

“The Storehouse of the Industry of the Nation”: The Great New York Fire of 1835 and the Politics of Disaster Relief

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Abstract

Since 2008, the phrase “too big to fail” has become part of the American lexicon: the idea that there are some industries, some corporations, whose pivotal role in the United States economy makes their failure unimaginably calamitous, necessitating federal intervention to avoid national financial disaster. Most contemporary commentators assume that such federal bailouts are a relatively new phenomenon, a product of financial deregulation and the bank mergers of the 1980s. However, as this paper seeks to show, the idea that the federal government should come to the aid of financially imperiled private actors to protect the national economy has a much longer history.

This paper tells the story of one such early federal bailout: Congress’s rescue of New York’s merchants following the Great Fire of 1835. Drawing on Congressional records and merchants’ entreaties, it traces Congress’s debates surrounding the bailout, showing how predictions of national financial disaster finally overcame members’ reservations about bailing out the richest residents of the country’s richest city. In the wake of Andrew Jackson’s successful war on the Bank of the United States, in a Congress dominated by Jacksonians, the decision to allot hundreds of thousands of dollars to New York’s elite merchants is surprising, to say the least. That Congress condoned such an expenditure suggests that by 1835, New York’s increasingly central role in the national economy was complicating earlier understandings of federalism and of Congress’s power to tax and spend under the Constitution. This paper begins to explore the connection between such commercial developments and their effect on constitutional understanding in the Age of Jackson.