1938

The Early Financing of the Consolidated Association of the Planters of Louisiana

Emile P. Grenier
Louisiana State University and Agricultural and Mechanical College

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THE EARLY FINANCING OF THE CONSOLIDATED ASSOCIATION
OF THE PLANTERS OF LOUISIANA

A Thesis

Submitted to the Graduate Faculty of the
Louisiana State University and
Agricultural and Mechanical College
in partial fulfillment of the
requirements for the degree of
Master of Arts

in

The College of Commerce

By
Emile P. Grenier
B. S., University of New Hampshire, 1935
1938
MANUSCRIPT THESSES

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ACKNOWLEDGEMENT

The writer is very grateful to Dr. S. A. Caldwell for the valuable assistance given in analyzing and interpreting much of the material used as the basis of this thesis; his guidance in the writing was also much appreciated. The helpful suggestions of Dr. S. W. Preston, Dr. D. Borth, Jr., and Dr. M. G. Dakin contributed much in the writing of this paper and the writer is very thankful for their assistance.
The Louisiana State University is now in possession of valuable records of the defunct "Consolidated Association of the Planters of Louisiana": a bank which was established over a century ago. Although this institution played an important role in the economic development of Louisiana, relatively little is known about it today. Taking the available records as a source of information, the present study describes and analyzes the organization and the operation of this new type of banking. Particular emphasis is placed upon the fact that the institution was financed through the sale of bonds guaranteed by the State; and for that reason most of the study is centered about the negotiations with Baring Brothers and Company of London.

The manuscripts of the Consolidated Association reveal much added information on a particular phase of Louisiana's attempts to entice outside capital for the betterment of the State and its people. Therefore, the important manuscripts referring to the first ten years of the Bank's history have been presented in full, either in the body of the thesis or in the appendix, and in the translated form.
No attempt was made to completely analyze and compile all the information available on this bank, but the thesis is an introduction which will permit a further study in the affairs of the Consolidated Association and of the effects it had on the economic and banking development of Louisiana.
CHAPTER I

BANKS IN LOUISIANA BEFORE 1827

THE LOUISIANA BANK

"The banking history of Louisiana begins in 1804 with the establishment of the Louisiana Bank a few months after the Louisiana Purchase."¹ On the twelfth of March 1804, Governor Claiborne granted a charter for the first bank ever to exist in the territory. The charter was signed by the Governor after he had received a petition for such an institution from the citizens of New Orleans and its vicinity. The reason for its establishment can be stated, perhaps, by quoting Gayarre:

"Nothing is more apt to produce discontent in any community than the want of a circulating medium; and when discontent exist from any other source, nothing is more powerful in contributing to bring it to its climax than this very cause. So it was in

¹Caldwell, S. A., A Banking History of Louisiana, p. 20.
Louisiana at that time. The distress in the province had become very great from the scarcity of money. The flow of silver from Vera Cruz which was so refreshing under the Spanish Government had ceased with the change of dominion, and Spain showed no prompt disposition to redeem a large quantity of paper which she had set afloat in the late colony under the name of libranzas, and which had fallen into considerable depreciation." 4

The capital of this bank was not to exceed six hundred thousand dollars ($600,000), and its charter was for fifteen years.

"This useful institution", however, "was paralyzed from its very cradle by the defiance that it instilled to a people twice mislead by a similar system under the French and Spanish Governments." 6 A bank was entirely new to them, 7 and the issuance of paper money by such an institution could be no different than their experience with the French "King's Money" issued in the 1730's 8 nor than their more recent experience with the Spanish "libranzas". 9 As Gayarre said, in their minds it was just an American scheme

7Gayarre, op. cit.
8Surrey, N. M. Miller, The Commerce of Louisiana during the French Regime, p. 124.
to legalize robbery. \textsuperscript{10} But the resentment by the people was not the only obstacle this new bank had to face; Governor Claiborne, after informing the President of his ordinance, was instructed by the Secretary of the Treasury, Mr. Gallatin, to revoke the charter. \textsuperscript{11} This, Governor Claiborne refused to do, contending that the bank would die of its own accord. \textsuperscript{12} "Despite the prediction that the bank would fail of itself through inability to raise the necessary capital, the bank succeeded in opening for business. It was formally organized in January 1805." \textsuperscript{13} In the same year a branch of the First United States Bank was established in New Orleans. \textsuperscript{14} These two were the only banks which existed in Louisiana until 1811, when the charter of the First Bank of the United States expired leaving the Louisiana Bank to meet the banking needs of the territory.

THE PLANTERS' BANK AND THE BANK OF ORLEANS

"To make up for the deficiency of currency, the legislature established two banks": \textsuperscript{15} the Planters' Bank, chartered

\textsuperscript{10} Gayarre, \textit{op. cit.}
\textsuperscript{11} "Letter to Albert Gallatin", Rawland, D., \textit{op. cit.} p. 160
\textsuperscript{12} \textit{Ibid.}, pp. 160-164.
\textsuperscript{13} Heck, Harold, "The Development of Banking in Louisiana" (unpublished manuscript), p. 12.
\textsuperscript{14} \textit{History of the Bank of the United States}, p. 116.
\textsuperscript{15} Debouchel, \textit{op. cit.}, p. 112, (translation mine).
April fifteenth, 1811, and the Bank of Orleans chartered on the thirtieth of the same month. The authorized capital of the Planters' bank was six hundred thousand dollars ($600,000), the shares being two hundred dollars ($200) each, payable in specie. The duration of this charter was for fifteen years. Since the bank's primary purpose was to meet the needs of the agricultural interests of the Territory, it made a specialty of discounting the notes of the planters and of advancing money for the improvement of agricultural property. The Bank of Orleans was incorporated with a capital of five hundred thousand dollars ($500,000); its shares were one hundred dollars ($100) each, payable either in money or notes. The original charter was granted for fifteen years, but by an act of the legislature passed March 26, 1823, the charter was extended to April 30, 1847, with a further provision that the bank pay the State a bonus of twenty-five thousand dollars ($25,000).

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16 Acts of the Territory of Louisiana, 1811, pp. 86-100.
17 Ibid., pp. 164-173.
18 Same as footnote 16, Section 8. It appears that this bank became insolvent prior to the expiration date. (See Debouchei).
20 Same as footnote 17, Section 1.
21 Louisiana Laws, 1823, pp. 66-68.
THE LOUISIANA STATE BANK

"These three banks—the Louisiana Bank, the Bank of Orleans and the Planters' Bank—were amply sufficient for the financial needs of Louisiana for the first two decades under the American rule; indeed, considering the fact that Louisiana had previously been without any banking facilities at all, which would seem to be more than enough." 22

The Louisiana Bank, however, was not operating efficiently; "considerable difficulty was encountered in its management." 24 In spite of the fact that a branch of the Second United States Bank of Philadelphia had been operating in New Orleans since January 1, 1817, 25 the State, ambitious in its banking ideas, 26 provided for the establishment of "The Louisiana State Bank" 27 in 1818. It was capitalized for two million dollars ($2,000,000), the shares being one

22 Rightor, H., op. cit., pp. 66-68.
23 In 1818, fourteen years after the bank was granted a charter, the officials decided to liquidate, and in 1819 it was authorized to terminate its affairs within a two year period beginning from March 20, 1820.
24 Rightor, H., op. cit., p. 584.
26 Rightor, H., op. cit., p. 585.
27 Louisiana Laws 1818, pp. 78-90.
hundred dollars ($100) each, payable in cash or notes payable. The act provided that with legislative sanction the capital of the bank could be increased at a rate not exceeding four hundred thousand dollars ($400,000) a year, and that its capital was never to exceed four million dollars ($4,000,000). The charter provided that the depositories which it established for the purpose of subscriptions, should become branches of the said bank. These branches, however, did not prove profitable and by an act of legislature, four of the five branches were discontinued; only the branch in St. Martinsville was retained. For the privilege granted to the Bank, the State received a bonus of one hundred thousand dollars ($100,000) and subscribed for five hundred thousand dollars ($500,000) of the bank's stock.

28 Subscriptions could also be paid with mortgages instead of indorsements if the managers considered these to be sufficient means of payment. (Section 1)

29 Louisiana Laws, 1818, pp. 78-90.

30 Ibid.

31 Louisiana Laws, 1825, pp. 6-8.

The first bank chartered since the admittance of Louisiana into the Union (1812), was soon followed by a more novel type of bank—"The Bank of Louisiana." This institution was incorporated April 7, 1824, with a capital of four million dollars ($4,000,000), half of which was subscribed by the State. To pay for its subscription, the State issued bonds for the bank to a total of two million four hundred thousand dollars ($2,400,000), and pledged its faith for the payment of the principal and interest on them. These bonds were issued for a period of ten, fifteen, twenty, and twenty-five years; one quarter redeemable at each respective date. This plan of issuing two million four hundred thousand dollars ($2,400,000) worth of bank stock, permitted the individual stockholders to reap quite a profit.

Just as was the case with the Louisiana State Bank, this institution was chartered with a provision for branches;

33 Debouchel, V., op. cit., p. 139.
34 Louisiana Laws, 1824, pp. 72-132.
35 Ibid., Sections 4 and 5.
36 Ibid., Section 5.
37 Caldwell, S. A., op. cit., p. 45. See also, Louisiana vs. Bank of Louisiana, 6 Louisiana Annals, pp. 645-649.
the capital of each to be paid in by the mother bank. The branches were located at: Donaldsonville, St. Francisville, St. Martinsville, Alexandria, and Baton Rouge. 38

Thus, in 1827, there were in Louisiana, the Bank of Orleans, the Louisiana State Bank with its branch at St. Martinsville, the Bank of Louisiana with its five branches, and the branch of the Second United States Bank. Excluding the branch of the United States Bank, the banking capital of Louisiana approximated six million five hundred thousand dollars (¢6,500,000). Whether or not this available capital was sufficient to meet the rapid development that was taking place in Louisiana, is difficult to determine. However that may be, the agriculturists of that day felt that they needed more capital. The result of this feeling was the incorporation of the Consolidated Association of the Planters of Louisiana.

38 Louisiana Laws, 1824.
CHAPTER II

ECONOMIC HISTORY OF LOUISIANA PRIOR TO 1827

The economic development and the prosperity of a new section of a country or of a new colony is commonly explained in a manner similar to that used by Adam Smith. "The colony of a civilized nation which takes possession, either of a waste country or one so thinly inhabited, that the natives easily give place to the new settlers, advances more rapidly to wealth and greatness than any other human society."¹ This is based on the grounds that the settlers have no rent and scarcely any taxes to pay, and with an abundance of natural resources and efficient labor, wealth is a necessary consequence. Callender, however, shows the fallacy of this contention by indicating that certain conditions are overlooked.²


"The mere presence of a certain number of industrious people in a country abounding with fertile soil, forests, mines, and fisheries, by no means insures a rapid development of these resources and a consequent large production of wealth. The economic advantages possessed by a people so situated consist simply in the ability to produce food and raw materials with a small outlay of labor. Before they can utilize these advantages, certain favoring conditions must be present. They must be able to dispose of these commodities in exchange for the commodities which they cannot so easily produce—in one word, they must have a market."

This very fact applied to the West and the Southwest; their development was not rapid until a market was found to sell the goods they produced. Some Western produce did come down the rivers to the South and New Orleans where a local market existed, but the sphere for the demand of these western goods was limited and the means of transportation made these products rather expensive. There was also some production of cotton in the Southwest during that early period, but the demand for cotton was not very great, and the existing demand was largely supplied by the South Seaboard States. Only 29,000 bales of cotton were exported from New Orleans in 1802, and in 1807 the produce received at New Orleans was worth $5,370,000. The obstacles hinder-

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ing the West and Southwest were reduced by the invention of the steam-boat, the increased demand for cotton subsequent to the invention of the cotton gin, and the new demand for sugar which previously had been practically nonexistent in the United States. These forces "started the whole country forward on its remarkable career of development." ⁵ They became active after the War of 1812, and along with the progress of this new era, there appeared an increase of banking to facilitate the development of both commerce and agriculture.

COMMERCE

The Mississippi River was a great commercial waterway, and since the territory along its bank was fertile, the land became very valuable and desirable. On account of these advantages countries such as France, Spain, England, and the United States were vitally concerned over the possession of the Louisiana colony. The purchase of this section by the United States Government in 1803 removed the greatest restriction and interference to the commerce coming down the rivers from the West, ⁶ thus render-

⁵Callender, G. S., op. cit., p. 117.

⁶Humphrey, E. F., An Economic History of the United States, pp. 135-
ing possible the rapid development of new markets that was soon to take place.  

New Orleans, situated at the mouth of the river, was bound to become the important commercial center of Louisiana, of the Southwest, and, for a while, of the United States; it was soon to play the important part in the "American System."  

Following the Revolution the West faced great difficulty in exchanging their products with the East in that the Spanish government forbade the settlers from taking their rafts and barges below the Yazoo. This prevented them from reaching New Orleans, the outlet to the sea and the route to the East.

The "American System" is often referred to by name but very seldom explained. It has its origin with the American tariff policy. The term really meant that by a protective tariff American business as a whole would prosper. Direct means of transportation between the East and the West was so poor that only expensive goods could bear the rate in the early days; the Mississippi offered the only profitable route. Thus we had the three sections of the United States—the Northeast, the West, and the South—mutually dependent upon one another. The links could only be fastened together by a tariff. That was the idea at the time. The West took its produce, such as grain and flour, and livestock and bacon, to New Orleans and exchanged these for money and manufactured goods or other necessities. The Northeast got its raw materials such as cotton, sugar, and foodstuffs from the South, especially New Orleans. In return, manufactured goods, boots and shoes went to both the West and the South and transportation services were offered. The South made up the difference in money. But where did she get the money that she supplied the Northeast and the West? England and other European countries provided the money—in that the South sold cotton and raw materials to them and as there was a tariff on manufactured goods, money was the only means of exchange. As long as the Southern products were in great demand and yielded large profits, and as long as the prices for necessities did not rise as fast as the increase in income, the American System was endorsed in America although very few understood its operation.
When this development began to take place the necessary capital to carry on Louisiana commerce was supplied by the newly organized Louisiana Bank and by the New Orleans branch of the Bank of the United States. The latter made loans to individuals engaged in some business pursuit such as importers, traders, etc. As the needs became greater two other banks were organized both of which were primarily interested in agricultural groups engaged in selling their products.

"In 1811 the advent of the steamboat brought a turn 'in human affairs', but this change added to the possibilities of New Orleans... The improved methods of the steamboat not only brought better and quicker markets for the produce of the ever increasing settlers of the Midwest, but also made imports easier." After this date commerce at New Orleans advanced by leaps and bounds. Accompanying it

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10 The Planters' Bank and the Bank of Orleans.
11 This does not mean, however, that New Orleans and Louisiana were immune from speculation during this period.
was the growth of banking in Louisiana. So great were the needs for increased capital that the State felt it necessary to establish a State Bank in 1818. As Dewey states: 13

"The motive which caused this wide-spread connection of the States with the banks was not... the same in all sections of the country. In the older States, both North and South, it was not primarily, if at all, due to the desire to encourage the growth of banking.... On the contrary, they were regarded as very profitable enterprises.... In the newer States, however, (insertion mine) where capital was more scarce, the other motives played a considerable part. The people were anxious to furnish a circulating medium, and also to provide banking accommodations to the commercial classes, as well as loans to farmers."

Shortly afterwards (1824) another bank made its appearance in Louisiana.

In Louisiana, as in other Southwestern States, "the demand for capital... and the difficulty of obtaining it were, perhaps, greater than in any other part of the country...." The State "had to attract capital from the North and from Europe...." therefore, "nothing was left but to make use of public credit to supply this deficiency. 14 And Louisiana did so through the sale of $2,400,000 of bonds for the last-mentioned bank.

To give some picture of the importance of commerce

14 Ibid., p. 35.
as an occupation, there were in Louisiana by 1820, 153,407 inhabitants in the State, of which 6,251 were engaged in this pursuit. In other words about four and one-half percent of the population of the State was engaged in commerce of some sort. As to the pecuniary importance of commerce the following table will reveal its increase.

**COMMERCE OF LOUISIANA FROM 1821 TO 1827**

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<th>Years</th>
<th>Domestic</th>
<th>Foreign</th>
<th>Total</th>
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<tr>
<td>1821</td>
<td>$6,907,599</td>
<td>$364,573</td>
<td>$7,272,172</td>
</tr>
<tr>
<td>1822</td>
<td>$7,303,461</td>
<td>$675,184</td>
<td>$7,978,645</td>
</tr>
<tr>
<td>1823</td>
<td>$6,769,410</td>
<td>$1,009,662</td>
<td>$7,779,072</td>
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<tr>
<td>1824</td>
<td>$6,442,946</td>
<td>$1,485,874</td>
<td>$7,928,820</td>
</tr>
<tr>
<td>1825</td>
<td>$10,965,234</td>
<td>$1,617,690</td>
<td>$12,582,924</td>
</tr>
<tr>
<td>1826</td>
<td>$9,048,506</td>
<td>$1,235,874</td>
<td>$10,284,380</td>
</tr>
<tr>
<td>1827</td>
<td>$10,602,832</td>
<td>$1,126,165</td>
<td>$11,728,997</td>
</tr>
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**AGRICULTURE**

While cotton came to play a dominant part in Louisiana agriculture, it was of secondary importance during the early days. The sugar industry preceded it in importance.

15 Debouchel, *op. cit.*, p. 139.
"Sugar-cane was brought by the Jesuits from St. Domingo as early as 1744, and was first, cultivated by them in the gardens at New Orleans. This Malabar, Bengal, or Creole cane was very sweet and tender, but was easily frost bitten and had such prickly leaves that often the laborers and mules were wounded by the thorns."

In 1785, M. de Breuel erected the first sugar mill on his plantation, but it was not until 1794 that sugar was manufactured in the colony. It was then,

"Etienne de Bore, driven by necessity to meet almost certain misfortune, resolved to make a determined attempt to manufacture sugar. Before this time sugar-cane had grown successfully in Louisiana, but all attempts to granulate the juice and produce a marketable quality of sugar had hitherto failed. Buying seed cane from Mindez and Solis, de Bore planted his fields in cane, and by his care and energy succeeded in raising an excellent crop and finally granulated the juice."

The news of this improvement spread, and as a result, "the cultivation of sugar-cane was greatly extended, and plantations were established where formerly stood virgin forests."

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20 Phelps, Albert, Louisiana, a Record of Expansion, pp. 199-200.
Later, the cultivation of sugar was given new ardor when Jean Joseph Coiron introduced the ribbon cane in 1817. Its ability to withstand greater cold enabled the planters to open new plantations further north, and this greatly enlarged the area of cane growing in Louisiana. In a Lafourche Gazette was found the following item:

"Upwards of fifty thousand dollars worth of wood lands on the Bayous Caillou, Black, etc., in the vicinity of Lafourche, have been purchased during the past week by the planters in the neighborhood of Natchez, for the purpose of being employed in the cultivation of sugar cane; and large quantities in addition are expected to be taken up shortly, for the same purpose. Scarce-ly a week now elapses that does not witness the arrival in our village the persons from other parts of the country on their way to the interior, to examine the country, with the view of purchasing therein. Immense tracts of the finest sugar lands in the state exist upon the bayous we have mentioned together with the Terre Bonne, Boeuf, Blue, etc., (heretofore almost unknown beyond their immediate neighborhood) which promise speedily to be brought into cultivation by the men of enterprise and capital, from the cotton growing parts of this and the neighboring states."

Inventions soon appeared to add impetus to the industry. Steam power, for instance, was substituted for animal power in 1822, when M. Coiron installed the steam

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23Fortier, A., op. cit., p. 228.
24Niles Register, XXXII p. 195.
engine to operate the sugar mill. However, these early engines and mills were very expensive—costing about $12,000, and they had to be imported through Gordon and Forstall & Co., the agents for these English machines. Later on they were manufactured in this country at a price of $5,000 or $6,000, but even at this price more capital was required than the average planters had. The few who were fortunate enough to have the capital, or who could raise the necessary funds were soon able to be repaid for their outlay. To illustrate, the following appeared in a paper published at Opelousas, Louisiana, December 4, 1828:

"Mr Brownson has vested a large capital in the sugar business. He has erected this year very costly works, which have just gone into operation. We are credibly informed that the sugar manufactured by him this fall will more than defray the expense of these works. These results will lessen our wonder at the rapidity with which the sugar planter amasses riches. Each laborer on his fields will make annually between two and three hundred dollars clear of all expenses. One hand will cultivate ten acres. Each can yield one thousand five hundred pounds of sugar; each pound is worth at least six cents. Then deduct even two-thirds of the profits, which is a much larger deduction than necessary, for the interest of the capital invested, and all the current expenses, and the most moderate result will be as above stated."

26 Ibid., p. 668.
27 Niles XXXV p. 355.
Perhaps a more concrete example would be to calculate the income Louisiana received as a result of the tariff alone, not including other profits. In 1828 the State produced forty-five thousand hogshead of sugar of one thousand one hundred pounds each. With the tariff at three cents a pound the planters would be enabled to receive one million four hundred eighty-five thousand dollars by reason of the tariff.

What made this expansion such a profitable one? Louisiana was not the only nor the best suited locality to cultivate sugar-cane. The explanation is the bounty paid to the people of Louisiana by the tariff.

"The first duty imposed on sugar by the national government was in 1789, of one percent per pound on grown and three cents upon loaf sugars. These duties were augmented in 1790, 1797, and 1800. In the last the duty on brown sugar was raised to two and one-half cents, and that of loaf sugar to five cents per pound. During the War of 1812, the duty was raised to five cents, but was lowered to three cents in 1816. These duties were imposed when there were no lands within its limits suitable for cane culture. They were levied for revenue only," but as we have observed, cultivation of sugar cane was now possible in the State of Louisiana, and with such a protective tariff, the planters were enabled to reap a


moderate interest on their capital.\textsuperscript{30}

Such attractive profits in the sugar industry lured more and more capital into its fold, and even after all private capital had been invested more was demanded to enable expansion. The increase in the production of sugar and molasses was so rapid that in Niles Weekly Register it was predicted that the domestic supply would nearly equal the consumption in a few years.\textsuperscript{31} This was an error on the part of the editor, but it helps us visualize at what stride this expansion was going. It is no wonder that Louisiana supported the "American System" or high tariff policy of the Federal government.

This increasing wealth gave Louisiana its peculiar character and charm.\textsuperscript{32} It fostered the era of luxurious living and the building of costly homes which still stand today as evidence of what existed then. Most of those who amassed such fabulous wealth were the French plantation owners since they held the grants that were made during the days of John Law, or granted by the French regent in the colony—a land grant similar to the English "fee simple" called "franc alleu".\textsuperscript{33}

\textsuperscript{30}Niles, XXXII, p. 101.
\textsuperscript{31}Ibid., XXXIV, p. 108.
\textsuperscript{32}Phelps, A., op. cit., p. 200.
\textsuperscript{33}Hawk, E. Q., Economic History of the South, p. 203.
The cotton growers of the State were not as fortunate as the sugar planters during this early period prior to 1827, but they were by no means suffering nor was the production of cotton at a standstill.

"Previous to 1794—the year after the invention of Whitney’s saw-gin—the annual amount of cotton produced in North America was comparatively inconsiderable." And the little that was produced came mostly from the old Southern states and not from the Southwest. After the invention of the cotton-gin and its complimentary inventions, cotton production increased rapidly and spread to the Southwest. It was not, however, until the English manufacturers and the Northern textile industries placed great demands for cotton that the cotton industry became of great importance to the South and the Southwest. This increased demand started after England was through with her Napoleonic Wars and the United States had placed a tariff on foreign-made goods. With these two huge demanders for cotton, price of cotton rose, occasioning greater profits. As a consequence, immigrants came in hordes with their slaves to the Southwest. Here was a new region where the climate was mild and the soil fertile; enormous crops of cotton could be produced cheaply.

34 Humphrey, E. F., op. cit., p. 201.
This vast increase in population and demand for new land accompanied by the establishment of cotton plantations equipped with the necessary machinery and slaves to operate them, called for great outlays of capital. The capital was eagerly sought because the inviting profits received from high priced cotton assured them of a better income and an easy means of repaying the borrowed funds. The price of cotton during these years ranged somewhere between twenty and thirty cents a pound; in 1825, cotton at New Orleans was quoted at from twenty-three to twenty-five cents per pound.*

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* Humphrey, E. F., op. cit., p. 201.
CHAPTER III

BRITISH CAPITAL IN LOUISIANA

The rapid development of both commerce and agriculture called for more capital than was available in the community, therefore, some new source had to be tapped. This was done by means of public credit; that is, through the sale of State bonds which Louisiana provided for in 1824, when it chartered the Bank of Louisiana.¹ This bank helped the commercial interests considerably. Agricultural groups, pressed for more capital, soon persuaded the State Legislature to do likewise for them.

Capital was scarce in most of the Southern States at the time, thus leaving this region out in Louisiana's attempts to entice capital to her fold. The Northern States had considerable capital, some of which found its way to Louisiana, but this section needed most of its available capital for canal building²—the craze that was

¹Supra., Chapter I, p. 7.
sweeping the country in the attempt to connect the West with the East—or for other industrial purposes. This left Europe as the only remaining source, and England as the nation best able to supply Louisiana with its needs for capital. Inasmuch as "economic man is somewhat of a nationalist...", capital will only pass the frontier with some friction and hesitancy. How then was it that British capital migrated so easily to America, especially at this period just after her Napoleonic Wars? To answer this question, a brief survey of England's economic life is necessary.

In the seventeenth and eighteenth century the Dutch were the financiers of the Western World, and even England was dependent upon them for her development. But the British economic position was somewhat different from other dominant European nations.

"England was a nearly self-sufficient state, of the early capitalistic type, managed by a landed aristocracy. The basis of her economy consisted of agriculture and domestic manufactures. The lower classes produced enough products from these to supply the needs of the metropolis as well as their own; and their landlords employed their revenues in enjoying the expensive pleasures of Westminster. There was also an exportable surplus of textiles and

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3Jenks, H. L., The Migration of British Capital to 1875, p. 4.
grain, sufficiently to supply the nation with naval stores, colonial goods, and precious metals, to keep up the interest and England's foreign debt, and to pay the expenses of subsidized foreign legions."\(^4\)

The British policy was simply, "to maintain as wide a margin as possible between the produce Great Britain could export and the articles she must buy abroad."\(^5\) Thus, with such a mercantilist policy, England came out ahead. Furthermore, the introduction of scientific farming and the passage of Legislative Acts, such as the "Enclosure Acts", made possible increased productivity so as to meet the ever-increasing demand. All of this made for an accumulation of wealth enabling England to become financially independent as well as economically independent.

"...Having more money in their hands than they knew how to spend, the nabobs and the contractors and the opulent classes generally placed it for safety and advantage with banks, whence it could be drawn to extend the operation of farmers and grain dealers, clothing factors and miners, merchants and shipbuilders,--of all whose undertakings promised to pay for its use."\(^6\)

And, "...under the fermenting influence of the newly discovered note and deposit system the capital resources of

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\(^4\)Ibid., p. 7.
\(^5\) Ibid., p. 8.
\(^6\) Ibid., p. 9.
Great Britain grew by leaps and bounds during the closing decades of the century." These funds were used for further expansion such as internal improvements, roads, canals, etc.—new manufacturing establishments, and new farm implements. The Industrial Revolution was progressing rapidly, and the more England expanded the more wealth she accumulated.

After the Napoleonic Wars which marked the close of a period of over a century of warfare, England,

"not because she must, but because she was use to doing it..., sought to continue to produce at the old speed. And because of the same habitations, she sought outlet for her energies in seeking another foreign market to replace that which government contracts had provided abroad. Foreign investments threw as a means of foreign trade. It blazed the trail for cosmopolitan specialization, for the extension of the Industrial Revolution, the expansion of British economy to embrace the world."

Thus, British capital was profitably employed in fostering the development of other nations, and much of it was invested in American commercial and industrial enterprises.

"Towards the banking enterprises of the Southwest, English capitalists were equally well disposed. England was interested in securing a steady increase in the supply of raw cotton, and in making loans

7Ibid.
8Callender, G. S., op. cit., pp. 139-140.
9Jenks, H. L., op. cit., p. 23.
to the Southwest for banking purposes she was in reality investing her capital in the same great industry which was the bases of her manufacturing system." 10

Furthermore, England's experience with banking in the United States had already proven profitable. "The activities of the representative merchant of the post Napoleonic period, Alexander Baring, reflect some realization of the relations. Scarcely had the post war slump spent its initial force, when in 1817, the firm of Baring Brothers was lending gold to the Second Bank of the United States...." 11 Baring Brothers and Company were also the influential merchant bankers that made possible the investment of British capital in the Louisiana banks and other Southwestern Property banks, starting with the Consolidated Association of the Planters of Louisiana in 1828.

From this brief survey, it is easily observed how the British capital migrated to America as the result of the activities of a few foreign merchant bankers intensely interested in maintaining foreign connections which was the very source of their business life.

10 Callender, G. S., op. cit., p. 143.
11 Jenks, H. L., op. cit., p. 31.
"The first of a new class of land banks was the Consolidated Association of the Planters of Louisiana incorporated March 16, 1827..."¹ The soundness of the reasons given for the establishment of this bank has been questioned by many: Condon called it, "The boldest—and most questionable....financing scheme yet devised..."; Debouchel referred to it as just a fancy on the part of Planters arising out of their desires to have equal privileges with the commercial group in banking. Others, especially those who witnessed the questionable and prolonged liquidation of this institution, have deplored its very existence for various reasons. When this bank was organized, however, it was thought that such an institution would be beneficial.

¹ Sparks, E. S., op. cit., p. 84.
² Martin, F. X., op. cit., p. 423.
³ Debouchel, V., op. cit., p. 143.
and, therefore, should be supported by the State "on the grounds that the prosperity of the planters was the prosperity of Louisiana." It was a plan devised (so the minutes of the organization stated) to help and protect the hard pressed agricultural groups as it would provide them with a means for full activity, reduce the excessive burden of high interest rates on money, and remedy unforseen accidents which might cause excessive suffering to these laborious and recommendable planters.

The planters of Louisiana presented a petition to the Legislature asking for relief from the oppressive interest rates and from the shortage of available capital. The Legislature handed the petition over to a committee for study, and on January 25, 1827, this committee, with Mr. Allard as its spokesman, reported their study to the House in the form of a bill proposing that a Planters' bank be chartered. The bill came up for a second reading on the eighth of February, and it was passed by both houses of

4 Rightor, H., op. cit., p. 588.
5 Minutes of Meetings, Book I, (1827-1833), p. 9, "Project of the letter to be sent to Stephen Girard of Philadelphia". (Hereafter, all reference taken from Minutes will be referred to as "Books of Minutes". See Bibliographical Note for further description of this source of information.)
6 Louisiana House Journals, 1827, p. 28. (French)
7 Ibid., p. 38.
the Legislature on the sixteenth of March as, "An act to incorporate the Subscribers to the Consolidated Association of the Planters of Louisiana." Its capital was set at two million dollars to be raised by means of a loan obtained by the directors of the institution. The stockholders were to be planters (and planters exclusively) in need of capital and they could subscribe for a sum of two million five hundred thousand dollars; the shares being of five hundred dollars each. And this stock could be paid for in mortgages on immovable property for an amount equal to the shares that had been subscribed, but in no case could it be a mortgage on land that should not be in the state of cultivation. The Bank, with these mortgages as security, was to issue its own bonds, and with the bonds it was to

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8 Louisiana Laws, 1827, p. 96.
9 Particular attention must be paid to the word capital in order to avoid confusion. In the eighteenth and nineteenth centuries the word capital was used to mean funds obtained by a loan or sale of bonds and not the stocks of the corporation, the latter being the present concept of capital.
10 Louisiana Laws, 1827, Section I.
11 Ibid., Section 3.
12 See footnote 9, Chapter IV, p. 30.
13 Louisiana Laws, 1827, Section 2.
14 Ibid., Section 5.
procure a loan of two million dollars. These were to be bonds bearing five percent (5%) interest per annum, payable half yearly, and they were to be issued in three equal series of five, ten, and fifteen years respectively.

This gave the bank a financial structure which was, without doubt, unique for that day, because it was a pool of uneven mortgages to form a collateral trust. It followed the present day practice of pooling a multitude of real estate mortgages and issuing uniform trust certificates or bonds. Previous to this time the land banks were, more or less, stockbrokers' offices. As Sparks says, "in the evolution of agricultural banking, this bank and other property banks which followed it represent a mid-way point between the colonial land bank and the present Federal Farm Loan Bank." In other words, it was an innovation which opened the way for the contemporary usage of collateral trusts.

Another peculiarity of this bank was that the planters did not have to expend any money in becoming subscribers of the institution. They simply bought the shares by mortgaging their property. The stock in turn enabled them to borrow from the bank; that is, by placing these stocks

15 Ibid., Section 4.
16 Ibid., Section 4.
17 Sparks, E. S., op. cit., p. 83.
as security the planters could obtain funds up to one-half of the value of the stock. In a way this system resembled the cooperative associations which did not come into prominence until a much later time. The similarity lies in the fact that these planters were both owners and clients of the Consolidated Association. The difference was that the dividends derived from profits made were not to be paid out until the expiration of the charter, but the dividends could be declared yearly and set aside on the books of the corporation.18

The name of the bank as incorporated by law was "The President, Directors and Company of the Consolidated Association of the Planters of Louisiana," and its charter was to continue to April 30, 1842. Under this name it could buy, receive, and possess all kinds of property, either immovable or movable, and could loan, negotiate, sell, grant, alienate, demise, and dispose of the same. It was permitted to take mortgages and pledges, and to discount upon banking principles on such credit and on such security as they thought advisable, provided it did not exceed in value the double of their capital.19

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18 Louisiana Laws, 1827, Section 13.
19 Ibid., Section 7.
The administration of this bank was to be conducted by seven directors elected yearly by the stockholders of the institution, but no stockholder could become a director unless he was exclusively a planter and a citizen of the United States, and unless he possessed at least ten shares in the funds intended for the guarantee of the reimbursement of the capital of the loan.

If the corporation made any profits, dividends could be declared and deposited in the name of the stockholders, but they could not be paid out until the expiration of the charter. However, before any dividends could be declared, yearly reports had to be made to the government showing a detailed statement of affairs of the consolidated association.

The corporation was not to charge "more than eight percent per year on notes discounted or money lent out, and no more than six percent per annum on any of its loans or discounts made on notes at order, payable within four months after the said loans or discounts shall have taken place."

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20 Ibid., Section 8.  
21 Ibid., Section 12, article 4.  
22 Ibid., Section 13.  
23 Ibid., Section 12, article 9.  
24 Ibid., Section 12, article 11.
In order that the government have some control over the bank, the act provided for the election of a comptroller by the Governor with advice and consent of the Senate, whose term of office was for two years and whose duties were to submit to the association governmental legal advice to guide them, to report to the legislature from time to time the condition of affairs of the institution, and, also, to propose further legislation to enable the better operation of the said company. 25

Subscriptions in the organization started May 1, 1827, and as soon as a thousand shares were subscribed, an election was held, as prescribed by law, on the eighteen-th of June. The duly elected directors—Manuel Andry, Honore Landreau, Louis Allard, Zenon Roman, Michel Alise Pascales, Francois Pascales, and Lacestiere Volant Labarre—met in the presence of Hugues Lavergne, comptroller for the association, on the twenty-first. (Camille Zernigne, the seventh director, was not present.) They were sworn into office by Judge Bermudez and then proceeded with the affairs of the new bank. At this meeting they resolved that:

1. The attorney and the cashier would not receive a

25 Ibid., Section 18.
salary until the loan of two million dollars be effected in the manner prescribed by law.

2. The funds of the loan be received in New Orleans.

3. Mr. Allard and Mr. Landreau be appointed as a committee charged to find a location to hold directors' meetings. 26

At the second meeting, held on the twenty-fifth Mr. Moussier read a project for a loan which was afterwards sent to the committee on ordinances and regulations. The above having been completed, a committee was appointed to advise the direction on the means by which to negotiate a loan of two million dollars. Mr. Landreau, chairman of the committee in charge of finding a suitable place for holding directors' meetings, reported that they could meet at his home. 27

On the twenty-seventh, the committee in charge to advise on the means to negotiate a loan reported that they recommended the nomination of one or many agents to negotiate a loan, either in the North of the United States, in England, or elsewhere. At the same time, upon resolution, the comptroller and the attorney were invited to submit to the Direction a project of the loan and to pre-

26 Books of Minutes, June 21, 1827. (Liberal translation)
27 Ibid., p. 4, June 25, 1827.
scribe for the agents who were to negotiate the loan, powers, instructions, letters, etc. 28

Messrs. Lavergne and Derbigny appeared and presented their project on the loan at the directors meeting held on the thirtieth of June. Their project for the loan contained two plans: one which would authorize the commissioners to negotiate the loan at par with a five percent interest; and the other to authorize them to negotiate as low as ninety-five percent of par. In their project for instructions to the commissioners they proposed the following:

1. That the commissioners negotiate the loan at less than five percent interest if possible, and, if not, then at five percent interest, payable semi-annually in New Orleans.

2. That the house or houses entering into the contract were to make at their expense, risk, and peril, the payment of their funds at the bank of the institution in New Orleans and not elsewhere, and the payments were to be made in current money of the United States and not otherwise. And if the institution received bills of exchange it would give receipt for some but would not deliver its obligations until after they had been converted into redeemable money in the hands of the institution.

3. That for the security of the engagements contained in the contract or contracts with the house which shall deal with the loan, it shall be asked and demanded (if that is practical) that the said houses

28 Ibid., pp. 4-5, June 27, 1827.
shall deliver to the agents a sum of fifty thousand dollars in drafts of one or more coupons payable in New Orleans the first of January next, to the order of the President, Directors & Co. of the Consolidated Association of the Planters of Louisiana, which sum shall be for the security and guarantee of the execution of the said contract, and in case where the house or houses which have contracted should entirely default in their obligations, the above sum of fifty thousand dollars shall be acquired by the institution as indemnity for the non-execution of the said contract, and consequently the said sum of fifty thousand dollars, even though in the hands of the directors, shall not be converted into obligations of the institution until the payment of the two million dollars shall have been completed, and the directors shall have the right to be indemnified on the said sum au proprata of that which shall not have been paid for the complete execution of the said contract. And, moreover, when it shall occur that the periods of the payments only shall be retarded, the house or houses which shall have contracted shall be held to pay an interest of six percent per year for the total of the months elapsing in the retardment of the said payment.

Following the reading of the above mentioned project, an election was held to elect and appoint the Commissioners. Messrs. Lavergne and Landreaux, having received the most votes, were appointed agents for the company.

The meeting of June 30 was the last meeting to be held in 1827. And, outside of a short meeting in January 1828, the Directors did not meet again until March 3, 1828

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29 Ibid., "Project of Instructions For The Negotiation of The Loan," pp. 7-9, June 30, 1827, (translation mine)
30 Ibid., p. 9.
to approve and accept the act passed by Legislature, entitled "An Act to Amend the Act Entitled, An Act to Incorporate the Subscribers of the Consolidated Association of the Planters of Louisiana." 31

In the meantime the commissioners were in various parts of the United States in an attempt to secure the loan. Sparks states that "The private company was unable to sell its bonds probably because of the lack of local capital and foreign credit." 32 However, it is more probable that the bonds of the institution lacked the appeal to induce capital, as these bonds were for a relatively short period, especially those of the first series; moreover, all they had as security were the mortgages. They lacked one thing and that was assurance of redemption. To get this the Directors persuaded the government to issue the bonds for the company and to pledge its faith in their redemption. The State amended the original charter as follows:

1. It increased the capital of the Consolidated Association from $2,000,000 to $2,500,000 and the subscription was raised to $3,000,000. 33

2. It pledged the faith of the State for the reimbursement of the capital and for the interest of the said sum of $2,500,000. 34

31 Ibid., March 3, 1828.
32 Sparks, op. cit., p. 84.
33 Louisiana Law, 1827, Section 1.
34 Ibid., Section 3.
3. It provided for the issuance of bonds of the state to be sold by the institution in order to secure the necessary funds. 35

4. It became a stockholder in the institution to the amount of one million dollars as a bonus on condition, however, that the credit to be granted to the State in consideration thereof be for two hundred and fifty thousand dollars at interest. 36

5. It extended the duration of the charter to June 30, 1843. 37

6. It changed the number of directors from seven to twelve with six being appointed by the State and six being elected by the stockholders. 38

7. It stipulated that all sums for the loans be paid in New Orleans only then would the State Bonds be delivered. 40

With such a change, the bonds had a somewhat greater appeal, and once more the bank set out to negotiate a loan in order to obtain the necessary funds for its operation.

On March 11, 1828, the new directors held their first meeting; this time there were twelve: six appointed by the State—Messrs. Villere, Andry, Foucher, Eronard, Duplantier, 

35 Ibid., Section 4.
36 Ibid., Section 7.
37 Ibid., Section 4.
38 Ibid., Section 16.
39 Ibid., Section 9.
40 Ibid., Section 10.
and six elected by the stockholders—Messrs. Landreaux, Zermegne, P. Pascale, Labarre, Allard and Deschapelle. At their second meeting Mr. Felix de Armas, spokesman for the committee, appointed to take charge of the literature of the powers of the commissioners in charge of negotiating a loan, and of the letters of credential and other items, delivered and read two models of procuration, a project of secret instructions, and a letter of credentials. The project for the loan and the project of instructions were very similar to the previous ones mentioned, and the letter of credential read as follows:

"...ordain, nominate, constitute and appoint Hugues Lavergne, etc., to be their lawful attorney in fact, general and special, for them and in their name and behalf, to ask, demand, negotiate and accept from any Bankers, Merchants, Capitalists or any other person or persons, or monied institution whatever, in the United States or in Europe, the aforesaid loan of two million five hundred thousand dollars, which the Consolidated Association of the Planters of Louisiana are authorized to borrow by said first section of the last mentioned act of the Legislature of this state, to effect the said loan at par on ninety-five percent and not under, with five per centum interest a year; to require that the lender shall cause the funds to be delivered agreeably according to the said last mentioned act of the Legislature of this state, to stipulate with the lenders that the obligations or bonds of the State of Louisiana shall be delivered in conformity with the said last mentioned

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41. The name of this individual is missing because of deterioration of original record.

42. Books of Minutes, March 11, 1828.
act of the legislature of this state, to appoint and commission under him a secretary and generally to do, execute and perform all other matters and things whatever, none excepted or reserved, which might lead to a safe, speedy and most advantageous negotiation of the said loan hereby allowing and confirming as valid and effectual all and whatsoever their said attorney shall lawfully do, or cause to be done in or about the premises, by the virtue of these present." 43

After receiving the instructions, Mr. Lavergne once more set out on his mission and finally succeeded in negotiating a loan with Baring Brothers and Company of England. 44 This negotiation was approved by the Directors on December 2, 1828. 45

The funds now being available to start operations, the Directors appointed a committee to find and buy a location for the bank, 46 and on January third they passed a resolution that the cashier give notice to the public that the offices of the Consolidated Association would open Monday, January 12, 1829, and that the days for discounting would be on Wednesday and Saturday of each week. 47

Thus the newly devised type of bank was ready to start operations two years less two months after the first charter was granted.

43 Ibid., March 11, 1828.
44 Supra., p.
45 Books of Minutes, December 2, 1828.
46 Ibid., December 11, 1828.
47 Ibid., January 3, 1829.
CHAPTER V
NEGOTIATIONS WITH BARING BROTHERS & COMPANY
AND THE SALE OF THE BONDS

Mr. Lavergne, following the instructions given him by the Direction, immediately set out for the North of the Union to negotiate a loan for the Consolidated Association. He spent a few months (April to August) in New York and Philadelphia, but his attempts to obtain a loan were unsuccessful; he, therefore, upon advice from Mr. Stephen Girard, proceeded to England. In Liverpool Mr. Lavergne contacted Mr. Alexander Gordon, an associate of the business house of Gordon, Forstall & Company of New Orleans, and the two went to London where they met the Messrs. Baring of Baring Brothers and Company.¹ With these London merchants the agents had several interviews and conferences concerning the loan, and gradually an

¹Lavergne to Andry: letter, August 14, 1828, Liverpool. This letter and the other letters to be cited are all in the Department of Archives, Leche Hall, Louisiana State University, Baton Rouge, Louisiana.
agreement was reached. September 6, 1829, Mr. Lavergne wrote to the President of the Association and announced that a favorable negotiation was about to be terminated. In order to show the progress that had been made, he stated:

We have had the pleasure to succeed for, even though the rate of the bonds has been fixed at 95 with interest and capital payable in England, the important question of the exchange was so well discussed by Mr. Gordon that, after calculations made, we find that we have negotiated at about par and as if the interest and the reimbursement were taking place in New Orleans.

Judging from the figures in the report, there is some doubts that the above claims had been secured, because the figures in the report do not bear out any such conclusion.

The contract was signed by both parties on the afternoon of September 13, 1828. The exact contents of the contract, however, is not known because the copy which was sent to the Consolidated Association has apparently been destroyed. But, from the information gathered in the various letters, documents, and reports, the essence of the contract of September 13, 1828, might be enumerated

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2Lavergne to Andry: letter, September 6, 1829, London.
3Ibid., (translation mine).
4Infra., p. 45. See also appendix p. 137.
5Lavergne to Andry: letter, September 14, 1828, London.
as follows:

1. The actual sale of bonds to Baring Brothers was to be for seven hundred fifty thousand dollars ($750,000).

2. These bonds were to be taken by Baring Brothers at ninety-five percent (95%) of par.

3. Any consignment of bonds by the Consolidated Association was also to be made at ninety-five percent (95%).

4. The interest and the reimbursement of the bonds were to be made in England.

5. The interest and the capital were to be paid at the exchange rate of four shillings three pence on the dollar.

6. The Association was to be permitted to draw on Baring Brothers fifty thousand pounds sterling (50,000 stg.) (about $220,000) on March 1, 1829, by consigning an equal amount of its bonds.

7. Upon notice and advice that these bonds had been sold, the Association could again draw a further sum of fifty thousand pounds sterling (50,000 stg.) by consigning its bonds as above. And, by this procedure, it could consign its bonds up to the amount of two million five hundred thousand dollars ($2,500,000) if it so desired.

8. Baring Brothers reserved to themselves the right to sell the bonds of the Association at any price, if they so desired, in order to reimburse themselves.

9. The commission for the sale of the bonds by Baring Brothers was to be two percent (2%) and the charge for handling the affairs of the Association one-half of one percent (½%).

According to the letter of September 14, 1828, (referring to the contract) the institution was to get two
hundred eighty-five thousand dollars ($285,000) on
December 31, 1828, upon remittance of a proportional
number of obligations of the state, calculated at five
percent (5%) over and above par—that is three hundred
thousand dollars ($300,000) of bonds—, and four hundred
twenty-seven thousand five hundred dollars on February 15,
1829, or before, under the same conditions as December
remittance—that is four hundred fifty thousand dollars
($450,000) of bonds. Then on March 1, 1829, the bank was
to be entitled to draw on these London Merchants a sum
of fifty thousand pounds sterling (50,000 stg.) (roughly
$220,000) upon consigning to them two hundred fifty
thousand dollars ($250,000) in bonds pledged by the State. 6
This meant that for a million dollars' worth of bonds the
Consolidated Association would get nine hundred thirty
thousand five hundred dollars ($930,500). 7

The report that Messrs. Hugues Lavergne and Alexander
Gordon made relative to this negotiation with Baring

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6 Lavergne to Andry: September 14, 1828, London (liberal translation).

7 The letter accounts for nine hundred fifty-two thousand
two hundred sixty dollars ($952,260) instead of nine hundred
thirty thousand five hundred dollars ($930,500), but this
total includes seventeen thousand seven hundred sixty dollars
($17,760) which the agents claimed would be gained by the
exchange, leaving a four thousand dollar ($4,000) discrep-
ancy.
Brothers sums up the results as follows:

1. The Commissioners shall now establish the results of the negotiation of which the arithmetic mean is for a period of nine and a half (9½) years according to the law, and they shall take eight percent (8%) as premium for the year of the purchase of exchange in favor of England.

By the sale of the $750,000 of bonds or obligations at 95, the institution suffers an actual loss of $37,500. At the time of the reimbursement (the stated rate being four shillings three pence on the dollar) it shall have to pay but $708,333—neglecting the cents—, sum upon which it will lose the (purchase of) exchange at 8%, which will increase the loss it will have to bear by $56,667. However, it must be remarked that this second loss will take place only nine and a half (9½) years from now, during which time the institution will be able to make use of this sum of $56,667 to its profit. Let us suppose that it will bring but 6% per year; then at the end of nine and one-half years, the institution will have in the bank, $98,604 which, by deducting the $56,667 that must be lost, there will remain in the bank, $41,937. But, to render the rule equal, it must be supposed also that the $37,500, the actual loss above mentioned, will produce during this same period, the same interest of 6%. Calculations made, we will have at the end of nine and a half years, a total loss of $65,315. And, as the institution will have but $41,937 in the bank, it is clear that it will lose a definite sum of $23,315. That is to say, that at the expiration of the charter, the institution will find itself to have negotiated at about 97—interest payable in England.

2. By consigning $1,750,000 of bonds or obligations at 95 on the advances granted it, the institution shall receive $1,662,500. Since it shall establish this sum by the sale of its instruments at 5% premium as was above established, and since, in all probability, this operation
shall be terminated in twelve or fifteen months after March 1, 1829, it shall result that in this space of time the institution will gain $133,000. This will, therefore, make the negotiation at above par without counting the profits, which is reasonable to believe that the institution will make on the sale of its bonds in England. The same rule that was above established for the reimbursement of the $750,000, applies to this portion of the loan.

3. The directors shall not neglect, either, the important advantage stipulated in the contract for the loan. It is that of retarding the reimbursement of each of the terms of the bonds to augment, thereby, their value, and to postpone the loss to which the Association is exposed on the sale of the $750,000 of bonds (according to the above calculations) in such a manner as to reduce it to almost nothing. The State and the directors should take advantage of this change in a hurry as it would put them in a position to multiply their profits, and to pay off their debts by the twentieth instead of the fifteenth, which they will otherwise be held to every year. It is natural to think, therefore, that the Legislature shall not lose a moment in authorizing by law, the reimbursement of the capital of the loan in three equal terms of ten, fifteen, and twenty years, to be dated from the first of January, 1829.

But a study of the agent's report leads us to believe that the results claimed were erroneous. It is believed that the figures presented show the advantages, if any, gained in the negotiation of the loan in too favorable a light to the Association.

In the first case presented, the commissioners opened themselves to much questioning. The bonds noted above were sold in three series with maturity dates five years, ten years, and fifteen years from the dates stated upon the bonds. Actually speaking, these bonds were not issued until six months after the date stated upon them; therefore, the periods that the various series were outstanding were four and one-half (4 1/2), nine and one-half (9 1/2), and fourteen and one-half (14 1/2) years, respectively. Using these terms the commissioners then took the simple arithmetic mean, arriving at the nine and one-half (9 1/2) year average. The use of the arithmetic mean in a calculation involving compound interest results in a great discrepancy and does not give by any means the same result as compound interest computed on the separate items as would be done on an actuarial derivation.\(^9\) In further calculations in that same case

\[^9\text{For instance:}\]

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$3 compounded at 6% for 9 1/2 years = 5.2605
Difference = 0.1543
it was assumed that there would be an eight percent (8%) premium on the exchange in favor of England. The eight percent (8%) which the agents assumed for the purposes of calculation probably referred to the premium necessary to purchase exchange bills on London in order to pay Baring Brothers in pounds sterling at the time of reimbursement. In a sense, therefore, the eight percent (8%) was a loss to be suffered at the time of reimbursement, assuming that the rate remained at eight percent (8%), as it probably was at the time the report was written. The use of the eight percent (8%) premium in the calculation may be illustrated by reference to the figures presented in the commissioners' report. It was noticed that the commissioners computed at the time of reimbursement that seven hundred eight thousand three hundred thirty-three ($708,333) dollars would be necessary to liquidate a debt of seven hundred fifty thousand dollars ($750,000). Since the bonds must, according to the contract, be paid in English pounds sterling, it seemed necessary to state a contractual ratio between the English pound sterling and the American dollar. This stated rate was four shillings three pence on the dollar. The market rate prevailing at the date of this calculation was four shillings six pence.
The commissioners first interpreted the seven hundred fifty thousand dollars ($750,000) into English pounds sterling at the stated rate, then proceeded to calculate the number of dollars necessary to buy that sterling exchange at the market rate, thus, the figure seven hundred eight thousand three hundred thirty-three dollars ($708,333). According to the assumption of the calculation it was necessary to pay an eight percent (8%) premium (presumably equal to the premium at date of reimbursement). Eight percent of the seven hundred eight thousand three hundred thirty-three dollars ($708,333) equals the fifty-six thousand six hundred sixty-seven dollars ($56,667) referred to in the commissioners' report. The commissioners assumed then that by failing to take the premium at the time of the negotiation of the loan that Baring Brothers would be permitting the Association to invest this sum at six percent (6%) compound interest. In other words, by not taking the payment at the date of the issuance of the loan, the commissioners felt that a concession had been given to the Association such that the Association could set up a fund for the premium not so deducted. It is difficult to see why it should be assumed that the failure to deduct the eight percent (8%) premiums was a concession on the part of Baring Brothers, rather than the result of an
actual contractual negotiation. Nothing in the agreement seemed to indicate any rights by Baring Brothers in the eight percent (8%) until the reimbursement. Furthermore, this premium at the time of reimbursement should have been viewed as an adjustment of the interest rate over the period of the matured bonds, rather than as a loss or even a profit at the date of reimbursement.

In the second aspect of the above calculation by the commissioners, they assumed that a gain of eight percent (8%) would be made by the Association upon the subsequent consignment of one million seven hundred fifty thousand dollars ($1,750,000) of bonds to Baring Brothers at a five percent (5%) discount, I.e., upon the consignment of one million seven hundred fifty thousand dollars ($1,750,000) of bonds at ninety-five (95) it would receive one million six hundred sixty-two thousand five hundred dollars ($1,662,500). If the eight percent (8%) premium above assumed still prevailed, they figured that the Association would gain one hundred thirty-three thousand dollars ($133,000) (8% of $1,662,500) as a premium profit on the exchange. This exchange profit would arise since the consignment of bonds to Baring Brothers would permit the Association to draw a bill on London salable at the assumed eight percent (8%) premium. It is difficult to see how the
commissioners arrived at the conclusion that "the same rule that was above established for the reimbursement of the seven hundred fifty thousand dollars ($750,000) applies to this portion of the loan." If this meant that they were using the same method of calculation, it is obvious that they were wrong. Moreover, if it meant that they were going to make the same assumption that the eight percent (8%) premium upon reimbursement would be set aside in a fund upon which interest might be drawn, the reasoning is just as erroneous as above.

In the third case presented, the extension of the duration of the bonds would make the bonds more valuable because bonds of short duration do not ordinarily command as high a price as those of a longer period, the reason being that the purchasers are interested in the interest the bonds bear. The Association would also gain by the extension of the terms of the bonds because the amount it would stand to lose by the reimbursement could be amortized over a greater number of years. Any calculation determining the effective interest rate paid by the Association on these bonds must, without question, take into consideration alterations in the computations necessitated by the extension of the terms of the bonds according to the contractual arrangement.
The Board of Directors approved Mr. Lavergne's negotiation at their meeting of December second,¹⁰ but at that time no comments were made relative to the unfavorable aspects of the contract. These objections came up in a later correspondence between the two houses, viz:

The only objections which the Direction have concerning the contract consist in the reimbursement of the capital in England and the right which you have reserved yourself to sell the Bonds of the Association at any price to pay for your advances. The Association would desire that the reimbursement of the remaining million and a half be made in New Orleans with the interest payable in London or in the United States, at your choice, and that all the funds be received in New Orleans between now and the thirtieth of March, 1830. ¹¹

Baring Brothers, in answer to the desired changes, remarked that an alteration in the provision for the payment of capital and interest in England would take away from the bonds their principal merit which gave them an advantage over all other American stocks, "viz: the receipt here (in London) at the time of reimbursement of a fixed sum, which no variation of the exchange can


affect." To explain they said,

"It is unnecessary for us to point out to you how attractive this feature of the stock is to an English capitalist, as enabling him to make his calculations with certainty, and on saving him the trouble and risk and expense of granting powers of attorney and employing foreign agents. This risk and expense would be recurring so frequently if the interest were made payable in New Orleans, that we believe they would occasion a serious reduction in value of the stock." 13

They consented, however, to confirm anything that would be agreed upon with Mr. Thomas Baring, their representative, who, while on a visit to America, was to complete the contract in that several of the minor points of the September contract had been left to be agreed upon at a later date.

Learning of the arrival of Mr. Thomas Baring in the United States, the Directors passed a resolution authorizing the comptroller of the Association (now Thomas Forstall) to propose to Mr. Thomas Baring to allow a further advance of one hundred thousand pounds sterling (100,000 stg.) on the consignment of a proportional amount of Bonds, and, also, to reiterate the demands already made to Baring

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12 Baring Brothers to Consolidated Association May 29, 1829, London. The statement presumably means that the bonds were to be redeemed in the currency of England, i.e., pounds sterling, therefore, the English bondholders would suffer no loss from the exchange rates. That loss would be borne by the Consolidated Association.

13 Ibid.
Brothers. 14

These proposals were refused by Mr. Thomas Baring on the grounds that he was not acquainted with the mission of Mr. Allard who was then in New York trying to negotiate a loan. Because of this negotiation, his opinion was that the contract was no longer in force. 15

The Directors of the Association felt rather indignant over Mr. Thomas Baring's letter and his statement that he considered the contract terminated as under Article 7 of the contract. In giving the Direction's interpretation of the contract, Mr. Andry wrote:

The Direction has given its most serious attention to the letter you addressed to Mr. Allard and more in particular to the two points: one relative to the sales of the obligations of the Association at any price for your reimbursement, and the other to the interpretation you have given to the 6th article of the contract of the thirteenth of September. By the said article 6, the Association had the right to draw on the first of March last, fifty thousand pounds sterling on your house in London by consignment of its obligations; a right which it has exercised by drawing about two hundred thousand dollars by consigning two hundred and thirty-four thousand dollars of Bonds. As soon as your house shall have informed the Direction that the $234,000 of Bonds are sold, the Association conceives that article 7 gives it the right, in


15 Baring, Thomas to Allard, June 8, 1829 (this letter destroyed, but is referred to elsewhere).
case Mr. Allard does not succeed in negotiating a loan in the United States, to draw for the sum of fifty thousand pounds sterling in the same manner by consigning some of its bonds, on which your house should inform the direction of the sale in London before it may draw for a third sum of fifty thousand pounds sterling, and so forth, until all the bonds, or that part which the Association finds convenient to transmit in London, shall have been sent. Thus the only effect which the negotiation, now in charge of Mr. Allard, could have would be to suspend the right which the Association possesses to draw on your house upon information that its bonds are sold, and if it did not reserve two hundred fifty thousand pounds of bonds to be transmitted to your house to be sold according to the conditions of the London contract, as soon as it should start the sale of its first bonds. Such is the interpretation which the Direction, as well as Mr. Lavergne, have always given to articles 6 and 7 of the contract, which taken and combined together, leave, in clear and precise terms, to the association the option to limit at its pleasure the contract—either to the positive sale of $750,000 of Bonds or to the right of drawing for fifty thousand pounds sterling, independently of this sale, or for any other sum up to two and a half million dollars. Therefore, how can the intention of the direction on this subject be known as long as it shall not have manifested in a formal and positive manner? It would not be exact to presume that this intention results from the negotiation with which Mr. Allard is now in charge, since, as it has already been observed, the Association has always remained ready to draw on consignment, according to the contract of September 13, as soon as it should receive from your house the notice of the sale of its Bonds. And in case that Mr. Allard should not effect the sale of the Bonds in New York or Philadelphia or in any other city of the Union, would it not be in all justice that the Association prevail itself, then, of its contract with your house, since, in the opinion which is expressed here with frankness, the contract of September 13 permits it to try a placement in the
Even though the President made a strong plea in defense of the actions of the Association, he agreed that the Association would recall its agent, Mr. Allard, and revoke his powers on the fifteenth of August, if he had not been successful in negotiating a loan by that time.

Mr. Thomas Baring would not accept the Association's proposal to recall Mr. Allard and to terminate its negotiations in the United States on the fifteenth of August. Moreover, he refuted the Direction's argument that the contract had not been abrogated by Mr. Allard's negotiations. To him the contract had ceased to operate. As he said in his letter of the third of August:

"...the situation of my house with regard to the association has much to tend with, and it is in my opinion that as long as the idea of a negotiation in the United States continues to be entertained it would be neither prudent, advantageous, nor creditable for my house to continue its advances on the Bonds of the Association. There is, to my mind, a thinking difference between the situation of agents of the institution with the knowledge that its interests were intrusted to us without reserve or division and that of supplying its wants until others came forward, and at the very moment when it is in negotiation with other capitalists...."


17 Ibid., letter to Allard, July 11, 1829.
My partners have, I find, the same objections as myself to any positive limit for covering our advances by the sale of Bonds because of the principle which has already been efficiently explained, as well as the natural and pardonable feeling that such a condition implies some distrust in our zeal and judgement; this is very painful to me, and I do not think our general character ought to inspire such. It is very true that at the present time there is every probability that 90% or more, could be obtained for the Bonds, but it is impossible to find what turn the political reactions of England may take, what effect any such change may have on the state of the money markets, and what sensation may be produced by the knowledge that a negotiation was in progress in the United States for the remainder of the Bonds, which, though of a different form would yet, probably, be bought for sale in the London market. Then it must be borne in mind that the demand has, hitherto, not been animated; that we still have the greater part of our purchase unsold; that 250 Bonds have since been over; and that, therefore, the parcel destined to cover the £100,000 sterling, might remain on our hands for some time. I felt anxious to have the plan of our contract carried out and that there be no negotiation admitted elsewhere; not merely, as you know, for the sake of our commission, but because I do not consider it advantageous for the Association to divide its debts; and, certainly, it is not enviable for it to attempt a loan without being sure. I should have been desirous to meet its views as far as was reasonable inorder to avoid such a step, but the evil has now been done, and I think my house has a right in not making further advances without looking for some equivalent advantage; I do not find that the violation offers any.

As a substitute to the former contract, he offered a plan for a new negotiation if the Consolidated Association wished to cease its negotiations with other capitalists,

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18 Baring, T. to Forstell, T., August 3, 1829, Montreal, Quebec.
That Baring Brothers and Company shall buy for their account from the Planters Association of Louisiana, a further number of five hundred (500) Bonds of $1,000 each, say 168 of the first series, 166 of the second series, and 166 of the third series, of the same tenor and form as those already sent to London and with the dividend coupons not yet due; to be delivered to them in London, and for which they shall pay the drafts of the Association at 60 days sight at the London rate of eighty-eight percent (88%). Therefore, the Association may draw £198 sterling against each Bond and the sum of £99,000 sterling against the whole. The Association shall take proper care that the Bonds corresponding to these drafts are in the possession of my house at the time of the appearance of these bills. In case the Board of Directors accepts this offer, I authorize the Association to commence their drafts when they think proper, and to continue them to the amount of ninety-nine thousand pounds sterling, upon the compliance with the above conditions. Should the Board contemplate any change in the date of the reimbursement of the first series, it will then send to my house, 250 Bonds of the second series and 250 of the third series; but you will see that, should that not be the case, I am ready to meet its views by taking a full proportion of those of the short date. When you deduct two percent (2%) commission for the sale, which the institution would have to pay for consignments, the price of 88% corresponds with its limits of 90%; the only difference being that the interest from June thirtieth, is included in our purchase, whilst, upon the sales for the Association, it would not be included in its limits, I suppose. 19

In case the organization did not accept the above offer, he authorized the Direction, in his letter of

19Ibid., (translation mine).
August fifteenth, to draw on consignment another fifty thousand pounds sterling (50,000 stg.), after they had received notice that the previous bonds had been sold, and that if they did accept, he expected to be accorded terms similar to that of the last contract in order to give his company time to dispose of at least part of their purchase before receiving new consignments; that is, the Association was not to draw on his house again until January first, 1830. This modification he did not include in his August third proposal because, as he said,

I did not touch this point in my letter to Mr. Forstall because, having considered the right to draw on consignment entirely revoked by the negotiation of Mr. Allard, I regarded the renewing of this faculty as one of the points to fix in the consideration of our ulterior relation with the Association if it finds it proper to continue them.  

This new offer was far more unfavorable than the London contract in many ways. First, it did not grant any of the institution's demands, not even the request that all bonds be sold before March 30, 1830. Secondly, it did not permit the Direction to draw on consignment as freely as before. Thirdly, it only agreed to take 500

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20 Baring, T., to Consolidated Association, August 15, 1829, Saratoga, New York.
21 Ibid., (translation mine).
more of the Association's Bonds, and at eighty-eight percent (88%) of par, including interest coupons, instead of at ninety-five percent (95%) as in the London contract. By mere observation, it is evident that the Baring Brothers had a very profitable affair if this contract was accepted. The bonds at 88 would yield them a very handsome reward, but that would not be all; these bonds had coupons attached to them which meant that the London house could delay the sale of these bonds in such a way as to collect interest on the bonds without making any effort to sell them. It is no wonder, then, that these gentlemen were not willing to make March 30, 1830 the closing day for the sale.  

The Directors of the Consolidated Association met in an Extraordinary Session on September 17, 1829 and appointed a committee to study the offer, and they reported that such a negotiation would cause a loss to the Association of twelve thousand six hundred and fifty dollars ($12,650) on the sale of five hundred thousand dollars ($500,000) of bonds. That is a loss of eight and seventy one-hundredths percent (8 70/100) from the former price of ninety-five (95)

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22 Some date must have been set later on, because, had such not been the case, they would have never sold the bonds.
The Direction's reply to Mr. T. Baring was the acceptance of the offer. Mrs. Andry wrote on September eighteenth:

"Today, the Direction considered your two letters, dated August 3 and 15, last, and it is with regret that it finds itself in the necessity of accepting your offer in order to satisfy its stockholders. However, this regret is softened by reflecting that this second sale of $500,000 of obligations is going to render the Association entirely independent, and it places it in a position to repair the loss which it considered its duty to undergo for the well-being of its stockholders while waiting patiently for more favorable conditions to place the remaining million dollars of bonds." 24

The first news of the sale of the Association's Bonds, which had been consigned March 1, 1829, was on November fourteenth, when Baring Brothers announced the disposal of sixty-four thousand dollars' worth of bonds at prices ranging around 97. Before that time the only news was that,

"We have the pleasure to inform you that the demand for Louisiana Bonds has rather increased, and although

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23 Books of Minutes, September 17, 1829.

we have had a large sum of our own on hand and have not commenced the fate of yours, we think we may soon make some progress... It may be well to remark that this stock does not take well with the public, and it is only among our immediate friends that we have been able to place any considerable sums at 94 and 94\(^\frac{1}{2}\).”

The following letters, however, indicated a sudden change in the money market and a rising price for the bonds. November twentieth, they wrote,

"The great abundance of money enabled us to dispose about $156,000 of bonds at prices varying from par, figuring four shillings three pence on the dollar, to 97\%, the dollar at four shillings six pence... Thus we hope to complete the sale of $250,000 before the end of the year.”

The sale of the bonds was even more rapid than their prediction. By the twenty-eighth of November they reported that they had sold the entire amount of the two hundred and thirty-four thousand dollars of bonds consigned to them by the Association. Judging from the "Account of Sales" which was sent to the Association, the entire amount of the two hundred thirty-four thousand dollars ($234,000) of bonds was sold in twenty-one days.

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25 Baring Brothers to Consolidated Association, October 30, 1829, London.
27 Ibid., November 28, 1829, London.
28 See Appendix, p. 158.
As Baring Brothers stated in their private letter to the President, Mr. Andry, "We have great satisfaction in the rapidity with which the bonds sell. The stock has exceeded our expectation. But in this sudden and quick sale of bonds, an important point is ignored, and that is that the bonds had been in the hands of Baring Brothers since April; that is, this lot of bonds was the one which the Association had been authorized to consign March 1, 1829. No doubt there was a reason for this delay, and it was not the lack of demand that these gentlemen complained of. These bonds had interest coupons attached to them, and a delay of this kind was profitable for Baring Brothers. Why, then, did they bother to sell the bonds at that particular time? Their letter of December eleven, answers the question very adequately, viz:

"The present time appears indeed so favorable for the realization of the remainder of your stock, that we cannot but feel stronger regret than ever that your charter should have prevented your transmitting your Bonds without previous payment in New Orleans, and should thus, perhaps, from unavoidable delay, prevent your profiting of these advantageous circumstances. If, however, we understand the acts of your legislature rightly, the Association has now completed the security required

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29 Baring Brothers to Consolidated Association, November 28, 1829, London.
30 Infra., p. 138.
by the State and is at liberty to send its bonds forward without previous payment, and in such a case we should recommend the board of directors to transmit the remainder as soon as possible for sale here...." 31

Innocent as this statement may appear, it was of great significance. Baring Brothers, by selling the 234 bonds, were satisfying the requirements of the Association, and, as a result, would not have to make an immediate payment for the five hundred (500) bonds which they were about to receive—a purchase they had made in the August contract.

The quotations given by Baring Brothers on the bonds sold during the period just referred to were conflicting. In the report of December eleven, they quoted the bonds as being sold around ninety-seven (97) without dividends. 32

Yet, Mr. Andry, in his letter of December thirtieth, remarked that the Direction was very disappointed in its expectations when it learned that its obligations had not reached a price of ninety-five (95), especially in a time of peace, and when other stocks, such as the three percent (3%) English Consolidated and the First Louisiana Bonds, were selling at high prices (the former at 90 and 91, the latter at 97). The only reason he could see for such low

31Baring Brothers to Consolidated Association, December 11, 1829, London.
32Baring Brothers to Consolidated Association, December 11, 1829, London.
prices was that the solidarity of the Association was not known, or that some distrust had been caused by recent false rumors made in London concerning the Association. In answer to the Association's complaint, Baring Brothers wrote that the Louisiana Bonds had never been above ninety-eight (98) and that had included some running interest in favor of the buyer. And in referring to the first Louisiana Bonds, they added,

"The price which you had probably seen and to which you allude must have been that of the former Louisiana Loan, which, altho not in greater credit than your Bonds, is quoted at a higher price. Not from the date of the reimbursement being later, but rather, because it is able to be placed in the hands of capitalists; and, since being in the market, a high rate is occasionally given by those who particularly want it."

There is really no solution to the above-stated problem; it simply indicates that Baring Brothers were making misleading and ambiguous statements in order to avoid giving a true picture of the actual happenings. Two facts are revealed, however, by them apparently unintentionally. First, the bonds that were sold at the quoted rates actually included interest accruing on them

33 Book of Letters, Andry to Baring Brothers, December 30, 1829, (French).
34 Baring Brothers to Consolidated Association, March 18, 1830, London.
35 Baring Brothers to Consolidated Association, March 18, 1830, London.
which, when figured, would have had the Louisiana Bonds being sold below ninety-five (95). Secondly, these bonds were not sold on the open market; Baring Brothers were selling them to a select few when they so desired.

The London money market continued to be very active throughout the winter months, but after the rapid November sale, no Louisiana Bonds were sold until March twenty-second. And, while the bonds were quoted at ninety-eight (98), or there-about, during the interim, the price rose to 100 as soon as Baring Brothers started their sales again in March. To which increase the London house wrote, "We have thus gradually increased the price and hope to continue sales at satisfactory prices." Early in April, the price rose to one hundred and two (102); then to one hundred and three (103). By May the bonds were up to one hundred three and one-half (103½), and they reached the peak of one hundred and four (104) in June. From then on to July 13, when the sale of five hundred (500) bonds was completed, the price declined. The high prices at which these bonds were sold, however, included interest due from the first of January and interest that was coming

36 Baring Brothers to Consolidated Association, March 22, 1850, London.
37 See Appendix, p. 161.
due the first of July; those sold with interest due July first only, were quoted at the price of one hundred and one (101) and one hundred one and one-half (101½). If the interest had not been included in the prices at all, it would be found that the bonds were still being sold somewhat below par.

A depression started in England during the Summer of 1830 which affected the money market considerably. And for that reason, the three hundred thirty-eight (338) bonds, which had been accepted by them in April, after their maturity date had been extended by the act of legislature of March fifteenth, were not disposed of as quickly and at as high prices as the former ones. Conditions got somewhat better in the Fall, but even then, Baring Brothers wrote,

"Altho our market for European stock has partly recovered from the shock it has received since our last, there is evidently less disposition on the part of our capitalists to invest their money in American securities which are less current than other securities, and not susceptible, sometimes of immediate realization in case of emergency." 40

38 Ibid.
39 See Baring Brothers and Company letters of August 6, October 6, and October 30, and November 6.
40 Baring Brothers to Consolidated Association, November 13, 1830, London.
and again later,

"There still exists a disinclination to make investments in American securities which do not always command a resale, particularly when European stocks have a tendency downwards as is now actually the case." 41

The few bonds that were sold during the dull period, however, commanded a fairly good price even though they were not quite as high as formerly. The price always ranged around one hundred and one (101), but the reason for this, apparently, was that Baring Brothers were actually not selling the Louisiana Bonds to any one bidding below that price. As they said, "it is only by waiting till purchasers come forward that we truly consult the interests of the Association; for an eagerness on our part to sell would at once depress the price very materially without any corresponding benefit." 42 This they reiterated in their letter of a few days later, viz:

"We do not relax in our endeavours to make sales, but as this stock is suited principally for investments, we must wait till buyers come forward; otherwise we should affect the price without accomplishing our object. The unsettled state of affairs on the continent operate unfavorably on all descriptions." 43

41 Ibid., November 29, 1830.  
42 Ibid., December 6, 1830.  
43 Baring Brothers to Consolidated Association, December 14, 1830, London.
The sale of the three hundred thirty-eight (338) bonds was completed by May of 1831, but at no time did these bonds that had been consigned, reach a price above one hundred and one (101); actually, most of them were sold at ninety-nine (99).\textsuperscript{44}

From the information available, this appears to be the last consignment of bonds sold by Baring Brothers. The records and letters which followed dealt primarily with these London Merchants accepting the drafts of the Association in London, and with the semi-annual interest payments on two million five hundred thousand dollars ($2,500,000) which amounted to fourteen thousand one hundred thirty-two pounds sterling (14,132 stg.) or thereabouts ($62,500 at the rate of four shillings six pence).\textsuperscript{45}

The interest payments were met regularly by the Consolidated Association. In the latter part of 1831, however, they encountered some difficulty in sending funds

\textsuperscript{44}See Baring Brothers' letters from August 6, 1830 to March 30, 1831.

\textsuperscript{45}There seems to be no justification for the stated interest charge. The contract stipulated the interest payment at four shilling three pence on the dollar and not four shilling six pence. Then the London house did not have the entire amount of bonds, especially on July 1, 1830, when they had just $1,832,000 of bonds on hand, and had, at that time only $1,392,000 of bonds sold.
for the payment of the interest due December thirty-first of that year. At which time Mr. Provost wrote,

We regret that our difficulty to procure letters of exchange on England has prevented us from making our remittance sooner. We were even resolved, seeing the impossibility of procuring these bills, to send specie, when a terrible storm forced all the vessels to our ports and prevented us from using this last means of payment. 46

Therefore, the Louisiana organization asked Baring Brothers to grant them an open credit account of twelve to fifteen thousand pounds sterling to be used in case of absolute necessity for the payment of the interest. 47 To this, Baring Brothers answered,

"With the means you possess of foreseeing such contingencies, we feel assured you will in the future make your remittances sufficiently early to prevent the possibility of accident, but, if any unexpected disasters defeat your precaution, we shall then be quite at the service of the Association to the extent and for the amount before mentioned. As a matter of form we consider the understanding as requiring to be renewed annually if deemed expedient."

Again in 1832, it encountered more difficulty in obtaining letters of exchange; this time it had to ship specie. The letter of the Cashier read,

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46 Books of letters, Provost to Baring Brothers, September 3, 1831, (translation mine).
47 Ibid.
48 Baring Brothers to Consolidated Association, October 22, 1831, London.
We have retarded to the present in making remittances because of the difficulty in procuring letters of exchange on England, and the last news informing us of the spread of cholera in your capital leads us to fear that such circumstances have occasioned some shyness in its affairs and have rendered the Letters of Exchange a little uncertain. Consequently, the Direction has decided to remit to you $55,000 in specie in order to complete the sum due for interest on June thirtieth next. 49

The shortage of bills of credit on London and the expensiveness of shipping specie was quite a vexing problem to the Consolidated Association, especially when the maturity date for the five year bonds was near at hand. Therefore, the President, Mr. Andry, wrote April 15, 1832, asking for advice on how to acquire the necessary funds to redeem these bonds maturing June 30, 1833, and offered a suggestion that they might make payment by sending drafts on the Union Bank of New Orleans which was then in the process of organization. 50 To this Baring Brothers replied,

"As relates to the portion of the Louisiana Stocks to be redeemed 30 June 1832, we shall be most happy to confer with you and to render every advice and assistance in our power as the period approaches. And should we take any part in the Establishment which you allude, the means may be afforded us of adopting your suggestion in a manner perfectly satisfactory to the Association. In the

49 Books of Letters, Provost to Baring Brothers, April 6, 1832, (translation mine).
50 Ibid., Andry to Baring Brothers, April 15, 1832.
meantime we shall furnish you occasionally, as at the present, with our list of American Stocks, price of Bullion and Cotton, which will also assist you in determining the course most advantageous to be pursued." 51

But this conditional acceptance of the proposal suggested by Mr. Andry was rejected in a later letter, viz:

"We regret that we cannot suggest any mode for your adoption as to the reimbursement of the Bonds soon to fall due: for, as the Loan contracted by the Union Bank concerns various parties, it would not have been practicable to appropriate any payments from the Association to that operation, or we should not have failed to communicate with you on the subject." 52

In spite of the refusal to accept such a procedure, Baring Brothers acknowledged the bills of the Union Bank which were sent by the Consolidated Association almost weekly from April 13, 1833, until June 29, 1833, when four hundred ninety-six thousand dollars ($496,000) of bonds were retired. 53

The above redemption left the Consolidated Association of the Planters of Louisiana with a capital outstanding of two million four thousand dollars ($2,004,000). 54

51Baring Brothers to Consolidated Association, June 8, 1832, London.
52Ibid., February 3, 1833, London.
53See Baring Brothers' letters from April 13 to June 29, London.
54Baring Brothers to Consolidated Association, December 30, 1833, London.
Anticipating the maturity date for the ten year bonds, and because there was a shortage of specie in the country, the State Legislature passed two acts to offset the need of payment. The Act of March 21, 1835, authorized the Association to postpone to the thirtieth of June 1848, or to any nearer period, the payment in whole or in part of the bonds placed by the state, payable on the thirtieth of June 1838 and 1843. The next year (March 7, 1836), the Legislature provided for the issuance of a million more of capital to be secured by mortgages on immovable property situated in the City of New Orleans and its suburbs, and in the City of Lafayette and Carrolton.

The new issue of a million dollars of bonds was made May 1, 1836, and the institution made a contract with deLizardi and Company of London for the sale of the bonds. Once the contract was signed, however, Governor

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55 Resolution passed by Citizens Bank in 1834 proposed to be adopted by New Orleans banks to remedy shortage of specie.
56 Louisiana Laws, 1835, p. 123, Section 5.
57 Ibid., 1836, p. 95, Section 1.
58 Trotter, A., Observations, p. 286.
59 de Lizardi and Company was the firm that bought out Gordon Forstall and Company of Liverpool in 1834. See files for notice to that effect.
White changed his mind about the interpretation of the laws and refused to deliver the new bonds until the return of the old one was made. The June 25, 1836 letter of President Lavergne to de Lizardi and Company states:

"It is very much to be regretted that the Governor, after having evidenced a disposition to send and deliver the new bonds immediately, is now, upon closer examination of the law, inclined to think that the issuing of these bonds are subject to two conditions. 1. The return of the old ones, 2. Notice given of the negotiation of the new ones.

The Board of Directors are of the opinion that the issuing of the new bonds is subject to the second condition only which has been performed and which by the Act of 1836 was substituted to that of the law of 1835 requiring the return of the old ones.

If the Governor, who, in other respects is very friendly to the Bank, persists, as it is probable, in the opinion he has expressed, this unexpected difficulty will retard the execution of our contract for we shall have to wait until January next to have the uncertainty of the law cleared up. It is confidently believed that the desired amendment will be easily obtained from the legislature, the Act of 1835 and 1836 having passed without a dissenting voice.

The Board of Directors would have patiently submitted to the delays and other inconveniences incident to the objections of the Governor against issuing the Bonds, had it not been for the contract made by them with your House, a circumstance which has been and still continues to be, to them a source of uneasiness and powerful disappointment."60

On August 8, 1836 the Directors of the Association presented a resolution to Governor White with a preamble

and a request that the bonds be delivered to them, viz:

Sir:

The Board of Directors of the Consolidated Association of the Planters of Louisiana, deeply impressed with the heavy responsibility they would incur towards their constituents and the community at large, were they not to use every exertion in their power to avert the fatal consequences which would necessarily result from an immediate liquidation of the Bank entrusted to place the subject under your consideration, and to state distinctly to you the grounds upon which they demanded your signature to a new series of State Bonds.

The Bank having been incorporated for the purpose of aiding the agricultural interest of the State and a succession of unfavorable crops rendering it desirable to retain for some years longer a foreign capital for which an interest of five percent is only paid, whilst our own capitalists are charging at least ten percent per annum. The Board of Directors thought it a duty they owed to their constituents to apply to the Legislature for a renewal of the State Bonds due in 1838 and 1843. In accordance with their wishes and with a view to the original object of the charter an amendment was adopted on the 21st of March 1835. It was, however, provided by the fifth section of said amendatory act that the new bonds shall be delivered by the Governor only as the old ones were returned. The Board during the last year, having ascertained that a new negotiation could not be undertaken without a heavy loss, unless bonds were obtained which could be offered in the European markets, previous to the redemption of those that are intended to be replaced, applied for a further amendment of the charter so as to do away with the clause which made the return of the old Bonds a condition of a new issue, and in this application they thought themselves fully warranted by the ample securities in the hands of the Institution, to wit,
1. The hypothiary bonds amounting to three millions of dollars originally obtained for the guarantee of the two millions and a half of the first bonds issued. $3,000,000.00
These three millions are secured by mortgages on production property valued by the Bank Commissioners at a sum exceeding six millions of dollars.

2. Loans to stockholders 932,583.70
3. Loans secured by mortgages 224,094.66
4. Bills receivable 119,829.31

$4,326,507.67

Making an amount more than double that of the capital borrowed, which from the two millions and a half, is now reduced to two million four thousand dollars by the payment of four hundred ninety-six thousand dollars of State Bonds in June 1833. Besides upwards of eighteen hundred thousand dollars in notes and bills discounted, exchange and specie to meet the liabilities of the Bank as now fully in the general statement of its affairs, I beg leave herewith to annex.

This further amendment was readily granted on the 7th of March 1836 and by the second section of this last act it was provided that "in case the Board of Directors shall retard the payment of the Bonds of this State, as said Board is authorized to do, the Governor shall deliver the Bonds of the State as fast as the Board shall give him notice of the negotiation of said bonds...."

Having complied with this clause and notified you of the same, the Board did not and could not anticipate any possible difficulty in the new issue contemplated and actually effected a negotiation of the Bonds which you now refuse to issue. Should you persist in your position, the Board will be compelled to take measures for the liquidation of the Bank.

I cannot close this communication without
calling your attention to the negotiation which has taken place between this Bank and Messrs. F. de Lizardi and Company for the two million four thousand dollars of State Bonds which the Board of Directors was authorized by law to negotiate, and which they did negotiate as already stated, convinced as they were that no objection could be made to their delivery. This contract, certain stipulations of which ought already to have been carried into effect, still remains a dead letter. The honor and credit of the State which in this instance are intimately connected with the reputation and welfare of the Bank, imperilously require that it should be performed in good faith, and I am convinced that you will find the Board of Directors fully prepared to give the most satisfactory securities for the delivery of the State Bonds.

I have, therefore, the honor to transmit you the enclosed resolution with its preamble and to request that you will deliver them."

61

Lavergne

According to Trotter, the million dollars of bonds must have been exchanged for an equal number of former bonds as the statement of affairs which he had in his possession for periods after this period show the capital outstanding at two million four thousand dollars ($2,004,000) which was the same as the total of prior dates. Whether or not this was accomplished by exchanging new bonds for old or by selling new bonds to purchase old bonds is not known because the records give no indication of the actual

61 Books of Letters, Lavergne to Governor E. D. White, August 18, 1836.

62 Trotter, ibid., op. cit., p. 286.
happenings, but it does not appear that the Bank got exactly what it desired, because if it had, the bonds outstanding would have been at more than two million four thousand dollars ($2,004,000). What is more interesting it did not liquidate as it threatened to do.

The above appears to be the last negotiation entered into by the Association relative to the sale of bonds during the period between 1827 and 1837.
CHAPTER VI

EARLY OPERATIONS OF THE BANK

The actual operations of the Consolidated Association of the Planters of Louisiana did not start until January of 1829, almost two years after the charter was granted.¹ The reason for such a delay is evident; the bank had not received funds to enable its operation until December 30, 1838, when it got the first source of revenue from the sale of bonds as the result of its negotiation with Baring Brothers and Company.² Many demands for loans had been made by the planters since early in 1827,³ when the bank obtained its charter, but according to the records, no loan was made until February 19, 1829, when the first loan amounting to thirty thousand dollars ($30,000) was

¹Infra., Chapter IV, p. 41.
²Infra., Chapter V, p.
³See many letters written to the Association from May 17, 1827 to January 9, 1829.
⁴See loan to Mr. Moussier, February 19, 1829.
granted to Mr. J. B. Moussier. The next loan amounting
to fifty-six thousand dollars ($56,000) was to Mr. Césaire
Deschapelles, a director of the bank. And for the follow-
ing few months most of the large loans were made to men
who had been very influential in getting the institution
organized; that is, they were either directors of the
bank or representatives of the State Legislature.

The nature of the loans granted by the Association
on its stocks held by the Planters can be best described
by citing the nature of the loans made to Simon Landry
of Iberville Parish and to Auguste Tete of Assumption
Parish. The mortgage on Ky. Landry's plantation by which
he procured ten shares of stock in the corporation included
the following:

1. A plantation devoted to the cultivation of
   sugar in the said parish of Iberville.
2. The buildings of the sugar refinery and all

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5Mr. Moussier was the one who read the first project
of a loan (see Chapter IV, p. 35). He was also the one
whom Mr. Lavergne referred to as being responsible for
the success of the negotiation for a loan (see Appendix p. 4).
6Loan to C. Deschapelles, February 20, 1829.
7See records from February 19, to July 11, 1829. The
   names of those to whom the loans were made correspond with
   many names of members of the legislature and with names of
   men closely connected with the Association.
8These two were chosen because of their early date
   and because they give the nature of the loan more fully.
the other buildings which were on said plantation.

3. A certain number of animals.

4. Eleven slaves attached to said plantation.

5. And the indivisible half of three slaves. 9

The ten shares of stock, being worth five hundred dollars ($500) each, enabled Mr. Landry to obtain a loan of two thousand five hundred dollars ($2,500) less eight percent (8%) interest; that is, he got two thousand three hundred dollars ($2,300). 10 Mr. Tete's loan obtained in the same manner, was for seven thousand five hundred dollars ($7,500), the repayment starting April 17, 1830. And his account shows that he paid in five hundred and thirty-six dollars ($536), or one-fourteenth of the loan, every year. 11

All the accounts available are of a similar nature as the two just cited, therefore, it is logical to conclude that the interest of eight percent was discounted

9 Loan to Landry, April 7, 1829, (liberal translation).

10 Ibid.

11 Loan to Tete, April 20, 1829. His account shows that repayments were made as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 17, 1830</td>
<td>$536</td>
<td>1/14</td>
</tr>
<tr>
<td>April 16, 1831</td>
<td>536</td>
<td>2/14</td>
</tr>
<tr>
<td>May 3, 1832</td>
<td>536</td>
<td>3/14</td>
</tr>
<tr>
<td>April 17, 1834</td>
<td>536</td>
<td>4/14</td>
</tr>
<tr>
<td>April 2, 1835</td>
<td>536</td>
<td>5/14</td>
</tr>
<tr>
<td>April 17, 1835</td>
<td>536</td>
<td>6/14</td>
</tr>
</tbody>
</table>

Total unpaid $4,284.
at the time of the loan, and that the repayment of the
loan was made in fourteen annual installments beginning
one year from the date of the loan (the date of acceptance
by the Board of Directors).

The above applies only to the loans granted to the
stockholders and not to the other loans. Besides these
loans on stock, the Association made loans to other
planters and took mortgages as security instead of stock
of the company. The interest charge on these loans was
the same as on the loans on stock, but the loans were for
shorter periods. 12 Furthermore, it granted loans and
discounts on notes at order payable within four months.
Such loans or discounts were made at six percent (6%).

According to the report of June 16, 1829, on the
situation of affairs of the Association as of that
date, the loans on mortgages totaled seven hundred and
fifty-four thousand dollars ($754,000), and the amount
of capital (bonds sold) at the time amounted to nine

12 See statement of affairs, September 9, 1834,
Appendix, p. 165.

13 Louisiana Laws 1827, Section 12, Article 11.
hundred and eighty-four thousand dollars ($934,000).  

Books of Letters, Report June 16, 1829. The report of June 16, deserves much criticism because it does not show the actual condition of affairs. First, on the passive account which is in reality the asset account, the institution included $96,760.13 (Discount on 750 Bonds, Discount on 254 Bonds, Interest due but paid, and General Expense) which should not have been entered as assets. Therefore, the assets of the corporation consisted of $754,000 on loans and $187,134.22 of Notes and Bills Receivable, or $941,134.22. To this should have been included $2,000,000 of mortgages received in payment of stock. Secondly, when they deducted the passive account (assets) from the active account (capital and liabilities) there was a difference of $24,371.61. This sum was an unfavorable discrepancy and not a surplus in the favor of the association. Thirdly, the report shows $114,705.33 at the disposal of the association. This amount was entirely false. It has already been shown that $24,371.61 was a discrepancy, not a surplus, and then the $90,334.22 had already been included in the assets under "discounts to small demanders"—it cannot be included twice. Fourthly, although of a minor importance, the surplus account of $77,25 appears to be a sum gotten by the "overage and shortage" account, i.e., it is an amount of overage which, in reality, is what the Association owes to some customer because of error. It is a liability and not a surplus. Fiftieth, the $1,000,000 of stocks handed to the State has not been shown. Upon recalculation it is found that the Association has suffered a loss of $8,297.01 on operation, $49,200 from Discount expenses, and a bonus expense of $1,000,000—a total of $1,107,497.01 to be deducted from a capital stock of $3,000,000. (See Appendix for original statement and the revised statements, p. 147)
that is, loans were granted almost up to the amount of funds received from Baring Brothers on the sale of nine hundred and eighty-four bonds, and as soon as the funds became available. The records (letters, reports, minutes, etc.) indicate that the demand for loans was great and that the institution had difficulty in acquiring the funds soon enough and in amount to satisfy the needs of their stockholders. For instance, at their December 1, 1830 meeting, the Board of Directors passed the following resolution in order to increase the funds for the operation of the Association:

Resolved unanimously that a sum of two hundred thousand dollars ($200,000) reimbursable in one to two years, be effected in order to satisfy, as much as possible, the demands that were made on the Association up to the twenty-sixth of June last, inclusive, according to the list that was prepared at the said period; the provision being that the lenders take the obligations of the Association at six percent (6%) and furnish the securities required by the charter and the regulations and deliberations of the Association.\(^{15}\)

The extra two hundred thousand dollars ($200,000) received by the above operation was soon depleted, however, and the Board of Directors, seeing a shortage of funds and feeling that the bank was approaching the two million dollar ($2,000,000) limit specified in the charter for granting loans,\(^{16}\) appointed a committee on February 7, 1831, to

\(^{15}\)Books of Minutes, December 1, 1830, (translation mine)

\(^{16}\)See Louisiana Laws, 1827, Section 12, article 12.
occupy itself with the question of whether or not it would be convenient to stop loans on mortgages. 17

Mr. Lavergne, spokesman for the said committee appointed on the seventh instant, reported to the Board of Directors on the ninth that: (1) the institution had a balance of fourteen thousand eight hundred dollars ($14,800) left from the two hundred thousand dollars ($200,000) procured on drafts according to the resolution of December 1, 1830; 18 (2) that the loans on mortgages and the credit opened to borrowers amounted to two million one hundred and eighteen thousand three hundred and ninety-five dollars ($2,118,395), or one hundred and eighteen thousand three hundred and ninety-five dollars ($118,395) more than was permitted by the charter which, by article twelve of the fundamental articles, stated that only two million dollars ($2,000,000) could be effected on mortgage loans, and (3) on the two hundred and thirteen thousand six hundred twenty-six dollars and eleven cents ($213,626.11), amount owed the Association by Baring Brothers, there was coming due one hundred seventy-six thousand seven hundred dollars ($176,700) in interest, leaving

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17 Books of Minutes, February 7, 1831.
18 See above resolution of December 1, 1830, p.
only a balance of thirty-six thousand nine hundred twenty-six dollars and eleven cents ($36,926.11). Therefore, he and his committee offered the following resolution:

Resolved that all subsequent (prospective) loans on mortgage be and remain suspended until a new order be issued. 19

The Board of Directors, as a further restriction, passed a resolution on the nineteenth of February, that all borrowers on mortgage pay interest to the Association from the day their credit was opened instead of as formerly. They claimed that this would be a means of preventing the loss of interest that resulted in the lapse of time which generally flowed between the day credit was given on the mortgage and the time at which the borrowers paid interest. 20 To the borrower this change of policy meant that he had to pay interest in advance, or before he had use of the money, instead of paying interest, as formerly, one year after the loan was made.

Economic conditions became unfavorable in 1832 and 1833. The sugar crop of the Fall of 1831 had been poor and the result was that it forced many planters to postpone the 1832 payment on their loans. For example,


20 Ibid., February 19, 1831.
Mr. Lanaque Turgeon wrote:

The result of the last year's crop not being favorable to the planters of Louisiana, obliges me to address myself to you and beg you to grant me a prolongation of payment until next year for the sum I shall owe your bank April ninth next—which sum amounts to $4,918.12.21

The sugar crops being poor again in 1832, more postponements had to be granted in 1833.22 Along with this there was a shortage of specie and commercial paper. Because of the shortage of bills of credit available on London, the Association was unable to purchase a sufficient amount of exchange bills to meet the four hundred ninety-six thousand dollars ($496,000) of Bonds maturing during the year. Therefore, it was necessary to send forty thousand dollars of specie to England to make up the deficiency.23

Conditions got much worse in 1834, both for the planters with their poor crops and for the bankers faced with a shortage of specie and a scarcity of commercial paper.24

To help remedy the situation the Board of Directors of the "Mechanics and Traders Bank" of New Orleans proposed

21 Turgeon to Consolidated Association, March 18, 1832, (translation mine). See also other letters from March 18, to May 18, 1832.
22 See various letters written by borrowers to Consolidated Association, 1832.
23 Books of Letters, May 12, 1833.
24 See 1834 letters telling of difficulties, also the circular sent by Punch, Bein, & Company, a commercial house.
that the representatives of the Local Banks take part with them "in any measure which was calculated to relieve the existing pressure in the money market." This proposal was accepted and the representatives of the Local Banks met on the twenty-sixth of May in the offices of the Louisiana State Bank under the direction of Mr. Charles Derbigny, chairman of the group. The resolutions offered by the City Bank of New Orleans were accepted by the group and they appointed a committee to carry out the resolutions after they had been accepted by the banks of the city.

The resolutions proposed by the City Bank are as follows:

First Resolution

"Resolved that the notes under discount (provided the parties be entitled to credit) shall, upon application, be renewed with the same security with a reduction of ten percent every sixty days until the First of December next."

Supplement Resolution

"Resolved that the City Bank concern sic, in said first resolution, provided it be so amended that satisfactory paper having six months to mature be discounted up to the First of October next for persons not taking advantage of said renewal, and provided further that all the Banks concur in both the Resolution and Amendment.

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26 Proceedings of Special Meeting of the Local Bankers, May 26, 1854.
Second Resolution

"Resolved, that if any unforeseen circumstances should occur detrimental to the interests of the Banks as Creditors, they reserve to themselves the right of setting aside this arrangement, after giving notice to all other Banks."

Third Resolution

"Resolved, that a committee be appointed to request the Mother Bank of the United States at Philadelphia to authorize its Branch at New Orleans to extend its discounts, one million of dollars, to expire on the first of February; or loan to the State Banks at % per annum interest such amount as they may require not exceeding five percent on their capital—said loan to be returned on the First of February." 27

As already mentioned the above resolutions were passed at the meeting of the Local Bankers with the following further resolution:

"Resolved that a committee be appointed, composed of one representative from each Bank in this city, to carry the foregoing resolution into effect as soon as it is concurred by the different Banks." 28

Over and above the difficulty which the Consolidated Association was experiencing, its cashier, Mr. Provost, and the two other clerks of the bank converted about one hundred thousand dollars ($100,000) of the Association's funds to their own use and escaped. 29 This theft along with

27 LaTeX, Cashier of City Bank to Consolidated Association, May 28, 1834.
28 Proceedings of Special Meeting, op. cit.
29 LaTeX, (newly appointed cashier of the Consolidated Association) to Baring Brothers, June 24, 1834.
the loss suffered from the reimbursement of the bonds in 1833 (which Trotter claims could not be absolved by profit) probably accounts for the one hundred eighteen thousand two hundred sixty dollars and seventy-two cents ($118,260.72) loss claimed by the Association on the General Statement of Affairs as of September 9, 1834.

30 Trotter, A., op. cit., p. 286.
31 General Statement of Affairs, September 9, 1834 (see Appendix, p. 165)
32 It is evident from the report just mentioned that the loss was even greater than in the amount stated. There is the $2,081.33 Expense Account, the $3,178.65 Commission on Interest—London, the $3,487.13 Premium on Discount of Exchange, and the $179.50 Protest Account giving an additional $8,846.61 to be added to the loss of $118,260.72. Then the Notes and Bills Discounted—protested—is unusually large ($129,768.33), especially when they explain in letters referring to this sum that they do not expect to be able to collect much over $50,000 or $80,000. The Suspense Account, with the scant information available, might mean most any kind of doubtful asset or uncertain claim which the company may intent to write off at some future date.

While not referring to this particular statement of September 9, Mr. Lavergne wrote to Baring Brothers on August 7, 1834 on the conditions as of July 28 (statement not found) and remarked:

"The three bad items of the statement are the following: 1. That of Profit and Loss which it will be the study of the Board to place on the right side of the account before the next semi-annual statement, and their endeavor will, I hope, be successful when it is considered that the Discount Account is up to $90,000. The 2' item is that of Protested Notes, many of which will be paid; about $30,000 or perhaps more. The 3' item is that of the Deficit of the Cashier which....will be paid; his bond of
The arrears that were allowed during 1832 and 1833 were not extended in 1834. As we have seen, the bank was in a position where it could no longer do so. The financial condition of the bank forced the Directors to send a circular in July, to all the borrowers in arrears insisting that their payment be met or the Association would be forced to take legal proceedings against them.\(^{33}\) This threat was repeated in a second circular sent in December.\(^{34}\)

\$50,000 being subscribed by four of our richest citizens." (Books of Letters, August 7, 1834)

The remarks about the September Statement are in the February 21, 1835 letter to Baring Brothers:

"1. The item of Bills discounted is mostly composed of business notes due on an average in 40 days—many of which were offered by our first commercial houses.
2. Our Collection Account, paper deposited for collection, which a few months ago did not amount to \$30,000, now exceeds \$80,000.
3. About \$400,000 were due for arrears; that is, \$290,000 principal and the balance in Interest, all secured by mortgage; we are in hopes of receiving at least 1/3 of said amount.
4. The item of Bill Receivable is composed of notes secured by mortgage received for property sold to pay the Bank.
5. The object of the Board is to increase the line of Bills and Notes Discounted and to conduct the Exchange operations so as to enable them to pay out of these funds, their interest with ease, and reimburse that capital of two millions of dollars due on the Bonds. (Books of Letters, February 21, 1835)"

\(^{33}\) Books of Letters, Circular, July 21, 1834.

\(^{34}\) Ibid., December 17, 1834.
The bank did have to foreclose on several, but on the whole their drive was very successful. The cashier, Mr. Lavergne, wrote to Baring Brothers, "they are acting with prudence and propriety in applying their money to the liquidation of their debts; many of them from whom we should have been happy to receive one third of their debts have paid the whole and some two or three months in anticipation."  

Financial conditions improved considerably in 1835. Mexican silver dollars had been received from Mexico. The sugar and cotton crops had been good; while sugar prices were not exceedingly high (5½ cents per pound) cotton was considered almost as good as coined money. And the Consolidated Association had been able to get relief from the shortage of commercial paper by obtaining fifty thousand dollars ($50,000) credit from the Union Bank of New York and the same amount from Messrs. Prum, Olard, King, & Company so as to enable them to operate in Domestic Exchange. In order to deal in the foreign exchange, they

35See documents on foreclosures, 1834-35.
36Books of Letters, Consolidated to Baring Brothers, February 21, 1835.
37Ibid.
also secured a running credit, uncovered for ninety days, of twenty thousand pounds sterling (£20,000 stg.) from the House of Thomas Wilson & Company of London.38

Although 1835 showed an uptrend, it did not continue as such very long. Specie and commercial paper started getting scarce again in the Fall of 1835, and, early in 1836, conditions became more acute. 39 Perhaps the best description of this troublesome period can be given by citing a letter sent to Thomas Wilson & Company by the Consolidated Association June 22, 1836:

"As to the want of activity that has existed in our relations since you were pleased to give us an uncovered credit, I am ready to confess that we have not profitably derived from it advantages which might have been obtained from bolder and more energetic operations. But in another point of view our forbearance had, perhaps been the means of avoiding losses. Since October last the exchange has been in a most unsettled

38Ibid.


According to Lavergne, the scarcity of specie in New Orleans was largely occasioned by the "unexpected expedition of General Mesa against Tampica with a handfull of men." This expedition forced General St. Anria in charge of the ship Conducta, containing two millions of dollars of Mexican specie to retrograde. This combined with the rebellion of the Texans against the Mexican Government were the two important factors preventing New Orleans from getting the necessary specie to carry on its business and banking operations. (Letter to Baring Brothers of February 4, 1836.)
condition. In March last, bills on New York and Philadelphia at sixty days sight were offered at two and one-half and three percent discount, and there was in the community such a dearth of specie, and demand for money, that the Banks could not well afford purchasing even at those high prices when it was known that sellers were anxious to export specie to Havana, to speculate in bills on the North at six or seven percent discount or in sterling at two percent premium. For the last sixty days Northern Bills have been very scarce even at four percent discount and continue to be so. There has been a constant drain of specie from Western Banks, and the supply being inadequate to the demand on account of the war between Texas and Mexico which has very unfavorably affected our relations with that country. The Banks continue to experience a scarcity of precious metals—a circumstance which commands the greatest prudence and caution in their management. Sterling for the last six months has been scarce in New Orleans; it has been sent from this place to New York to be sold at six and one-half, seven, or eight percent premium when it could not be obtained here for less than eight and one-half to nine or nine and one-half. Heavy losses must have been the consequence.

England, also, experienced a shortage of specie at the close of 1836, therefore, the Directors of the Bank of England took measures to reject all American Bank Bills of Exchange not drawn at short date or sight and not predicated on effects in the hands of their agents in London, and they prohibited offers or extensions of uncovered credit accounts. This forced Thomas Wilson & Company of London to close the Association's uncovered

40 Ibid., Cashier of Consolidated Association to Thomas Wilson & Company, June 22, 1836.
Such a measure prevented the

41 Ibid., Consolidated Association to Thomas Wilson & Company, January 28, 1837. To such an action as taken by the Bank of England, Lavergne wrote:

"It is to be deeply regretted that any difference should have arisen between the Bank of England and the Agents of the American interests in London. There is no doubt that the directors of the Bank of England sincerely believe that the effects pointed out by them may be the result of uncovered credit unreasonably extended. Judging, however, from what has taken place with this Institution, we perceive that instead of rendering us creditors our exchange operations have naturally made us debtors to Europe, and this is a result which cannot produce any exportation of specie from England to the United States. Without presuming to offer an opinion against the decision of the experienced and learned men who compose the Direction of the Bank of England, it strikes us that the exchange operations predicated on uncovered credits must create a balance in favor of the parties granting said credits, an effect which, instead of depressing the exchange in the United States on England increases its rates. Is not the drain of bullion from England to be more justly credited to the sales, last spring, of very large amounts of Spanish and Portuguese Stocks that were paid for in gold at prices, particularly for Spanish, more than double the present value..."

....If the Bank of England persists, as you inform us, in the ground that they have taken of rejecting all American Bank Bills of Exchange not drawn at short date or sight and not predicated on effects on the hands of their agents in London, I am afraid this measure will very much curtail the exchange operations of the Banks who will immediately place themselves in a position either to close their credits, or to use them very sparingly, and on such occasions only wherein large benefits are expected. But how is the Bank of England to know when the American Houses in London are furnished with the required effects? Will the inquiry be made on the offering of every Bill? Will the merchants submit to that scrutiny? And is it not better for all parties to close their operations and forego their disadvantageous results rather than to comply with a course which may be considered objectionable?"
Consolidated Association from dealing in Exchanges and made it extremely difficult to meet the interest payments with Baring Brothers. 42 Along with this scarcity of Exchanges in 1837, because of the general difference existing between the American Houses and the Bank of England as just mentioned, there was in Louisiana and elsewhere in the South, a great failure in cotton. And the scarcity of money became greater than ever. 43 Therefore, the Banks of New Orleans once more organized to cope with the situation, and apparently adopted the plan offered by the Citizens Bank: viz.

"Whereas a continuation of the present unsettled state of our Exchange may lead to an exploitation of specie which would endanger the currency of this State and whereas it is the property Banks to protect by every means in their power their Cash responsibilities.

Be it resolved 1. That no sterling Bills shall be purchased above eight percent (8%) premium, and francs below 5.30. 2. That no Eastern bills shall be bought above two percent premium. 3. That a portion of the Foreign Bills purchased shall be remitted to New York to form a fund to check upon. 4. That no specie shall be bought here above par; any premium paid being considered a depreciation pro tante of the paper currency. 5. That arrangements be made for the purpose of inviting the importation of specie from Mexico payable here in European Exchange

42Ibid., Consolidated Association to Baring Brothers, March 30, 1837.
43Ibid.
at a fixed rate.

Be it further resolved:

That these preamble and Resolutions be transmitted to the Union Bank and Consolidated Association, and that their concurrence there to be requested." 44

Even with such measures the Banks of New Orleans failed to prevent the Crisis which started with the bank May 16, 1837, when fourteen banks of New Orleans closed their doors;45 the Consolidated Association being the only one which remained opened for the time.46

The coming crisis and the closing of the banks was not a sudden or unexpected event to the Bankers and the Public Officers of New Orleans because the day previous, i.e., on the fifteenth, there was a secret meeting of the Finance Committee of the Council of the First Municipality of New Orleans which provided for the emission of five

44Citizens Bank to Consolidated Association, March 25, 1837


46How long after this date did the bank remain open is not ascertainable from the information available. However, the bank did refuse to pay specie. Mr. John Barnett wrote on the twenty-second of May, "On Saturday last I called at your Bank and received the mortifying intelligence that my account was closed, and although it was communicated to me in a Gentlemanly manner yet I was pained fearing my conduct was misconstrued. My business is shipping seamen, and in advancing them it is absolutely necessary that I should have a little silver to make change. I ascertained that you would not pay any on check and, as I could not obtain paper of any of the specie paying Banks, I was forced into the unpleasant measure which has given you dissatisfaction." (Barnett, J. to Consolidated Association; May 22, 1837).
hundred thousand dollars ($500,000) of order notes bearing interest so as to provide a circulating medium for the community until banking conditions became more favorable.\(^{47}\) The bills issued by this municipality and the other two municipalities of New Orleans to replace specie varied "in value from one bit (escalin) to four dollars".\(^{48}\)

The panic of 1837 did not end the operations of the Consolidated Association of the Planters of Louisiana, but with the beginning of this period started a new epoch in the operations of the bank, and this is left for later study.

\(^{47}\)Lessseps to Consolidated Association, May 17, 1837.

CHAPTER VII
SUMMATION AND SUGGESTIONS

There are many aspects of this report that could have been abridged or made more fluent by simply telling in a descriptive style the financial conditions of the Consolidated Association of the Planters of Louisiana, and by not including many quotations from letters, reports, and documents as was done. This was sacrificed, however, in order to present the English translation of the said letters, etc., which were in French and, also, to compile out of ten thousand letters, Record Books, Books of Minutes, Cashier's Letter Books, etc., the most important information concerning the affairs of this Bank. It is the writer's hope that by doing so it may be useful in the further study of the affairs of the Consolidated Association of the Planters of Louisiana; an institution about which relatively little is known.

The present study is by no means complete. It is
merely an attempt to introduce new information that may throw new light on the Economic History of Louisiana, especially the Banking History. The first chapter presents a few facts about the banking facilities existing, or capital available, in Louisiana before the establishment of the first property bank. Following it is a brief description of the commercial and agricultural development in the state. These two present the supply of capital available and the demand for additional capital. As there was not enough capital to meet the rapidly increasing demand, a source of new capital had to be tapped. And where this capital was obtainable is explained in the third chapter. The remainder of the report is devoted to the organization of the Consolidated Association of the Planters of Louisiana; how it obtained its funds to enable its operation; and its operations up until the Panic of 1837. Particular attention was paid, in this report, to the negotiations of the Consolidated Association with Baring Brothers because of the great influence these gentlemen had in molding the Economic History of Louisiana. The exact terms of these negotiations have not been solved because of the inadequate information available and because the records of their negotiations are ambiguous and mis-
leading, but, even at that, much was learned about this particular phase of Louisiana's attempts to entice outside capital for the betterment of the State and its people.

A similar study could be continued from 1837 to 1843 when this bank went into liquidation. Then the long period of liquidation offers many angles of study, such as the redemption of bonds, reasons for such a prolonged liquidation, the effect of this liquidation on the original stockholders, the effect of the borrowers, the attitude of Baring Brothers toward the reimbursement, the attitude of the courts on the liquidation, and various other problems.

After some of the above studies have been made, and after the financial records available have been audited by a competent accountant with a good knowledge of French, it might be possible to decipher more clearly the true nature of the contract with Baring Brothers. The reason for making such a statement is that the contract appears to be one of the most important aspects of the entire study of the Consolidated Association of the Planters of Louisiana; it is the key to many vexing problems. The few letters and the report which will be found in the appendix were not enough to give much enlightenment on the contract, but
later information, such as reports from court decisions, etc., might be sufficient to piece together the contents of the London contract of September 13, 1823 and the contract as proposed by Thomas Baring August 3, 1829.

The writer does not vouch for the complete accuracy of the facts presented. He stands to be challenged on his translation of the nineteenth century French and on his interpretation of some vague and ambiguous statements. Another difficulty which might have handicapped a more definite accuracy is that the letters were handwritten, aged, and partly destroyed. Pioneering work, however, is never without error, therefore, may the further study in this field be an effort to clarify what has already been done and to improve it with the view of contributing to our present knowledge.
APPENDIX
AN ACT TO INCORPORATE THE SUBSCRIBERS TO THE CONSOLIDATED ASSOCIATION OF THE PLANTERS OF LOUISIANA (March 16, 1827)

Association

Be it enacted, etc.,...that an institution shall be established under the title of the consolidated association of the planters of Louisiana, the capital of which will amount to two million dollars, which will be raised by the means of a loan, obtained by the directors of the institution.

Subscription

Section 2,...that a subscription for a sum of two millions and five hundred thousand dollars, divided into shares of five hundred dollars each, intended to secure the loan of two millions of dollars, shall be opened immediately after the passage of this act, under the inspection of five managers elected by ballot, by both houses: The books of subscription shall be opened every day, from ten o'clock A.M. until three o'clock P.M.; and when the said institution shall have begun its operations, the said books shall continue open in the offices of said institution, during and until the expiration of the term of six months next following, and then, the books of said subscriptions shall be closed. -- Immediately after the expiration of six months as aforesaid, the said managers, or a majority among them, shall proceed to make a correct statement of these subscriptions and in case the amount of the sums subscribed for should be more than two millions and five hundred thousand dollars, then, the said managers shall deduct the amount of such excess, from the largest subscriptions, in such a manner as that no subscription shall be reduced in amount, while any one remain larger, and in case of such a deduction the said managers shall cause lists to be made out of such apportioned subscriptions, to enable every subscriber to know the number of shares allowed him, and should it happen that the total amount of five thousand shares had not been subscribed at the time of closing the books of subscriptions, then the said books shall be reopened on the first Monday of January in every year, under the inspection of the directors appointed, as will be specified hereafter, and they shall remain open during the space of thirty days in every year, until five thousand shares be subscribed for. -- The managers shall publish during twenty days previous, in the newspapers that are published in New Orleans, the day and
place when the books of subscriptions shall be opened.

By Whom Made

Section 3.,... that the subscriptions shall be made as follows, viz: -- Planters exclusively shall be entitled to subscribe, and the shares so subscribed for by them shall only be transferable to planters.

Bonds To Be Given For The Loan

Section 4.,... that in order to procure the loan authorized by this act, the President, Directors & Co. of the said institution shall deliver their bonds bearing an interest of five percent per annum payable half yearly, and said bonds shall be at a rate of so many dollars in conformity to the negotiations that shall have taken place. --These bonds shall be in the following terms, viz: bond for one third of the nett capital of two millions of dollars, shall be payable five years after date; bonds for a second third of the above capital shall be payable ten years after date; and finally, bonds for the third and last installment, shall be payable fifteen years after date, and said bonds shall be written in the following words, viz: (L.S.) Know all men by these presents that the President, Directors & Co. of the consolidated association of the planters of Louisiana acknowledge to be indebted unto in the sum of dollars, which sum the President, Directors & co. of the aforesaid association promise to pay in currency money of the United States to the said his or their heirs or assignees on the of with interest at the rate of five percent per annum, payable half yearly in the city of New Orleans, and in one of the offices of this institution, viz: on the day of and the day of every year, until payment of said principal sum.

In testimony whereof the President of the consolidated association of the planters of Louisiana, has signed these presents and caused the seal of office to be affixed there-to, at New Orleans on the day of in the year of our lord one thousand eight hundred and twenty-seven.

President
Cashier
And the said bonds shall be under the seal of said institution and signed by the president, and countersigned by the cashier, and the individual in favor of whom they shall have been subscribed, shall have the right to transfer them with his or her endorsement, either to the bearer or anybody else.

Bonds To Be Secured By Mortgage

Section 5,....that the subscribers of the consolidated association of the planters of Louisiana, shall give mortgages on immovable property for an amount equal to the shares for which they shall have subscribed; these mortgages shall be entered into, to the satisfaction of the board, and no mortgages shall be accepted on land that should not be in a state of cultivation; and besides, that no dividends on the yearly profits of the institution shall be declared; these profits shall remain deposited as a guarantee and placed as hereafter mentioned; and the President, Directors and Co. of the consolidated association shall not dispose of these profits, but after the full reimbursement of the sums borrowed shall have been effected, as well as the interest.

Certificates Of Shares And The Rights of the Stockholders

Section 6,....that there shall be delivered to the subscribers of the consolidated association of the planters of Louisiana who shall have discharged the obligations of the above fifth section, certificates of shares for the amount of those they shall have subscribed for; and they shall be entitled to a credit equal to the moiety of the total amount of their shares; Provided that when they shall intend to make use of said credit, they shall pay the interest for it at the rate that shall be fixed for the loans, and they shall deliver their notes on bonds for the amount of the sums which they shall receive, and besides, there shall be opened a private account to each stockholder on the books of the institution for the dividends which shall be due to them, so that, at the expiration of each year, they may be creditors of the amount of their dividends, in the same manner as if the payment was to be made immediately to them.
Incorporation of the Association

Section 7,.....that the subscribers to the said consolidated association be, and they are by the president act created a corporation and body politic by the name and style of "The President, Directors and Co. of the Consolidated Association of the Planters of Louisiana", and so shall continue until the thirteenth day of June in the year one thousand eight hundred and forty-two, and by that name shall be and are hereby made capable to buy, receive and possess all kinds of property, either immovable or moveable, and to loan, negotiate, sell, grant, alienate, demise, and dispose of the same, and to take mortgages and pledges, and to discount upon banking principles on such credit and on such security as they shall think advisable, provided it does not exceed in value the double of their capital, and to sue and be sued, plead and be impleaded, answer and receive answers in all courts having competent jurisdiction, to have a seal of office, and the same to alter and renew at their pleasure and to ordain establish such by laws and ordinances as they shall deem necessary and convenient for the government of said corporation not being contrary to this act nor to the constitution or the laws of the United States, or the constitution or laws of this state.

Directors

Section 8,.....that for the administration of the affairs of said corporation there shall be elected seven directors, who shall be chose among the subscribers who shall be elected every year in the house of the consolidated association in the city of New Orleans by the subscribers of the said institution. -- The election shall be made by the majority of votes that shall be received in a number equal to the shares subscribed for.

As soon as one thousand shares shall have been subscribed for as provided in the second and third sections of this act, the managers shall publish in at least two of the newspapers that are published in the city of New Orleans that such a number of shares has been subscribed for an by the same advertisement, they shall appoint the day and place where the stockholders shall meet for the purpose of appointing seven directors, and such publications shall be made during thirty-five days
appointed before the election. — The seven directors who shall have been elected at the aforesaid election by a majority of the votes given by the stockholders or their attorneys in fact and which votes shall be received in a number equal to the shares subscribed for, shall be the first directors, and they shall remain in office until the first Monday of February next, and it shall be the duty of the said directors to elect a president for the said institution, who shall be chosen among them, and the elected president, shall hold his office until the first Monday of February next.

Their Election

Section 9, ....that the yearly election of seven directors shall be held after the first election in the house of the consolidated association in the city of New Orleans, on the fourth Monday of January every year, and the said directors shall elect by a majority of the votes given by the stockholders or their attorneys in fact, and which shall be received in number equal to the shares subscribed for; and they shall act in virtue of said election from the first Monday in February next, until the first Monday of the year ensuing: And the board of directors annually at the first meeting after their election in each and every year, shall elect one of the directors, president of the said institution, and the elected president shall remain in office for the same period for which the directors are appointed and elected as aforesaid; Provided, Always, that in case it should at any time that an appointment or election of directors or an election of the president of said institution should not be so made as to take effect, the said corporation shall not for that cause, be demanded to be dissolved, but it shall be lawful at any other time to make such appointments and to hold such elections, as the case may be; and the manner of holding the elections shall be regulated by the by-laws and the ordinances of the corporation and until such appointments or election be made, the directors and the president of the said consolidated association, for the time being, shall continue in office: And provided also, that in case of a vacancy arising from the death, resignation, absence from the United States, non acceptance, refusal to qualify or removal of a director from office, the vacancy shall be supplied by the board of directors.
Officers and Servants

Section 10,....that the directors for the time being, shall have the power to appoint such officers, clerks and servants under them as shall be necessary for executing the business of said corporation and to allow them such compensation for their services respectively, as shall be reasonable, and shall be capable of exercising such other powers and authorities, for the well governing and ordering of the affairs of said corporation, as shall be prescribed by the by-laws, regulations, and ordinances of the same.

Oath

Section 11,....that the president, directors, cashier and other officers, before they enter on the duties of their respective offices, shall take and subscribe the following oath or affirmation in the presence of any magistrate: I, A. B. do solemnly swear (or affirm, as the case may be) that I will faithfully and impartially, without favor or affection, discharge the duties incumbent on me as according to the best of my abilities and understanding. And the said oath shall be filed in one of the offices of said institution, and no other oath shall be required.

Fundamental Articles

Section 12,....that the following rules, restrictions, limitations and provisions shall form and be fundamental articles of the constitution of the said corporation to wit:

1st. The number of votes to which the stockholders shall be entitled in voting for directors shall be equal to the number of shares he, she or they shall hold, that is to say: for each share, one vote; and the stockholders who shall have subscribed for thirty shares more or less, shall be entitled to more than fifty votes. In all the elections of the directors, votes may be given either in person or by proxy.

2nd. Two partners shall not be eligible at the same time as directors of the consolidated association, nor shall a director of any other bank, though a planter or
his partner be directors of the consolidated association of the planters of Louisiana.

4th. No stockholder shall be director of the said consolidated association, if he is not exclusively a planter and citizen of the United States, and if he does not possess at least ten shares in the funds intended for the guarantee of the reimbursement of the capital of the loan with the interests that shall have been made by the said corporation. No director shall be entitled to any emoluments, but the directors may make such compensation to the president for his extraordinary attendance at the said institution as to them may seem reasonable.

5th. No less than five directors of whom the president to be one, shall constitute a board for the transaction of business; and no less than four directors of whom the president to be one, shall constitute a board for the purpose of discounting; Provided, that in case of sickness or urgent absence of the president, he shall be replaced by one of the directors who shall be appointed for that purpose by the direction.

6th. The cashier, before entering on the discharge of his office, shall be required to give bond with two or more sureties to the satisfaction of the directors, in a sum not less than fifty thousand dollars, for the faithful performance of his duties to the corporation and all the other officers and clerks who may be appointed by the directors, shall give bond with one or more sureties to the satisfaction of the directors in such sums as the said directors may determine, with a condition as required in the case of the cashier.

7th. The transfer of the stock of the said corporation shall be assignable and transferable according to such rules as shall be prescribed by the laws, regulations and ordinances of the same.

8th. The notes of the consolidated association, signed by the president and countersigned by the cashier, promising to pay a specified sum of money to a certain person or to his order, or to the bearer, shall be obligatory upon the consolidated association, though they should not have the seal thereof, and any of the notes payable to order, shall be negotiable transferable by delivery.

9th. No dividend shall be made of the profits of the
110th. In case a director should become insolvent, after his election, he shall be incapable of holding his office any longer, and another director shall be elected to take his place and stead, as provided in the ninth section of this act.

111th. The corporation shall not take more than eight percent per annum on notes discounted or money lent out, and no more than six percent per annum on any of its loans or discounts made on notes at order, payable within four months after the said loans or discounts shall have taken place.

112th. The sum of two millions of dollars which is the capital of the corporation shall be exclusively appropriated to loans on notes or obligations secured by mortgages on immovable property, to the satisfaction of the board; provided, that no mortgage shall be accepted on land that should not be in the state of cultivation, and that the said consolidated association shall not lend a sum exceeding the half of the settled value of the immovable property to be mortgaged after deducting all former mortgages and charges.

113th. No director shall be entitled to a credit in his capacity of director, and none of said directors shall obtain a credit above what he may pretend to in his individual capacity.

114th The last Monday in January, April, July and October of each year shall be the days appointed to acquaint with the affairs of the consolidated association, those of the stockholder who shall be desirous to take cognizance of said affairs; and it shall be the duty of the directors to give a free inspection of the books of the institution to the said stockholders, as well as every information they shall request to receive.
Profits How Disposed Of

Section 13, that the annual profits of the said institution, if there be any, after deducting all the losses shall remain deposited in the said institution and the directors of the said consolidated association shall employ them in discounting notes, until the expiration of the charter.

When And How Divided

Section 14, that at the expiration of the charter of the consolidated association, and after all its debts shall have been paid and settled, the profits that the said consolidated association shall have made during the duration of its charter, shall be divided between the stockholders of the consolidated association of the planters of Louisiana in proportion to the amount of their shares.

Payments to Be Made In Lawful Money

Section 15, that the said corporation shall never refuse or suspend payment of any or any of its notes or obligations in lawful money of the United States or the delivery of any funds received in deposit; and if said institution should happen at any time to refuse or suspend the said payment, the bearer of any notes or obligations or any person authorized to receive the amount of any funds deposited as above, shall be entitled to recover interest at the rate of twelve percent per annum, from the moment of the suspension or refusal until the final payment.

Case In Which This Act Can Be Annulled

Section 16, that if the consolidated association has not begun its operation on the first day of January next, it shall be lawful to the legislature at any time prior to its going in operation, to declare the present act null and void.
Deliberations And Power of the Directors

Section 17, that the deliberations of the directors of this said corporation, shall have the same force and effect as if taken by the stockholders themselves, whom they represent; they shall be assisted by a council to consist of a comptroller to be appointed as is hereafter provided for, of the attorney and the notary who shall be appointed by the said directors, for the administration of said corporation; the members composing said council shall be consulted only.

The directors shall pass regulations for the general administration of the consolidated association which they shall alter or extend as they may think proper for the best administration of said institution; they shall pass, likewise, regulations for the conduct of affairs of said consolidated association which they shall likewise alter or extend as they shall think proper.

Comptroller

Section 18, that there shall be elected to said institution by the governor with the advice and consent of the senate, a comptroller to hold his office during two years, whose duty shall be to submit to the board of directors the intended regulations or by-laws for the general administration and conduct of the affairs of said institution, to defend them in presence of the directors, so that, from the result of the discussion between the said comptroller and the council of directors, the different points on the regulations or by-laws to be passed, being perfectly explained, the directors, may pass more correct regulations on by-laws.

The comptroller shall also inspect all the several branches of the administration; he shall be authorized to propose amendments to said regulations or new ones, whenever he shall think proper, and it shall be the duty of the directors to deliberate and to give their decisions upon them, every time that the said comptroller shall present any.

It shall be the duty of the comptroller to present every year, at the opening of legislature, a detailed
statement respecting the situation of the affairs of the
said consolidated association; and to inform both houses
of the improvements to be made that should not have been
provided for by its charter, and which the directors
shall have no power to make without being authorized by
legislature.

The said comptroller shall be entitled to no salary,
and be subject to the same restrictions expressed in the
13th regulation of the twelfth section of the present act.

Books Kept

Section 19,....that it shall be the duty of the
directors to keep one or more books in which all the de-
liberations and regulations shall be entered, and it shall
be lawful to the legislature whenever they shall think it
proper to appoint a committee to investigate the officers
of the said institution, and more particularly to ascertain
the amount of the cash, of the notes in circulation and
of the balances to the said consolidated association, and
the amount of the deposits, and to make a true report
upon its present situation to the legislature -- and the
legislature shall be authorized to dismiss one or more of
the directors and to appoint others in their place and
stead, for the balance of the year.

Capital Exempt From Taxes

Section 20,....that the capital stock of the said
institution shall be free from paying any taxes created
by the state or by any parish or political body, under
the authority of the states, during the duration of its
charter.

Mortgages To Be Recorded Previous To The Payment Of The
Loans

Section 21,....that the board of consolidated associa-
tion shall not pay or deliver to any person or persons
whatsoever, the amount of any sum loaned on the proceeds
of discounts on mortgages, before the said act of mort-
gage shall have been recorded.
Seizure Of Mortgaged Property

Section 22,....that on all mortgages executed under this act, the President, Directors and Co. of the said institution, shall have the right to seize the property mortgaged in whatever bonds it may be, in the same manner and with the same facilities, that it could be seized in the bonds of the mortgages, notwithstanding any sale or change of the title or possession thereof, by inheritance or otherwise.

Wife May Bind Herself Jointly With Her Husband

Section 23,....that in all hypothecated contracts or obligations entered into by any individual with or in favor of the said President, Directors and Co. of the consolidated association of the planters of Louisiana according to the true intent and meaning of this act, it shall be lawful for the wife of such individual to bind herself jointly and in solips with him, and in such or of any other description, shall be affected by said contracts or obligations, provided the said wife be of the age of majority, at the time of entering into such contracts or obligations.

No Respite to affect the Rights of The Association

Section 24,....that in case an individual who should have obtained from the consolidated association a loan secured by mortgage on an immovable property shall apply for and obtain a respite from his creditors, the rights of the consolidated association to complete payments by obtaining an order of seizure and sale of said mortgaged property shall not be thereby impaired or delayed.

Nor Any Surrender of Property

Section 25,....that if an individual who should have obtained from the said consolidated association a loan secured by mortgage, as aforesaid, shall make a voluntary surrender of his property to his creditors, the said mortgaged property shall not be comprehended in the cession, except payment of the sum due to the said consolidated association be secured thereon, but it shall be lawful
for the institution to proceed by an order of seizure and sale against the sold property, in the same manner as if no surrender had been made, and the surplus only of the proceeds of sale, after paying the debt due to the consolidated association and costs, shall be paid over to the syndics, assignees or trustees of the estate of such debtor.

Case of Insolvency of a Stockholder

Section 26,....that in case a stockholder should become insolvent, he shall be incapable of holding his place of stockholder any longer, and his share or shares shall be sold by the directors and the profits of these shares if any, shall be paid over to the mass of the creditors of the debtor.

In case of death of a stockholder, it shall be the duty of the heirs within three months following his death, to sell his shares or share, and in case the same should not have been sold and conveyed in said lapse of time, the directors shall proceed themselves to sell the same, and the profits accruing thereon, if any, shall be paid over in the hands of the heirs of the deceased. It shall be the duty of the directors to make such regulations as they shall think proper to prevent any costs chargeable to the institution when they shall be obliged to make, themselves, such sale of shares.

Managers In The Parishes

Section 27,....that in each of the parishes of the state, the directors shall be elected among the stockholders of said parish; and in the case there should be no stockholders the directors shall appoint the three managers above-stated out of the class of agriculturists and their duty shall be to deliver to the planters who shall wish to borrow money upon mortgage, certificates stating the value of the property of the borrower, which certificate shall be well detailed, and pursuant to the bank that shall be delivered to them by the board of said institution. These certificates shall be signed and sworn to, besides, by at least two of the said managers, in presence of the parish judge.
Stockholders Cannot Endorse Certain Notes

Section 28, . . . that in case an immoveable property should be sold for endorsed notes to the satisfaction of the vendor, the stockholder who should happen to endorse one or more of these notes, his name should be stricken out from the roll of the consolidated association; — however, a stockholder might become security in all kind of sales of transactions, provided it be not by the endorsement of notes or obligations that might be conveyed by way of endorsement, which shall be payable at a certain time and domicile.
AN ACT TO AMEND THE ACT ENTITLED AN ACT TO INCORPORATE THE SUBSCRIBERS TO THE CONSOLIDATED ASSOCIATION OF THE PLANTERS OF LOUISIANA (February 19, 1828)

Capital Increased

Section 1....Be it enacted by the Senate and House of Representatives of the State of Louisiana in general assembly convened, that the capital, of two million dollars, that the consolidated association of the planters of Louisiana is authorized to borrow, by the first section of the act of the act of the sixteenth March, eighteen hundred and twenty-seven, shall be, and is, hereby increased to two millions five hundred thousand dollars.

Amount Of Subscription Augmented

Section 2....and be it further enacted, that the sum of two millions five hundred thousand dollars, divided into shares, of five hundred dollars each, to be subscribed to guarantee the reimbursements of the loan, shall be, and is, hereby, increased to three millions of dollars, subject, however, to the provisions of the said act of the sixteenth March, eighteen hundred and twenty-seven.

The Faith of the State Pledged

Section 3....and be it further enacted, that, in order to facilitate the consolidated association the negotiations of the aforesaid loan of two millions five hundred thousand dollars, authorized by the act of incorporation of the sixteenth March, eighteen hundred and twenty-seven, and by the present act, the faith of the state is hereby pledged for the reimbursement of the capital and interest of said sum of two millions five hundred thousand dollars.

Bonds of the State By Whom Subscribed

Section 4....and be it further enacted, that bonds to the amount of two millions five hundred thousand dollars, on the terms prescribed by the aforesaid act of the sixteenth March eighteen hundred twenty-seven, shall be subscribed to the order of the president, directors, and co.
of the consolidated association of the state of Louisiana, shall be signed by the governor and countersigned by the treasurer, and under the seal of the state.

Transfer of the Bonds By Endorsement

Section 5, and be it further enacted, that said bonds may be transferred by the endorsements of the president and of the cashier of said consolidated association, either to the order of any person whatever, or to the bearer; and said endorsement shall mention the place where the semi-annual interest on said obligations shall be paid.

Hypothecary Obligations Where Deposited

Section 6, and...that the bonds, with privileged mortgage for the sum of three millions of dollars subscribed by the stockholders of the said consolidated association, in order to guarantee the loan of two million five hundred thousand dollars shall be deposited in the offices of said institution for safe keeping, and as a guarantee for the reimbursement of the principal and interest of the bonds given by the state, and moreover all the hypothecary obligations of whatever nature, subscribed by individuals in favor of said consolidated association, shall serve as a special guarantee and security for the reimbursement of said capital of two million five hundred thousand dollars, and the interest thereof; and shall, for that purpose, be deposited in the offices of said institution, inasmuch as the said consolidated association is bound for the reimbursement of said bonds subscribed by the state, at their respective installments, and to pay the semi-annual interest, until the whole amount of the principal is reimbursed.

The State Recognized Stockholder

Section 7, that the state shall be, and is, hereby, acknowledged to be a stockholder to the amount of one million of dollars, as a bonus, on condition, however, that the credit to be granted to the state in consideration thereof, shall be two hundred and fifty thousand dollars, without duplication, and during the entire duration of the charter; and that the state shall pay interest on the whole or a part of its credit, as the case may be, whenever it shall make use of the same; and moreover, the
dividends arising from the said one millions of dollars stock shall be paid to the state treasurer in the same proportions and at the same time that dividends accruing to the other stockholders are to be paid.

Repeal of Some Anterior Provisions

Section 8, that the provisions of the act of sixteenth March, eighteen hundred and twenty-seven, and those of any anterior laws which may be inconsistent with the provisions of the present act, are hereby repealed, as well as the twenty-eight section of the act of the sixteenth March, eighteen hundred twenty-seven.

Sums Loaned To Be Delivered In New Orleans

Section 9, that it shall be the duty of the persons appointed to negotiate the loan authorized by the charter of the consolidated association, and by the present act, to stipulate that all sums loaned by lenders in New Orleans shall be paid to the Governor of the State, and to the president, and directors of the said consolidated association of the planters of Louisiana.

Bonds of the State When Delivered

Section 10, that the Governor shall sign and remit to the said president and directors his obligations for all sums loaned in New Orleans, only when said sums so loaned in New Orleans shall be remitted to him; said obligations to be delivered by said president and directors to lenders or their agents.

Securities, By Whom Examined

Section 11, that the securities offered by stockholders shall be submitted to the examination of the secretary of state and attorney general.

Additional Securities When Required

Section 12, that, whenever the secretary of state and the attorney general shall give notice to the directors that the securities offered by a stockholder are not sufficient, it shall be the duty of the directors to re-
quire additional securities from such stockholder, or to reduce the number of his shares to such amount for which the security offered by him shall have been thought a sufficient guarantee.

Money To Be Left At The Disposal Of The Board Of Directors

Section 13,....that the sums of money paid to the Governor and to the president and directors shall be by him placed at the disposal of said president and directors to be by them employed in the manner prescribed by the charter, and by the president act.

Duration Of Charter

Section 14,. that the charter of said consolidated association, instead of expiring on the thirtieth of June, eighteen hundred and forty-two, as enacted by the seven section of the act of sixteenth March eighteen hundred and twenty-seven, shall remain in force until the thirtieth of June, eighteen hundred and forty-three.

Mortgaged Immovables Where Situated

Section 15,. that the immovables on which the said consolidated association shall lend its fund shall be situated in the State of Louisiana and not elsewhere.

Directors

Section 16,. that for the management of the affairs of said association, there shall be twelve directors, stockholders, six of whom shall be appointed annually by the Governor and Senate, and six shall be annually elected at the banking house of said association, by the qualified stockholders of the capital of said bank. The appointment on the part of the state shall be made on the second Monday of January of each year.

When This Act May Be In Force

Section 17,. that as soon as the president, directors
and company of the consolidated association shall inform the Governor of the State that they accept of the present law, the same shall be obligatory on said institution, and shall have the same force and effect as the original charter.
AN ACT RELATIVE TO THE CONSOLIDATED ASSOCIATION OF THE PLANTERS OF LOUISIANA (March 15, 1830)

Five Directors To Form A Quorum

Section 1, Be it enacted by the Senate and House of Representatives of the State of Louisiana in general assembly convened, that five directors, with or without the president, will, if unanimous, be competent to discount, grant loans, or mortgage, and require all deductions on loans already made, or to be made, to exercise all power that may be exercised by the board of directors; provided, however, that no rule shall be repealed, altered or amended, and no officer shall be appointed or dismissed, or his salary diminished or augmented, except by the majority of all the directors; provided, however, also, that whenever a stockholder shall make application to be permitted to transfer his shares, and to be discharged, his demand shall not be granted until after the person to whom he wishes to transfer the same, shall have furnished good and sufficient security to the satisfaction of the board, in the manner provided by the charter; and in no case shall a stockholder be discharged, and the mortgage existing against him, be annulled, or a loan on the surplus value of the property already mortgaged to the consolidated association be granted, except after a resolution to that effect have passed by a vote of two-thirds, at least, of the whole number of directors, which vote shall be taken by yeas and nays; and it shall be lawful for any stockholder to require copies of all such resolution, certified by the cashier.

Vacancy How Filled

Section 2, Be it further enacted, etc., that whenever the office of a director elected by the stockholders, shall become vacant, it shall be the duty of the directors on the part of the stockholders to fill the vacancy in the shortest possible delay.

Bonds

Section 3, that such of the bonds as belonged to the first series, and were to be made payable at five years which have yet not been disposed of, may be annexed to
Section 4. Repealing Clause

Section 4, that the twenty-sixth and twenty-eighth sections of the act to incorporate the subscribers to the consolidated association of the planters of Louisiana be repealed.

Section 5. Authorized To Receive The Bonds Still Due. Time Extended

Section 5, that the president and directors of the consolidated association be authorized to receive from the acting governor, the bonds still due the association, any law to the contrary notwithstanding.

Section 6. Time Extended

Section 6, that from and after the thirtieth of June, eighteen hundred and forty-three, the day on which payment of the last obligations of the state shall take place, a delay of two years is hereby granted for the purpose of closing the affairs of the consolidated association, it being understood that no new bonds shall be made, and no operations conducted, except such as may be necessary to the settlement of the affairs of said institution.

Duty of Directors

Section 7. Duty of Directors

Section 7, that as soon as the stockholders shall accept, or cause to be accepted, this act, or any section thereof, the same, or such of them as shall have been accepted, shall have the force and virtue of the primitive charter; provided, however, that the board of directors shall inform in writing, the governor, or in his absence, the secretary of state, of such acceptance on the part of the stockholders.

Sum Allowed To The Secretary Of State

Section 8. Sum Allowed To The Secretary Of State

Section 8, that the sum of four thousand dollars shall be paid, one half to the secretary of state, and the
other half to the attorney general, being in compensation for the services they already rendered, or may render hereafter, to the consolidated association of the planters of Louisiana.

Section 9, that the board of directors of the consolidated association shall advance the sum granted to the said secretary of state and attorney general, and they are hereby authorized to reimburse themselves for the said sum, in principal and interest, out of the moneys that shall accrue to the state at the expiration of the charter in its capacity of stockholder in the sum of one millions of dollars.

Sum Allowed Hughes Pedesclaux

Section 10, that the sum of five hundred dollars be paid to H. Pedesclaux, upon his warrant, by the treasurer of the state, out of any money in the treasury not otherwise appropriated, in full compensation for his services in making, as first clerk in the office of the secretary of state, 2,500 impressions of the seal of the state, on certain bonds of the state, subscribed to the order of the president, directors, and company of the said consolidated association.
AN ACT TO INCORPORATE THE CITY BANK OF NEW ORLEANS
(March 3, 1831)

Privileges Of The Other Banks

Section 25,...Be it further enacted, etc., that the Bank of Louisiana, the State Bank, the Bank of the Consolidated Association, and the Orleans Bank, shall have the same power of allowing an interest on deposits which is granted to this Bank, by the sixth section of this charter.

Section 6,...that said corporation is hereby invested with all the rights and privileges usually exercised by a Bank; may deal in exchange, discount notes, or bills of exchange, or draughts, at a rate of interest, not exceeding six percent per annum; on all discounts at a lesser date than four months, and eight percent per annum, for all discounts of a larger date than four months, lend or mortgage or pledge the stock of any incorporated company; and said corporation shall, on pain of the forfeiture of its charter, allow to all persons and corporations keeping an account with said Bank upon the balance of all deposits, from day to day or time to time, may become, or remain due to, or be deposited by such persons or corporation, on interest of not less than one cent per day on every hundred dollars of said balances or amounts so due or deposited by such persons or corporation, and to the treasurer of the state, and corporation of the city of New Orleans, and managers of the sinking fund, on interest not less than at the rate of four percent per annum on the daily balance left or deposited by them in the said Bank: Provided, that said corporation shall not be obliged to allow any interest as aforesaid on any fractional parts of the sum of one hundred dollars of such deposits, and that said corporation shall not be obliged to settle the interest account of any depositor, or to pay the interest on such deposits oftener than twice a year, at state and terms, to be appointed by the directors, which shall be half yearly, when the interest account of such depositor shall be settled, and the interest which shall be due shall be then paid; and provided further, that the said corporation shall not be obliged to allow any interest on any balance or sum over and above the sum of twenty
thousand dollars, which become or remain due to, or be deposited by any individual or body corporate, except to the treasurer of the state of Louisiana, the administrators of the sinking fund of the state depository or keeping on account with the said Bank on behalf of the state, or the treasurer of the corporation of the city of New Orleans, depositing on account on behalf of the said city; and the said corporation shall issue to any person who may require it, a certificate of deposit for any number of hundreds of dollars, not exceeding the sum of twenty thousand dollars, bearing an interest of four per centum per annum, if said money, so deposited, shall not be called for in a shorter period than one year from the date of such certificate, but the holder of said certificate shall be entitled to receive the amount of said certificate at any time short of one year, with an interest at the rate of three and sixty-five hundreds per cent, or one cent per day, on each hundred dollars.
AN ACT AMENDATORY OF AND SUPPLEMENTARY TO THE SEVERAL
ACTS RELATIVE TO THE CONSOLIDATED ASSOCIATION OF THE
PLANTERS OF LOUISIANA (March 21, 1835)

Section 1,...that the securities given to guarantee shares in the capital stock of the consolidated association of the planters of Louisiana, on landed property, situated in the city of New Orleans, and its suburbs, be and are hereby approved, and that shares in the said bank, may be acquired and owned by the owners of immovable property, situated in the city of New Orleans or in any other part of the state.

Section 2,...that the president and two directors chosen monthly by the board of directors, shall form a committee of Exchange to buy and sell bills, and perform all business of that kind, with the United States, Europe, and other ports; provided, however, that their transactions shall be laid before the board, in detail, on every discount day, and shall be entered on the minutes of the board.

Section 3,...that the president of the Consolidated Association, may be removed from office by a majority of the board of directors, for neglect of any of his duties, or refusal to perform them in whole or in part, and that he may be also removed by the like majority, for incapacity, misconduct, and for any other cause which might affect his reputation or credit.

Section 4,...that any director of the Consolidated Association, who shall allow his signature to remain under protest as drawer or endorser, during more than three days shall be considered as having resigned, and the governor, if the said director was named on the part of the state, or the board of directors if he was elected by the stockholders, shall proceed to supply his place; except the said director furnish proof that it was necessary to allow the note or bid drawn, accepted, or endorsed by him, to be protected, in order to protect his own rights, provided, however, that said director may be removed for any cause injurious to his character, reputation, or credit, in the manner prescribed by the section relative to the president.
Section 5,....that the board of directors, if they think it advisable, may postpone to the thirtieth of June, one thousand eight hundred and forty-eight, or to any nearer period, the payment in whole or in part of the bonds of the state, payable on the thirtieth of June, one thousand eight hundred and forty-three; and that the governor be and is hereby authorized, to this effect to sign and issue new bonds, countersigned by the treasurer, drawn up in the same terms and as binding as the old ones, which new bonds shall be delivered by the governor as fast as he shall receive the old ones.

Section 6,....that from and after the thirtieth of June, one thousand eight hundred and forty-eight, the day on which the payment of the bonds of the state shall take place, a delay of two years shall be granted to said consolidated association to liquidate and close its affairs; provided, however, that during that time, it shall make no new loan or transaction of any business, except such as is necessary for the liquidation of the affairs of said institution.

Section 7,....that as soon as the stockholders shall have accepted this act, or one or several of its sections, the said amendments, or such of them as shall be accepted, shall have the same force as its primitive charter, provided however, that the board of directors give written notice to the governor, or in case of his absence, to the secretary of state, of said acceptance of the stockholders.
AN ACT SUPPLEMENTARY TO AN ACT ENTITLED "AN ACT AMENDATORY OF AND SUPPLEMENTARY TO THE SEVERAL ACTS RELATIVE TO THE CONSOLIDATED ASSOCIATION OF THE PLANTERS OF LOUISIANA", (March 7, 1836)

Section 1,...that one million and no more of the capital stock of the Consolidated Association of the Planters Bank of Louisiana may be secured by mortgage on immovable property situated in the city of New Orleans, and its suburbs, and in the city of Lafayette and Carrollton; and that two directors on the part of this state, and two directors on the part of the stockholders, may be appointed or elected from among stockholders holding stock secured by property so situated: provided, they be citizens of this state; and provided they and each of them shall have been bona fide holders of ten shares in said institution secured as aforesaid, for three months at least previous to their nomination or election. The other directors shall be appointed or elected from among the stockholders, whose stock shall be secured by mortgage on rural immovable property and shares, and who at the time of their appointment or election, shall be citizens of this state, and who shall have been bona fide holders of ten shares so secured for three months at least preceding their appointment or election.

Section 2,...that in case the board of directors shall retard the payment of the bonds of the state, as said board is authorized to do, the governor shall deliver the bonds of the state, as fast as the board shall give him notice of the negotiation of said bonds.

Section 3,...that in the case of a sale under seizure, or in consequence of a contract with the consolidated association, of property mortgaged to said institution as security of stock, or of loan on stock, the board of directors may cause to be sold at auction, after thirty days notice, the shares which rest on said property; and the board shall always have the right to fix the time within which the purchases of said shall be bound to furnish the necessary mortgage, and shall also have the right to cause to be resold as before, after the same notices, should said shares not be guaranteed within the time prescribed; and the said institution shall have a special privilege on the advance which said shares may bring when sold for the reimbursement of capital, interest, and cost thereof.
Section 4,....that it shall not be necessary in case of judicial process, to annex to the petition the bonds of mortgage of the debtors in favor of the bank, but it shall suffice to annex copies, certified by the notaries before whom said bonds shall have been signed.

Section 5,....that as soon as the board of directors shall inform the governor that they accept this act, it shall become obligatory to the President, Directors, and Company of the and shall have the same effect as the original charter.
Liverpool 14 August 1828

From Lavergne

President M. Andry

Sirs:

I arrived in this city the 7th of this month. On the same day I immediately went to see Mr. Alexander Gordon, principal associate of the business house established in New Orleans under the name of "Gordon Forstall and Co." and I was very well received by him. I communicated my mission to him and furnished him with the documents and the necessary instructions in order to enable him to judge the probability of the negotiation. He kindly told me that I had taken the appropriate precautions to assure its success, and offered me all his services if he could be of any use to me, and I accepted them. We are leaving together, tomorrow, for London. We shall arrive the day after tomorrow at night. Then, we shall spend all day Sunday to prepare ourselves, and, Monday, we shall open negotiations. Mr. Gordon is of the opinion that we shall be unable to terminate anything before the manual, which has been recommended by Mr. Girard and of which I have asked you in my letters of the 23 and 24 of the month of June last has been received by Messrs. Baring. He thinks that these Sirs will exact, moreover, a copy of the charter and of the supplementary act—in French as well as in English—certified by the governor and the Secretary of the State, and legalized by the English Consul. You would do well to do this immediately and transmit it to me in Liverpool in care of Messrs. A. Gordon and Co. We cannot forsee, for the time being, any difficulty on the part of the lenders and we think that their questions shall be principally on the convertability of the mortgaged plantations and the capacity and the responsibility of the Directors. I think to be able to remove all their doubts on this subject. The political circumstances are not as favorable as they were. Neither the peace of England, nor that of the other powers appear, at present, to be troubled by the war between Russia and Turkey, and money is abundant. The published funds are
rising--yesterday they were at 88 and the Louisiana bonds with dividends were quoted at 99 1/2, but there are none on the market. The next fifteen days that are to come will be very interesting for us, and it often occurs to me how wise the Direction was in keeping this an absolute secret. Experience shows me, every day, that this precaution was inseparable, not only for the loan, but, maybe, for all these deliberations in general.

(Close)

H. Lavergne

To the President, Directors and Co.

*Transcribed from French. (Translation mine.)
London, 6 September 1828.

From Lavergne

President M. Andry

Sirs:

I have the pleasure to announce that Mr. Gordon and I are about to terminate a favorable negotiation with Messrs. Bros. and Co. After different interviews, conferences, and letters written from one part or another, we have come in accord on all the points, and we presume that the contract will be signed Monday or Tuesday next. We have much to praise ourselves on the confidence shown and of the liberty with which these gentlemen have dealt with us; on our part we neglected nothing to bind their interests with ours. We have had the pleasure to succeed for, even though the sum of the bonds have been fixed at 95, interest and capital payable in England, the important question of the change was so well discussed by Mr. Gordon that, after calculations made, we find that we have negotiated at about par and as if the interest and the reimbursement were taking place in New Orleans. When we consider that the Consolidated Association will find itself in direct relation with one of the first houses in Europe, whose means are immense and whose solidarity, without question, we cannot help but make sincere wishes that the Institution be directed by that wisdom and that prudence so necessary to its prosperity, and which must so strongly contribute to make known, not only the precious qualities of the inhabitants of Louisiana, but also to establish their credit on solid bonds, and to prepare and facilitated for the future, other loans in the nature of the one which, I hope, we shall soon complete.

Messrs. Baring are of the opinion that the plan of the Consolidated Association is as new as ingenious and well conceived. They have taken pains to calculate that, with a good administration, the profits ought to about equal the capital at the end of the charter. I am happy to hope that this result shall be confirmed by experience. The inhabitants of Louisiana will, without doubt, be
thankful toward the man as modest as able who, in the midst of all the obstacles, has furnished them with the most efficient means to augment their prosperity. You have guessed, Gentlemen, that I wish to speak of Mr. J. B. Moussier. Immediately after the signing of the contract, Mr. Gordon and I will have the honor to transmit to you a detailed report on the conditions of the loan. We have decided to have notes printed, to have a seal of the institution made, and to buy other objects necessary, here in England. Mr. Gordon will take care of these details and we shall submit the total of these from Liverpool at the beginning of next month. We shall receive them in time enough as our first funds are scheduled to arrive in New Orleans the first of January.

If things come out as I have right to believe they will, I shall leave Liverpool for New York by the schedule of the eighteenth of this month. From New York I shall go to Philadelphia to thank Mr. Girard for the particular manner in which he recommended me to Messrs. Baring, and then I shall probably continue by land to New Orleans.

(Close)

H. Lavergne

To Manuel Andry, President

*(Translation mine.*)
London, September 14, 1828

From Lavergne

President M. Andry

Sirs:

It is with a very sincere satisfaction that I inform you, at last, that the contract between Messrs. Baring Brother and Company and the Consolidated Association of the Planters of Louisiana was signed yesterday at three o'clock in the afternoon.

It is clothed with all of the formalities wanted by the laws of this country. Even though the manuals I have asked for, and which these sirs know about, have not yet been sent, they have taken my word on this matter, and the affair is concluded. The notary is going to take care of preparing a copy of the contract which shall be attached to the report that Mr. Gordon and I have to send you under oath.

For the $750,000 of bonds that are to be delivered to Messrs. Baring under the date of 31 December 1828, you shall receive $258,000 dollars, which shall be counted in New Orleans on the 31 December 1828, upon the remittance of a proportional number of obligations of the state, calculated at 5% over and above par, that is, $300,000 of Bonds, and $427,000 dollars which shall be counted in the same manner on 15 February 1829, or before, upon the remittance of a proportional number of bonds of obligation at the same rate, that is $450,000 of Bonds. And since the Association has the right to draw on Messrs. Baring on the 1st of March 1829, for the sum of $222,000 which it shall gain by the change; that is, at least $17,760, with the result that the institution shall have at the bank of a sum of $952,260 to start its operations.

Mr. Gordon and I have taken precautions, moreover to terminate by tomorrow, a contract to have notes printed by Messrs. Perkins and Heath of this city, whom Messrs.
Baring have engaged for us. They oblige this concern to furnish the following notes, guaranteed against all imitations and against duplication,

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<th>Notes of</th>
<th>5 dollars each</th>
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making a total of 200,00 notes for the price of a thousand pounds sterling payable on delivery. The notes of 500 shall be in black, and the five other denominations shall be of different colors which shall facilitate their enumeration and shall render errors almost impossible. The mounting and plates shall be destroyed or bought by the institution at the end of eight months, if not at the completion of the notes which shall be delivered as follows:

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<tr>
<th>Notes of</th>
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And a part of the remainder from month to month up to May 15, 1829, at which date all should be delivered and paid for.

We have proposed to have the paper for the bonds of the state made by these gentlemen just named, and, also, the Journal of the Institution. These two objects shall cost about 30 or 40 guineas. According to the contract we shall have 834 bonds for each term.

As to the objects contained in the list drawn by the Cashier, we shall be able to procure for the most part, but as for the books, Mr. Gordon told me that we could not buy them as one had to know how they had to be termed and, also, ruled. It leaves but an inconvenient ledger, and
the institution could procure this in New Orleans.

Messrs. Baring have promised me to see Messrs. Perkins and Heath from time to time, and to give their care that our orders be punctually executed. The deepest secrecy will be observed on this contract as on the loan.

I shall terminate this letter by a last observation concerning the notes. Mr. Gordon and I have thought that the small notes being those circulating with advantage, it is proper to make arrangements for more of their number, and, for the same reason, to diminish the number of five hundred dollar notes and to suppress entirely the notes of $1,000 for other than those which result from this arrangement. One must not lose sight of the fact that the large notes always return to the Bank, while the others remain in circulation.

(Close)

H. Lavergne

To Messrs. President and Directors of the Association

*(Translation mine.)*
London, September 23, 1828

Report

The undersigned commissioners, appointed by the President, Directors and Co. of the Consolidated Association of the Planters of Louisiana for the negotiation of a loan of two million five hundred thousand dollars as authorized by the acts of Legislature of that State approved 7 March, 1827, and 19 February, 1828, ask permission to submit to the Board of Directors the following report:

The first care of the commissioners was to examine with care the two laws above mentioned and the powers and instructions that were given to them. After having thoroughly reflected and deliberated upon the conditions which the negotiations of the said loan were to be put into effect, they were convinced that, in order to succeed, they had to overcome the following difficulties:

1. The newness of the Institution.

2. The short duration of the first term of bonds or obligations of the State maturing 30 June 1833.

3. The provision of section 10 of the act of 19 February 1828, which states that the obligations of the State not be delivered except on the remittance of the funds in New Orleans. This provision which, on one hand, obliges the agents to negotiate bonds that could not be received in London except many months after the contract and, on the other hand, obliges creditors to pay a price fixed six months previous has the effect that the rate is invariably determined by the circumstances. As a consequence the actual value could be known only at the time of reception at the place of negotiation. Employing agents in the various cities of the Union has the same effect as
rendering the delivery of the funds in New Orleans and enables the immediate transmi-
tance of the bonds to them. In this manner they are able to foresee changes in political events and to protect themselves thereby by keeping their valuables, possible for a long time, in their strongboxes.

Following this the agents informed themselves of the price of the first bonds of the State of Louisiana. Found that they were quoted during the month of May last with dividends at ninety-nine and one half, which, at that time, established the total at ninety-seven. But there were none on the market. They also found that the funds of the United States and of the States of the Union in particular, did not favor them; the reason being that the repayments which had taken place recently had caused a considerable loss to the capitalists of England, because of the effect of the exchange rate.

It is with these impressions that your commissioners went to London and presented themselves to Messrs. Baring Bros. and Co. They were expected, in that they had been advanced by the letters of recommendation which Mr. Girard had the kindness to send by Duplicata.

The first visit was very short. The next day the commissioners remitted to these Gentlemen, a sample of the charter accompanied by a letter containing a summary of the Institution and the motives which got the Legis-
lature to create it. That letter marked A is adjoined to this report.

The undersigned shall not enter, at this time, into the details of the conferences they had with these Gentle-
men as the particulars would be as fastidious as worthless to know. They will only remark that, after debating for some time the question of the payment of interest and of the reimbursement of the capital in England, they were con-
vinced that these formed the condition sine qua non of the negotiation and that they had to place all their attention on the change, and, if possible, assure to the institu-
tion the greatest part of the advantages that the form which they have given to the guaranteed bonds has these new modi-
fications, not only to those already negotiated by the State, but also on those of the other States of the Union.
The par of the dollar being four shillings six pence, the commissioners willingly consented to pay the interests in England at this par of exchange, but they proposed to make reimbursement of the capital at the change of four shillings three pence, to sell for 750,000 dollars obligations of the State at the sum of 95 as proposed by these Gentlemen, and to consign them the remainder to be sold for the account of the institution on the advance at New Orleans of 95% upon remittance of the bonds.

This proposition gave rise to a discussion which lasted for many days, at the end of which the parties came to an agreement on the sale and on the consignment, but not on the reimbursements at four shillings three pence on the dollar.

In this situation the commissioners thought it desirable to write a letter to the house on the matter. That letter cannot accompany this report, because having been written in haste without taking a copy of it and having been addressed to Mr. Alexander Baring, one of the principal associates who was in the country at the time, it remained in his hands, but a copy of his reply, indicated by the letter B, is joined here.

The Directors shall see by this letter that the reimbursement at four shilling three pence was obtained and that other objections of serious enough importance arose so that it was necessary to discuss them at length. If these difficulties were not entirely smoothed out in the minds of these Gentlemen, they did not stop them. However, in their negotiations with the Association. Because they have a very favorable opinion of the inhabitants of Louisiana, they were convinced that they wanted to give to the borrowers all the security that was in their power, and especially, that this whole affair carry the character of truth, and the best faith to be manifested.

The Directors will observe without doubt, by the letter of Mr. Baring that he had recommended to his house to buy a million bonds. The commissioners did not deem it wise to try to have them exceed their desire for the reason that, having, at the demand of these Gentlemen, consented to place the bonds under a more favorable form to assure a more prompt and advantageous negotiation, the commissioners thought that the institution ought to reserve
for itself the greatest part possible in the profits which will result therefrom.

The Commission for the sale had been carried at a fixed charge of three percent for all the loans made in Europe; to this the undersigned have obtained a reduction to two percent. As for the commission to receive and pay off it is the ordinary one-half percent.

The Commissioners shall now establish the result of the negotiation of which the arithmetic mean is for a period of nine and a half years, according to the law, and shall take eight percent as premium for the year of the (purchase of) exchange in favor of England.

By the sale of the 750,000 dollars of bonds or loss of $37,000. at the time of the reimbursement (the stated rate four shillings three pence on the dollar) it shall have to pay but $706,333, neglecting the cents. Sum upon which it will lose being the (purchase of) exchange at eight percent, which will increase the loss it will have to bear $56,667. However, it must be remarked that this second loss will take place only in nine and a half years from now, during which time the institution will be able to make use of this sum of $56,667 to its profit. Let us suppose that it will bring but six percent per year; at the end of nine and one-half years the institution will have in the bank $98,604, which by deducting the $56,667 that must be lost there will remain in the bank $41,937. But to render the rule equal, it must be supposed also that the $37,500 of actual loss above mentioned, will produce during this same period, the same interest of six percent. Calculations made, we will have at the end of the nine and a half years, a total loss of $65,252. And as the institution will have but $41,937 in the bank, it is clear that it will lose a definite sum of $23,315. That is to say, that at the expiration of the charter, the institution will find itself to have negotiated at about ninety-seven interest payable in England.

Let us pass on to the other part of the negotiation. By consigning $1,750,000 dollars of bonds or obligations at 9% on the advances granted it, the institution shall receive $1,652,500 dollars, since it shall establish this by the sale of its instruments at five percent premium, as was above established, and which, following all probabilities, this operation shall be terminated in twelve or
fifteen months, starting from the first of March 1829. It shall result that in this space of time it shall gain $135,000 dollars, which will therefore, make the negotiation at above par without counting the profits which is reasonable to think that the institution shall make on the sale of its bonds in England. The same rule that was above established for the reimbursement of the $755,000 applies to this portion of the loan.

The Directors should not neglect either the important advantage stipulated in the Contract of the Loan. It is that of retarding the reimbursement of each of the terms, to augment, thereby, the value of the bonds, and to postpone the loss which the Association is exposed to on the sale of the $750,000 of the bonds according to the above calculations in such a manner as to reduce it to almost nothing. The state and the directors should take advantage of this chance in a hurry as it would put them in a position to multiply their profits, and to pay their debts by the twentieth instead of the fifteenth, which they will otherwise be held to give every year. It is natural to think, therefore, that the Legislature shall not lose a moment in authorizing by law, the reimbursement of the capital of the loan in three equal terms of ten, fifteen, and twenty years, to be dated from the first of January 1829.

There remains only to talk about the form of indorsement of the bonds or obligations of the state. The commissioners have neglected nothing to give it all the force and security possible. They have even made different tentatives to make these bonds to the order of Messrs. Baring Bros. & Co., but these gentlemen thought that with their name placed on such a considerable number, the effect would be unfavorable for the bonds in causing the buyers to suspect, if not of imprudence, at least of negligence in their affairs. The commissioners have, however, amply discussed the case in which the bonds might come to wander into bad houses in their transmittance, and these gentlemen completely set aside all the fears that existed in their minds on this subject. The commissioners are referring thereby to the copy here-joined of the letter of these gentlemen to this possibility, marked C.

The undersigned commissioners will be very pleased if the contract they have signed, and of which an authentic copy is annexed to this report, can receive the approval
of the Direction. Their conscience tells them that they have done all in their power to merit that reward. They dare to be proud when they think that they were fortunate enough to start an affair of such importance with a house which occupies the highest rank in the commercial world. Merchants who have more than a century of existence, whose resources are immense, and whose reputation is without blemish. With whom, by the urbanity, confidence, and liberty shown in the course of the present negotiations, the commissioners are convinced that all relations of the Consolidated Association shall be as pleasing as agreeable.

Hugues Lavergne

Alexander Gordon

Liverpool, 23 September 1828

*Translation mine.*
Condition of affairs of the Association as of June 16, 1829

Passive

Loans on Mortgages $754,000.00

Bills discounted
- to the State of La. $55,000.00
- to H. Landreau 15,000.00
- to the stockholders on credit:
  - to Mr. LeBreton $1,500
  - to Mr. Herrang 6,900
  - to Mr. Villere 6,000
  - to Mr. Roman 10,200
- 24,600.00

Bill discounted to Mr. Allard, commissioner of the Association now absent, 2,200.00

- to various small demanders 90,354.22

Discount on the $750,000 of Bonds 37,500.00

Balance in the hands of Baring Brothers and Company to meet the payment of the expenses of discount on the remittance of 234 bonds, and on the interest due on the remittances 33,866.72

General Expenses 25,393.41

$1,037,894.35

Active

Capital 984 Bonds of $1,000 984,000.00

Discounts 64,623.98

Premium on letters of exchange on Baring Brothers 13,634.73

Surplus in the bank 7.25

1,062,265.96
to deduct the passive account

Notes to be collected

Total at the disposal of the Association

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td></td>
<td>1,037,894.35</td>
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<tr>
<td></td>
<td>24,371.61</td>
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<td></td>
<td>90,334.22</td>
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<td>114,705.83</td>
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<td>Book Value</td>
<td>Expected to Receive</td>
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<td>--------------------------------</td>
<td>---------------------</td>
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<tr>
<td><strong>Assets</strong></td>
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</tr>
<tr>
<td>Assets Pledged with Fully Secured Creditors:</td>
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<tr>
<td>Mortgages Received in Payment of Stock (book value)</td>
<td>$2,000,000.00</td>
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<tr>
<td>Less Bonds Payable</td>
<td>984,000.00</td>
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<tr>
<td></td>
<td>1,016,000.00</td>
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<tr>
<td>Free Assets</td>
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<tr>
<td>* Loans on Stock (Secured by Stock of Co. pledged to twice amount of loan (book value)</td>
<td>754,000.00</td>
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<tr>
<td>Bills Discounted</td>
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<td>Less Unsecured Liabilities available to stockholders</td>
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<tr>
<td></td>
<td>1,957,134.22</td>
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<tr>
<td></td>
<td>64,631.23</td>
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<tr>
<td><strong>$2,941,134.22</strong></td>
<td>$1,892,502.99</td>
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</table>

*Stocks in hands of Company as security for loans equals twice loan or $1,508,000.00 of stock.
Consolidated Association of the Planters of Louisiana Statement of Affairs
June 16, 1829, Based on the Condition of Affairs Presented For That Date
And on the Provisions of the Charter

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Expected to Rank</th>
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<tr>
<td>Bond Liabilities Fully Secured:</td>
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<td>Bonds Authorized $2,500,000.00</td>
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<tr>
<td>Less Unissued 1,516,000.00</td>
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<tr>
<td>Deducted Contra 984,000.00</td>
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</tr>
<tr>
<td>Other Liabilities--Unsecured</td>
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</tr>
<tr>
<td>Bills Discounted 64,623.98</td>
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</tr>
<tr>
<td>Customers Account 7.25</td>
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<tr>
<td>Deducted Contra 64,631.23</td>
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<td>Net Worth</td>
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<td>Capital Stock 3,000,000.00</td>
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<td>Deduct</td>
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<tr>
<td>Bonus to State $1,000,000.00</td>
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<tr>
<td>Discount Expense 49,200.00</td>
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<tr>
<td>Deficit* 58,297.01</td>
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<td></td>
<td>1,107,497.01</td>
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<td>1,892,502.99</td>
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<tr>
<td></td>
<td>$1,892,502.99</td>
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</table>

*See Statement of Income and Expense
Statement of Income and Expenses

<table>
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<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>General Expense</td>
<td>25,393.41</td>
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<tr>
<td>Interest on 984 bonds</td>
<td>22,166.72</td>
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<tr>
<td>Gross loss</td>
<td>47,560.13</td>
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<tr>
<td>Deduct Premium on letters of exchange</td>
<td>13,634.73</td>
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<tr>
<td>Add Discrepancy</td>
<td>33,925.40</td>
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<tr>
<td>Total loss</td>
<td>58,297.01</td>
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</table>
Montreal, August 3, 1829

From Thomas Baring

Consolidated Association

Sirs:

You transmitted me a copy of a resolution passed by the Directors of the Association of the Planters of Louisiana on 20 January last, authorizing your comptroller to propose to me in the name of the institution, to allow the Association to draw upon my house a further sum of one hundred thousand pounds sterling to be covered by remittances of Bonds of the second and third series at the rate of 95 or more percent at New Orleans. Then that the Bonds not be sold in London under the price of 90%.

At this distance from you as well as from information in London and being totally ignorant of what Mr. Allard may have effected in the United States with regard to the remaining million and a half dollars in Bonds of the Association, I feel considerable embarassment in answering the proposals, and I confess should learn with pleasure that these events of the institution were not of as pressing a nature as to prevent its waiting the terms of Mr. Allard's negotiation or the satisfactory arrangement of its further connexion with my house. You and the Board of Directors will perceive that after the communications I have had with Mr. Allard and the attempts made to conclude a loan with others, the situation of my house with regard to the association has much to tend with, and it is my opinion that as long as the idea of a negotiation in the United States continues to be entertained it would be neither prudent, advantageous, nor creditable for my house to continue its advances on the Bonds of the Association. There is to my mind a thinking difference between the situation of agents of the institution with the knowledge that its interests were entrusted to us without reserve or division and that of supplying its wants until others came forward, and at the very moment when it is in negotiation with other capitalists. And whilst I should be most happy to find that the association regarded us in the former light, I think it a duty I owe to my house to
decline acting in the latter capacity.

My partners have, I find, the same objections as myself to any positive limit for covering our advances by the sale of Bonds, because of the principle which has been efficiently explained, as well as the natural pardonable feeling that such a condition implies some distrust to our zeal and judgement; this is very painful to me and I do not think our general character ought to inspire such. It is very true that at the present there is every probability that 90% or more, could be obtained for the Bonds, but it is impossible to find what turn the political reactions of England may take; what effect any such change may have upon the state of the money markets; and what sensation may be produced by the knowledge that a negotiation was in the form in the United States for the remainder of the Bonds which, though of different form, would yet probably be bought for sale in the London market. Then it must be borne in mind that the demand has hitherto not been animated; that we still have the greater part of our purchase unsold; that 250 Bonds have been sent over; and that, therefore, the parcel destined to cover the one hundred thousand pounds sterling might remain on our hands for some time. I felt anxious to have the plan of our contract carried out and that there be no negotiation attempted elsewhere; not merely, as you know, for the sake of our commission on the sales, but because I do not consider it advantageous for the association to divide its debts; and, certainly, it is not enviable for it to attempt a loan without being sure. I should have been desirous to meet its views as far as was reasonable on order to avoid such a step, but the evil has now been done, and I think my house has a right in not making further advances without looking for some equivalent advantage; I do not find that the violation offers any. I might indeed stipulate as a unique non rendition of the advance of one hundred thousand pounds sterling that the association should pledge itself to sell all the remaining Bonds through my house, but it is impossible to make such a stipulation until I know whether Mr. Allard has sold any. However, I do not think it would be fair to deprive the association of the right of selling in the United States unless the direction were, itself, convinced that sales in London would be the best for its interests. I have not a copy of the charter with me at present, and, therefore, cannot tell how early the Board of Directors want the sum in question, but I should be glad if it could wait either the result of Mr. Allard's negotiation.
or until both sides can make arrangements for the further connexion between the association and my house.

When I last wrote you a private letter from New York in the beginning of July, I mentioned, in speaking of the association, that I should prefer buying a certain number of the Bonds if we could fix a fit price to making advances with limits for sale and I am still of that opinion because we should then have no responsibility toward the institution which I should wish to avoid unless the fullest confidence is responded in us and because if the circumstances induced us to make a sacrifice in the price of these sales we should have to account to no one buy ourselves for the loss, at the time of the contract with Mr. Lavergne we offered to buy 1,000 Bonds instead of 750 at 95% and in case the Board of Directors want more funds immediately I will make the following proposal, viz:

That Baring Brothers & Company shall buy for their account from the Planters Association of Louisiana a further number of five hundred (500) Bonds of one thousand dollars ($1,000) each—say 168 of first series, 166 of second series and 166 of third series—of the same tenor and form as those already sent to London and with the dividend warrants not yet due; to be delivered to them in London, and for which they shall pay the drafts of the association at sixty days sight at the London rate of eighty-eight percent (88%). Therefore, the association may draw one hundred and ninety-eight pounds sterling (198 stg.) against each Bond and the sum of ninety-nine thousand pounds sterling (99,000 stg.) against the whole. The association shall take proper care that the Bond corresponding to these drafts are in the possession of my house at the time of the appearance of the drafts. In case the Board of Directors accept this offer, I authorize the association to commence their drafts when they think proper, and to continue them to the amount of ninety-nine thousand pounds sterling, upon the compliance with the above conditions. Should the Board contemplate any change in the date of the reimbursement of the first series, it will then send to my house, 250 Bonds of the second and 250 of the second and 250 of the third series; but you will see that should that not be the case I am ready to meet its views by taking a full proportion of those of the short date. When you deduct two percent commission for sale, which the institution would have to pay for consignments, the price of eighty-eight percent
(88%) corresponds with its limits of ninety percent (90%); the only difference being that the interest from June thirtieth is included in our purchase, whilst upon the sales for the association, it would not be included in its limits, I suppose.

I do not pretend to say that, if no change takes place in the state of the money market in London, the association would not, in all probability, obtain a better price by following the arrangement of our contract should it be renewed, and, indeed, I should never think of investing so large a number in the Bonds without having a chance of profit to counterbalance the risk of a change of circumstances in Europe, but I cannot go higher nor could I offer so high a price for a larger amount. Again I repeat that I should much prefer that the association should wait until I know Mr. Allard's proceedings and the views of my partners on the subject of any further arrangement with the institution. I make this offer, however, in the case the wants of the association are urgent, and with this advantage of leaving it free to negotiate the remaining million in the United States if it thinks such a plan for its interest. It will judge upon the profitability of accepting my proposal and they shall acquaint my house as well as myself with the resolution as speedily as possible because the face of things may alter in England from one day to another. I should fix, therefore, that its reply ought, at the furtherest, to be in New York by the seventh of October next, and I shall, therefore, consider the proposal annulled if I do not hear to the contrary by that time.

(Close)

Thomas Baring
Saratoga, 15 August, 1829

From Thomas Baring

Consolidated Association

Sirs:

.....The delay, however, does not appear to me to be very important as I had already written to the comptroller of the Association the third of this month in which I made a proposition which seemed to me to fulfill your views; I had at the same time communicated to him my ideas on the subject. Today I find nothing to add to the contents of that letter....

.....however, as your observations have reasoning of much weight on me, and as Mr. Lavergne had you consider this question differently, it is possible (especially since I did not assist at the conversations with Mr. Lavergne last year) that I have made an error in my opinion and that my associates understand it in the same manner as the Direction. But, in any case, so as not to retard the operations of the Associations and to conform myself to your desires, I authorize the direction, after the news of the sale of its last shipment of Obligations, to draw on my house another 50,000 sterling under the conditions of the contract; that is, in case they have not accepted my proposal of August 3. If it has agreed to the proposition for the purchase of the five hundred obligations, it appears reasonable to me to accord us terms of similar nature as that of the last contract in order to give us time to dispose of at least a part of our purchase before receiving new consignments and new drafts, and not to draw on us before the first of January 1830. I did not touch this point in my letter to Mr. Forstall, because having considered the right to draw on consignment entirely revoked by the negotiation of Mr. Allard, I regarded the renewing of this faculty as one of the points to fix in the consideration of our ulterior relations with the Association if it finds it proper to continue them. I have all hopes, however, that, in spite of this negotiation, my house will be ready to continue the facilities accorded in
the contract and shall replace the arrangements with the Association on the old footing if the Association so desires.

I am not informed if Mr. Allard has already concluded a loan, but I observe by your letter that his powers are revoked after the fifteenth instant. As for the subject on the permission to sell the obligations even above your limits which you are disposed to accord us in the future, conforming with our contract, I think, Sir, that you would never have to complain, and that you would find that we would act for the Association with the greatest zeal and with our best judgement; alas, as if it had been for our own interest.

I cannot conclude my letter, Sir, without saying a word on the motives that forced me, though with regret, to consider that I would not be justified to augment at this time the advances on the shipment of the obligations to the sum of 100,000 sterling which the resolution of 20 June had mentioned. All the advices from my house show me that the abundance of money in London is very uncertain and that the demand for the obligations of Louisiana is not inquired for much; and indicate, at the same time, that it considers the sum of 50,000 sterling as being as much as would be prudent to advance at one time without being exposed to sell to recover these drafts at prices which would not realize the minimum set by the direction.

(Close)

Thomas Baring

*Translation mine.*
Account Sales and Nett Proceeds of Two Hundred and Thirty-four Thousand Dollars of Louisiana Five Percent (5%) Bonds Belonging to the Consolidated Association of the Planters of Louisiana at New Orleans, Louisiana.

<table>
<thead>
<tr>
<th>Date</th>
<th>Bonds</th>
<th>Rate</th>
<th>Pounds Stg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 3</td>
<td>3/4,000 @ 4s. 3d., dividend included</td>
<td>6,490. 5. 6</td>
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<td>5</td>
<td>5/1,000 &quot; &quot; &quot; &quot;</td>
<td>11,038. 14</td>
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<td>6</td>
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<td>6</td>
<td>1/4,000 96½ and 4s. 6d. div. inc</td>
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<td>11</td>
<td>9,000 963/4 div. inc @ 4s. 6d.</td>
<td>1,959. 5. 9</td>
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<tr>
<td>12</td>
<td>10,000 4s. 3d. div. inc @ 4s. 6d.</td>
<td>3,465.18. 5</td>
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</tr>
<tr>
<td>12</td>
<td>3,000 97 and 4s. 6d.</td>
<td>654.15</td>
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<tr>
<td>14</td>
<td>1/4,000 4s. 3d. div. inc.</td>
<td>3,039.10.10</td>
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<tr>
<td>14</td>
<td>10,000 97 and 4s. 6d.</td>
<td>2,182.10</td>
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<tr>
<td>16</td>
<td>6,000 100 3/4 and 4s. 5d.</td>
<td>1,310. 0. 7</td>
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<tr>
<td>17</td>
<td>10,000 100 3/4 and 4s. 6d.</td>
<td>4,567. 7. 3</td>
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<tr>
<td>17</td>
<td>12,000 100 3/4 and 4s. 5d.</td>
<td>2,820. 8. 2</td>
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<td>254,000</td>
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<td>50,821.10. 4</td>
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Charges:
Brokerage ½% on £234,000 @ 4/6 £ 131.12. 6
Commission 2% on £ 50,821.10. 4 £ 1,016. 8. 7

To the credit of the Association of Consolidated Planters of Louisiana November 12 (average date) £ 49,673. 9. 3

London, November 28, 1829
Entered February 1, 1830
Account Sales and Nett Proceeds of Two Hundred and Twenty-six Thousand Dollars of Louisiana Five Percent (5%) Bonds Belonging to the Consolidated Association of the Planters of Louisiana at New Orleans, Louisiana.

<table>
<thead>
<tr>
<th>Date</th>
<th>Bonds</th>
<th>Rate</th>
<th>Pounds Sterling</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td></td>
<td></td>
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<tr>
<td>22</td>
<td>$10,000</td>
<td>98%</td>
<td>2,216.5</td>
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<td>22</td>
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<td>22</td>
<td>10,000</td>
<td>99%</td>
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<td>24</td>
<td>6,000</td>
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<td>27</td>
<td>24,000</td>
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<td>4,999.10</td>
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<td>27</td>
<td>22,000</td>
<td>101</td>
<td>2,045.5</td>
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<td>31</td>
<td>9,000</td>
<td>101</td>
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<tr>
<td>April</td>
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<tr>
<td>1</td>
<td>10,000</td>
<td>101</td>
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<td>13,000</td>
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<td>2</td>
<td>10,000</td>
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<td>3</td>
<td>22,000</td>
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<td>4,999.10</td>
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<td>18,000</td>
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<td>4,131.1</td>
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<td>7</td>
<td>1,000</td>
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<td>9</td>
<td>28,000</td>
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<td>2,000</td>
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<td>15</td>
<td>11,000</td>
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<tr>
<td></td>
<td>$226,000</td>
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<td>£ 51,365.5</td>
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Charges:

Brokerage \( \frac{1}{2} \% \) on 226,000  
Commission 2\% on 51,365.5  

\[ 127.2.6 \]

\[ 1,027.6.1 \]

\[ 1,154.8.7 \]

To the credit of the Association of Consolidated Planters of Louisiana

April 2

\[ 50,210.16.5 \]

London, April 16, 1830

Entered June 24, 1830
Account Sales and Nett Proceeds of Two Hundred and Twenty-six Thousand Dollars of Louisiana Five Percent (5%) Bonds Belonging to the Consolidated Association of the Planters of Louisiana at New Orleans, Louisiana.

<table>
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<td>103</td>
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<td>463.10</td>
</tr>
<tr>
<td>29</td>
<td>2,000</td>
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<td>463.10</td>
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<tr>
<td>30</td>
<td>8,000</td>
<td>&quot;</td>
<td>1,054.00</td>
</tr>
<tr>
<td>May</td>
<td>6</td>
<td>50,000</td>
<td>11,587.10</td>
</tr>
<tr>
<td>14</td>
<td>26,000</td>
<td>&quot;</td>
<td>6,025.10</td>
</tr>
<tr>
<td>14</td>
<td>20,000</td>
<td>&quot;</td>
<td>4,635.00</td>
</tr>
<tr>
<td>14</td>
<td>50,000</td>
<td>&quot;</td>
<td>11,587.10</td>
</tr>
<tr>
<td>18</td>
<td>10,000</td>
<td>&quot;</td>
<td>2,317.10</td>
</tr>
<tr>
<td>19</td>
<td>1,000</td>
<td>&quot;</td>
<td>231.15</td>
</tr>
<tr>
<td>21</td>
<td>3,000</td>
<td>103½</td>
<td>698.12.6</td>
</tr>
</tbody>
</table>

$225,000

£ 52,378.17.6

Charges:
Brokerage ½% on 225,000
Commission 2% on 52,378.17.6

£ 1,047.11.6

To the credit of the Association of Consolidated Planters of Louisiana
May 7

London, May 22, 1830
Entered July 26
Account Sales and Nett Proceeds of Two Hundred and Twenty-six Thousand Dollars of Louisiana Five Percent (5%) Bonds Belonging to the Consolidated Association of the Planters of Louisiana at New Orleans, Louisiana.

<table>
<thead>
<tr>
<th>Date</th>
<th>Bonds</th>
<th>Rate</th>
<th>Pounds Sterling</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 29</td>
<td>$ 9,000</td>
<td>103½</td>
<td>£ 2,095.17 6</td>
</tr>
<tr>
<td>29</td>
<td>2,000</td>
<td>101¼</td>
<td>458.15</td>
</tr>
<tr>
<td>June 4</td>
<td>12,000</td>
<td>101¼</td>
<td>2,740.10</td>
</tr>
<tr>
<td>10</td>
<td>4,000</td>
<td>104</td>
<td>936.</td>
</tr>
<tr>
<td>12</td>
<td>12,000</td>
<td>101¼</td>
<td>2,740.</td>
</tr>
<tr>
<td>12</td>
<td>4,000</td>
<td>104</td>
<td>936.</td>
</tr>
<tr>
<td>16</td>
<td>20,000</td>
<td>101¼</td>
<td>4,557.10</td>
</tr>
<tr>
<td>17</td>
<td>12,000</td>
<td>104</td>
<td>2,808.</td>
</tr>
<tr>
<td>18</td>
<td>12,000</td>
<td>104</td>
<td>3,510.</td>
</tr>
<tr>
<td>21</td>
<td>12,000</td>
<td>104</td>
<td>3,042.</td>
</tr>
<tr>
<td>23</td>
<td>2,000</td>
<td>104</td>
<td>456.15</td>
</tr>
<tr>
<td>24</td>
<td>29,000</td>
<td>104</td>
<td>6,787.</td>
</tr>
<tr>
<td>July 1</td>
<td>2,000</td>
<td>102</td>
<td>459.</td>
</tr>
<tr>
<td>6</td>
<td>4,000</td>
<td>102</td>
<td>918.</td>
</tr>
<tr>
<td>7</td>
<td>2,000</td>
<td>102</td>
<td>459.</td>
</tr>
<tr>
<td>8</td>
<td>34,000</td>
<td>102</td>
<td>7,803.</td>
</tr>
<tr>
<td>9</td>
<td>4,000</td>
<td>102</td>
<td>918.</td>
</tr>
<tr>
<td>10</td>
<td>8,000</td>
<td>102</td>
<td>1,836.</td>
</tr>
<tr>
<td>12</td>
<td>4,000</td>
<td>102</td>
<td>918.</td>
</tr>
<tr>
<td>13</td>
<td>34,000</td>
<td>102</td>
<td>7,803.</td>
</tr>
</tbody>
</table>

$ 226,000  £ 52,189.17 6

Charges:
Brokerage on 226,000 @ 4/6 127.2.6
Commission on 52,189.17 6 1,043.16

1,170.18.6

To the Credit of the Association of Consolidated Planters of Louisiana June 26, 1830.

£ 51,018.19

London, July 14, 1830
Entered September 21, 1830.
9, February 1931

Report

The committee charged to occupy itself with the question to know whether or not it is convenient to stop the loans on mortgages, beg the permission to report, that it has verified that on two thousand dollars, \( \$ 200,000 \) of drafts affected by the resolution of 1 December last to satisfy, as much as possible, on the demands that were made on the Association. The Direction has already disposed of \( \$ 185,200 \) which gives a balance of \( \$ 14,800 \).

Your committee thought it its duty to consult next the state of situation on this date, and it found that:

1' that the stockholders owe \( \$ 1,415,645 \)
2' the borrowers of 5 years \( 474,550 \)
3' the borrowers of 2 years \( 114,000 \)

Together \( \$ 2,004,195 \)
to which must be added

1. For the sums to count to the borrowers of 5 years whose credit was opened............... 33,000

2. On the borrowers of 2 years by the same motive which produces a total of

\[ \begin{align*}
81,200 \\
114,200 \\
\underline{\$2,118,395}
\end{align*} \]

Which results that the Association has already loaned on mortgages a sum of $118,395 more than the charter requires, which, by the 13th of its fundamental articles, it states that only $2,000,000 be affected on mortgage loans.

The Direction shall remember that the step which led to this result was adopted by the reason of the difficulty to place drafts on London to realize its capital, and also by the extreme desire it faced to aid, as much as was in its power, the Planters who were in need. In this situation, it is clear that the Direction, all in trying to satisfy the oldest demands, had to give preference to those who, in furnishing it the securities to its satisfaction, were found to have filled the first formalities wanted by the charter and the regulations. It could not have acted differently without causing hardship to the interest of the Association by throwing aside particular considerations.
Your committee shall observe further that Messrs. Baring & Company owe the Association $213,625.11

and that in deduction the Association must remit in time for its semi-annual interest $62,500
to the borrowers of 5 yrs. 33,000
to the borrowers of 2 yrs. 81,000 176,700.11

There remains, therefore, but $ 36,926.11

Which influences your committee to offer you the following resolution:

Resolved that all ulterior loans on mortgage be and remain suspended until a new order be issued.

Hugues Lavergne

*Books of Minutes, February 9, 1831 (translation mine)*
GENERAL STATEMENT OF THE CONSOLIDATED ASSOCIATION ON THE
9th SEPTEMBER 1834

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit and Loss</td>
<td>$118,269.72</td>
</tr>
<tr>
<td>Notes and Bills discounted</td>
<td>$486,360.66</td>
</tr>
<tr>
<td>Stock Loans</td>
<td>1,133,083.61</td>
</tr>
<tr>
<td>Loans on Mortgage</td>
<td>372,585.75</td>
</tr>
<tr>
<td>Bills Receivable</td>
<td>60,500.00</td>
</tr>
<tr>
<td>Foreign Bills of Exchange</td>
<td>51,202.93</td>
</tr>
<tr>
<td>State of Louisiana</td>
<td>5,038.85</td>
</tr>
<tr>
<td>Notes and Bills discounted-protested</td>
<td>129,768.33</td>
</tr>
<tr>
<td>Protest Account</td>
<td>179.50</td>
</tr>
<tr>
<td>Baring Brothers London</td>
<td>52,600.57</td>
</tr>
<tr>
<td>Commission of Interest-London</td>
<td>3,178.65</td>
</tr>
<tr>
<td>Premium of discount on Exchange</td>
<td>3,487.13</td>
</tr>
<tr>
<td>Suspense Account</td>
<td>50,264.77</td>
</tr>
<tr>
<td>Expense Account</td>
<td>2,081.33</td>
</tr>
<tr>
<td>Real Estate</td>
<td>65,413.00</td>
</tr>
<tr>
<td>Due by Local Bank</td>
<td>8,200.50</td>
</tr>
<tr>
<td>Cash</td>
<td>$2,559,979.17</td>
</tr>
<tr>
<td>In Specie</td>
<td>87,764.87</td>
</tr>
<tr>
<td>Local Bank Notes</td>
<td>450.00</td>
</tr>
</tbody>
</table>

$2,559,979.17

Capital*                              $2,004,000.00
Discount Account                      95,119.17
Dividends Nos. 1 and 2                160,000.00
Circulation                           75,550.00
Due to Local Banks                    145,000.79
Deposits                               80,309.21

2,559,979.17

*Bonds outstanding.
**STATEMENT I**

**Salary Expense**

<table>
<thead>
<tr>
<th>Position</th>
<th>Salary Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>$1,500</td>
</tr>
<tr>
<td>Cashier</td>
<td>$4,000</td>
</tr>
<tr>
<td>Council</td>
<td>$3,000</td>
</tr>
<tr>
<td>Receiving Teller</td>
<td>$1,800</td>
</tr>
<tr>
<td>Bookkeeper</td>
<td>$1,300</td>
</tr>
<tr>
<td>Discount Note Clerk and Runner</td>
<td>$1,200</td>
</tr>
<tr>
<td>Porter</td>
<td>$660</td>
</tr>
<tr>
<td>Guard</td>
<td>$720</td>
</tr>
</tbody>
</table>

**Total** $14,880

---

**STATEMENT II**

**Affairs of the Bank**

Total amount of Deposits —— $80,309.21

Number of Accounts opened 213

\[
\begin{align*}
\text{Number of daily deposits} & = 5 \\
\text{Amount of daily deposits} & = $6,220 \\
\text{Average} & = \frac{16}{1} \\
\text{Number of checks daily paid} & = 16 \\
\text{Amount of check daily paid} & = $11,460
\end{align*}
\]

Number of notes discounted, daily paid $2\frac{1}{2}

Amount of the notes discounted, daily paid $4,181

Number of notes in collection daily paid —— (do not average)

Amount of the notes in collection daily paid $220
BIBLIOGRAPHY

BOOKS


Fortier, Alcée, Louisiana, Century Historical Association, 1914.


Scroggs, W. O., Rural Life in the Mississippi Valley About 1803, Mississippi Historical Association.

Smith, Adam, Wealth of Nations, Book IV, F. Collier and Son, New York, 1902.

Sparks, E. S., History and Theory of Agricultural Credit in the United States, T. Y. Crowell, New York, 1932.


**DOCUMENTS**


Journal of the Senate, 1829-1836.


**PERIODICALS**

*De Bow's Review*.

*Hunt's Merchants' Magazine*.

*Louisiana Historical Quarterly*.

*Niles Weekly Register*. 
COURT DECISIONS

Consolidated Association of the Planters of Louisiana versus State of Louisiana, 5 La., Ann. 44.

Consolidated Association of the Planters of Louisiana versus Wilson, 10 La., Ann. 591.

MISCELLANEOUS


Bibliographical Note

Manuscripts of the Consolidated Association

The major portion of the information obtained for this thesis comes from a collection of manuscripts of the Consolidated Association of the Planters of Louisiana; this collection was acquired, in 1935, by Mr. MacMillian, Louisiana State University librarian. These manuscripts are now in the Department of Archives of Leche Hall, but, as yet, they have not been catalogued; the material has simply been identified. The identification titles employed by that department have been used in this when referring to these manuscripts.

The unbound manuscript material consists of letters, bills, receipts, financial records and accounts, official reports, banking material, and miscellaneous data covering a period from about 1825 to 1890. These unbound manuscripts are arranged in a chronological order and are placed in vertical files in the Archives Department.
BIOGRAPHY

Emile P. Grenier was born in Manchester, New Hampshire, January 21, 1912. After receiving his primary education at a French parochial school he went to Manchester High (Central) School where he was graduated in 1931. He entered the University of New Hampshire in 1931 and received his Bachelor of Science degree in 1935. He was then employed as supervisor of the Naturalization Classes sponsored by the University of New Hampshire. In 1937 he attended the Summer Session of the Horace H. Rackham School of Graduated Studies at the University of Michigan. He was awarded a teaching fellowship at Louisiana State University in 1937 where he is now a candidate for the Master of Arts degree in Economics.
EXAMINATION AND THESIS REPORT

Candidate: Grenier, Emile P.

Major Field: Economics

Title of Thesis: The Early Financing of the Consolidated Association of the Planters of Louisiana

Approved:

Date: May 21, 1938

Major Professor and Chairman

Dean of the Graduate School

EXAMINING COMMITTEE:

[Signatures]

[Signatures]