politics, and it seems reasonably clear that the mortgage was not secured with either land or chattels. The initial mortgage was issued from the Paris house. The offer from John Forsyth Jr. to settle includes 60,000 acres and fifty negroes. See Belmont to NMR, 31 May 1842 RAL X/1/62/2A/86. On the refusal of real property for the settlement of the debt, see Belmont to NMR, RAL X/1/62/2A/124. The remaining $7,475.68 due was received by August Belmont on 13 May 1850, Belmont to NMR, 13 May 1850, RAL X/1/62/48.

27 In the one case where this type of association has been uncovered, Nathan Mayer Rothschild and James de Rothschild were counter-claimants as mortgagees on compensation due under the slave compensation process initiated after the abolition act of 1833. They pursued the compensation due for 88 slaves on an estate in Antigua, for which Chas. Chattlefield, the trustee of Nathan’s executors was awarded £1,170 18s after his death. The two houses pursued this conveyance as counter-claimants on a claim filed initially by Robert Hyndman for 158 slaves on the Matthew and Constitution Hills estates in Antigua. To clarify, this was a counter-claim filed against a claim filed by a defaulting debtor, Hyndman. As a means of seeking compensation on a debt he failed to pay, the two houses filed a counter-claim against his claim for funds on a debt he was owed. Thus the houses were twice removed from owning or securing debts with enslaved peoples. To suggest from this information that the Rothschilds were in fact slave owners is a stretch. Likewise, to suggest that the houses securitized mortgages with slaves is inaccurate. For more on the filing and compensation received under the Abolition Act see the forthcoming work on slave compensation by Nicholas Draper, et al. See also 711/1/1877, The National Archives, Kew and Nicholas Draper, The Price of Emancipation: Slave-Ownership, Compensation and British Society at the End of Slavery, Cambridge Studies in Economic History (Cambridge, UK; New York: Cambridge University Press, 2010).

28 Betty de Rothschild to Alphonse de Rothschild, 16 May 1849, RAL 000/930 58/1/222.

29 Betty de Rothschild to Alphonse de Rothschild, 7 March 1849, RAL 000/930 58/1/222.