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MURDER AND INFLATION IN KENTUCKY

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ABSTRACT: This paper tracks the economic and political developments in the state of Kentucky that led up to the murder, trial, and execution constituting "The Kentucky Tragedy," and to a second murder involving a son of the Governor of the state. In doing this, the paper ties the developments in money, banking, and the economy to the political and social tensions of the time. As a result, what might otherwise be seen as an overly-wrought anecdote can be seen as among the predictable consequence of misguided policy.

Following the Panic of 1819, the state of Kentucky sought to provide relief from the suddenly harsh burden of debt on many of its citizens, by creating the Bank of the Commonwealth, a new kind of bank, one completely owned by the state and not at all bothered by specie, and by suspending foreclosure for up to two years upon the tender of its paper money. These policies were described as "debtor relief," but, instead of relief, there followed a period of inflation, a collapse of the economy, political conflict, and murder. A new history, *The Kentucky Tragedy* by Dickson Bruce (2006), tells the story of a particular murder—one of operatic proportion—that occurred during this tumultuous period. The story of this murder, and of the trial and the execution of the murderer, is compelling. But, so are the economic and political conditions within which this murder took place, conditions that have recurred several times through history[1] and may be recurring in the wake of today's mortgage crisis.

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[1]A referee laments the lack of an analysis of debtor relief legislation during the 1930s and, I would add, the 1840s.

Debtor relief legislation during the period of the Kentucky Tragedy was examined from the perspective of Austrian economics by Murray Rothbard in *The Panic of 1819* (1962, pp. 24–56). This study expands on Rothbard's work by detailing the economic and political developments in the state of Kentucky, relying primary on original sources. This new history supports the Austrian view that it is better to quickly liquidate the malinvestments made during a period of inflation than to delay and exacerbate the eventual adjustment. Fortunately, in the case of the Kentucky Tragedy, the rule of law was eventually re-established; otherwise, the consequences of the inflation may have been much worse.

I. PRELUDE TO MURDER

The Panic of 1819 was precipitated by the effort of the U.S. government, aided by the Bank of the United States, to bring about a resumption of specie payments (Timberlake 1993, pp. 20–25). During the War of 1812, the banks of the country outside New England suspended specie payments. And, while they were in suspension and awash in U.S. Treasury Notes (which they treated as reserves), they increased their lending and note issuance, and touched off a bubble in land values.[2] It was expected that, following the war, the banks would resume specie payments, but resumption did not happen on its own and, so, the federal government announced that, as of a certain date, only specie and the paper of specie-paying banks would be acceptable in payment of taxes and other dues to it, and to its fiscal agent, the Bank of the United States. Following this announcement, most of the banks throughout the country resumed; but, for many banks, whose borrowers were unable, themselves, to repay their debts in specie or bank notes redeemable in specie, this resumption proved abortive, and much of the country south of Virginia and west of Pennsylvania relapsed into suspension.[3]

During the relapse into suspension, many of the state legislatures tried to give relief to debtors through one or both of the following expedients: First, laws postponing or otherwise making more difficult foreclosure sales; and, second, chartering new banks from which borrowers

[2]Regarding Kentucky, according to Stickes (1929, p. 7) farm products were sold at "unheard-of prices," and town and village lots sold "at prices nearly as high as those in the larger cities of the east."

[3]For many borrowers, repayment of the debts they had incurred during the bubble proved difficult, and the attempts by the banks of the country, most particularly by the Bank of the United States, exempt as it was from the moderating influences of local judges and legislatures, to obtain what they could from debts in default through foreclosure sales, was characterized as a "bank war."

could refinance their loans. Rothbard (1962) examined the extent of debtor relief legislation in several states, and identified Kentucky and Tennessee as the worst.

Leading up to the Panic of 1819, the state of Kentucky had already embarked on the new bank scheme. During 1818, it authorized up to 46 "independent banks," to go along with the long-established Bank of Kentucky and the two branches of the Bank of the United States within the state. These new banks did not have to redeem their notes in specie, but could redeem them merely in notes of the Bank of Kentucky. The idea was that the specie in the vaults of the Bank of Kentucky could be used, through these new banks, to support an expanded multiplication of paper money in the state. The new banks were supposed to borrow, in the aggregate, something like $1 million in notes from the Bank of Kentucky, and then issue $2 million of their own notes (*Commentator* 5 Feb. 1819).

But, instead of increasing the amount of paper money in circulation, the pyramid scheme of Kentucky appears to have disrupted monetary arrangements, with the withdrawal from circulation of the well-known notes of the Bank of Kentucky, and the emission of a variety of notes of unknown value (*Western Monitor* 10 Aug. 1819). Apparently, the notes of the new banks were quickly returned for redemption, and this "reflux," as it was called, forced many of the new banks into suspension. As a result of the many failures of the independent banks, which failures were part of the Panic of 1819, and their relationship, via the pyramid scheme, to the Bank of Kentucky, they came to be characterized as "The Forty Thieves," as in "Ali Baba and the Forty Thieves."

In mid-August 1819, two of the new banks were reported as being unable to redeem their notes (*Commentator* 20 Aug. 1819). The next week, two more were reported to have failed, and eight others were described as "suspicious" (27 Aug. 1819). By early September, a total of 16 of the new banks were either known or suspected to have failed, and the notes of only seven were "bankable" (meaning, were freely accepted by the Bank of Kentucky, the Kentucky offices of the Bank of the United States, and/or the exchange brokers of the state) (3 Sep. 1819). By November, according to one account, 17 of the new banks had failed, and eight others were suspect or inactive (*Public Advertiser* 3 Nov. 1819).

With the failure of so many of the independent banks, monetary arrangements apparently became deranged. Change tickets were issued by merchants and gained a degree of currency (*Public Advertiser* 10 Nov. 1819), indicative of a lack of coins in circulation. And, advertisements made barter-like offers for commodities produced locally for export, e.g., "whiskey at current prices will be taken in payment of debts," and "the subscriber will receive in payment of debts pork, flour and whiskey" (*Commentator* 9 Dec. 1819), indicative of a lack both of paper money redeemable in specie and of coins in circulation.

In February 1820, with the abject failure of its pyramid scheme, and with land values collapsing amidst a cascade of foreclosures,[4] the state tried a new tack. It extended its "replevy" law whereby debtors could redeem their property following a foreclosure sale, to one year if the creditor agreed to accept notes of the Bank of Kentucky and to two years if the creditor insisted on being repaid in specie (*Western Monitor* 15 Feb. 1820), along with other protections of the debtors of the state. Kentucky had long had a replevy law, but the period of redemption had previously been only three months. At about the same time, the Bank of Kentucky suspended specie payments (11 Jan. 1820), and its notes fell to a discount of about 20 percent against specie (*Lexington Reporter* 23 Aug. 1820).

Monetary arrangements remained deranged throughout the year. Notes of the Bank of Kentucky continued to be heavily discounted against specie (*Public Advertiser* 3 May and 15 Nov. 1820). And, advertisements continued to make offers such as "intends selling dry goods low for cash, hog's lard or hemp. He will also take the above articles in payment of debts," and, "we offer our groceries at cash prices for the following items of produce: 20,000 wt bacon hams, 20,000 wt hog's lard, tallow, beeswax, whiskey, hemp, tobacco, white beans, peas, etc." (*Lexington Reporter* 19 Apr. 1820)

II. ENTER THE BANK OF THE COMMONWEALTH

Toward the end of the year, the state embarked on yet another course. It revoked the charters of the independent banks (Wilson 1928) and organized a new kind of bank, the Bank of the Commonwealth of Kentucky, backed by the full faith and credit of the state (meaning, not backed by anything of intrinsic value), whose stock was completely owned by the state, and whose officers and directors were appointed and paid by the state legislature (*Western Monitor* 5 Dec. 1820).

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[4]Schoenbachler (1996, p. 145) says that within two years, one-third of the property of the state was subjected to foreclosure sale, many initiated by bankers and others by merchants who were themselves pressured by bankers. The foreclosure sales raised anxieties among many (p. 147), and raised tensions among farmers and mechanics, on the one hand, and bankers and merchants on the other, and between traditional or populist values and the values associated with commerce and markets, laws and contracts.

The fact that the Bank of the Commonwealth was completely owned by the state was considered positively by its supporters. Governor John Adair, a "Relief" man, said, "The Bank of the Commonwealth is founded on the wealth and honor of Kentucky, having for its object the general good, and those who predict its downfall, as much undervalue the riches of the state as they discredit her character for fair dealing" (*Public Advertiser* 22 May 1822).

I should mention, at this point, that through the organization of the Bank of the Commonwealth, editorial opinion in the state generally favored the attempts at providing relief to debtors by the state. For example, the editor of *The Commentator* (10 May 1821) said, "the Bank of the Commonwealth, we do believe, has been established on very different principles, and for a very different subject . . . the public good is its object." Over time, however, editorial opinion of several papers, included *The Commentator*, shifted against the "Relief" agenda.[5]

The first emissions of the new paper money were made in April 1821. "Seven hundred thousand dollars reached Frankfort on Tuesday evening last, and the remainder is expected soon as the amount received can be signed and prepared for circulation. Nothing could more strikingly attests to the pecuniary distress of the country, than the anxiety with which this paper is looked for, as a source of relief" (*Western Monitor* 17 Apr. 1821). By October, $2.3 million had been emitted (20 Oct. 1821). During this time, the value of the paper money of Kentucky, in terms of specie, collapsed. One newspaper spoke of ". . . the rapid and continued depreciation of our paper money for some weeks past . . . the depreciation is already forty-five percent or more . . ." (*Public Advertiser* 23 June 1821). A few months later, it said, "Specie now commands an advance of 57 percent in notes of the Bank of the Commonwealth" (8 Dec. 1821).

Another newspaper cited a letter from a subscriber to an associate in Tennessee, "Forty-five advance has been given in Kentucky and Commonwealth paper for U.S. funds. Fifty is now asked" (*Commentator* 19 July 1821). Several months later, it said, "We understand that specie has grown so scarce in Louisville that 2050 dollars in Commonwealth paper has been given for 1000 dollars in specie" (22 Apr. 1822). *Niles Register* of Baltimore (9 Nov. 1822, p. 148) reported a curious incident of the

[5]Even with the emergence, initially, of the Relief and Anti-Relief factions and, then, the "Old Court" and "New Court" factions, all Kentuckians considered themselves to be Jeffersonian Republicans through the mid-1820s (Stickes 1929, pp. 48–40). Only later did Jackson's men and the administration's men coalesce into the Democrat and Whig Parties of the state.

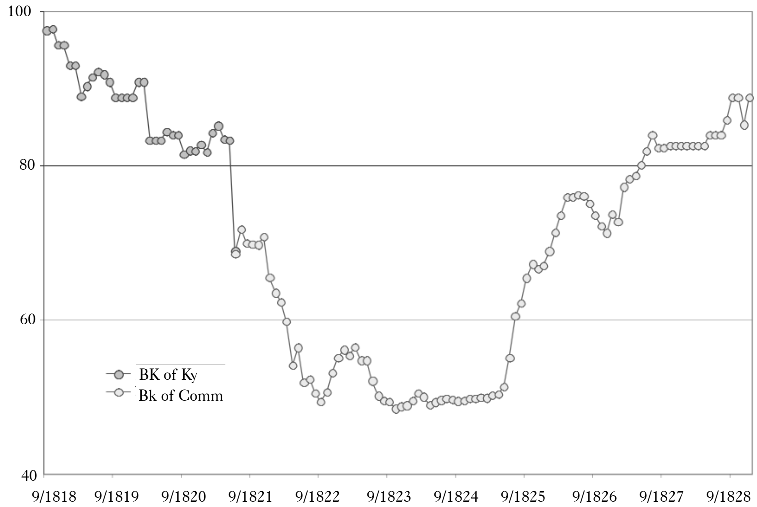

Figure 1
Specie-value of Kentucky Banknotes
(Frankfort *Argus* and *Commentator*; Lexington *Kentucky Gazette*, *Reporter* and *Western Monitor*; Louisville *Focus*, *Morning Post* and *Public Advertiser*; and *Grotjan's Reporter* and *U.S. Gazette* of Philadelphia)

exchange of money in Kentucky: "A person lately paid $5 to a printer in Kentucky, tendering a ten dollar bill of one of the banks of Virginia, and was surprised at obtaining a discharge of his debt and three five dollar notes in the way change for his own."

In Figure 1, I show the value of the paper money of Kentucky relative to specie through the entire period of this study. I constructed this time series from several sources. From 1818 to mid-1820, I relied on comments gleaned from news items and editorials, such as I have referenced above, to determine the value of Kentucky bank notes locally, and broker quotations in Philadelphia to interpolate this value when it is not available locally. From mid-1820 to mid-1823, I used a retrospective table of exchange rates "collected from correct sources and founded upon actual investments made in Lexington" (*Commentator* 5 Nov. 1825), in addition to comments gleaned from news items and editorials. And, from late 1823 onward, newspapers of the state regularly carried "currency tables" reflecting local broker quotations. The fall in the value of the paper money of Kentucky from the opening of the Bank of the Commonwealth through 1822 is manifest in the figure.

During 1822, newspapers noticed a peculiar asymmetry in the price changes accompanying the fall in the value of the paper money of

Kentucky. Namely, prices of local produce and of labor were not rising, only those of imported goods. Consequently, the inflation adversely effected the terms of trade of the state, as well as made repayment of "foreign" debts more burdensome, and, in these two ways, impoverished the state of Kentucky.

Said one newspaper, "We understand that the prices of produce, of the Country, or of labor have not changed in their value in the banks notes of this state or of the commonwealth . . ." (*Commentator* 26 July 1822). Said another, "such is the moderate price of every article of domestic produce, that the normal value of the currency . . . is not depreciated. . . . [But] no man can leave Kentucky and travel into other parts of the Union, without paying nearly one-third of his funds for the purpose of converting the remainder into real money." And, "the balance of trade in consequence of our importation and the low price of our produce has been greatly against us" (*Western Monitor* 15 and 22 May 1822).

With the collapse of the value of the paper money of the Bank of the Commonwealth, several proposals were made to shore up its value by reducing the amount in circulation. One proposal was to sop up some of the bank's paper money through the sale of public lands. But, an attempted sale failed badly (*Argus* 22 July, 19 Sep., and 5 Dec. 1822).

Another proposal was to stop making new loans, and collect some payments on the loans already made. But, this policy (or, we might infer from what follows, the *mere announcement* of the policy) had little effect in reversing the fall in value of the paper money (*Public Advertiser* 4 May 1822). Figure 1 shows a strengthening of the value of the paper money in 1822, but the up tick was short-lived. In fact, before the policy was implemented, the lower house of the state legislature passed a resolution disapproving it (*Public Advertiser* 25 May 1822); and, three days after the policy was implemented, it was rescinded (*Public Advertiser* 24 and 27 July 1822) following an intervention by the state legislature into the affairs of the bank (Stickes 1929, p. 25). The bank's annual statements indicate that from October 1821 to October 1822, the amount of its notes in circulation stayed at about $2.3 million. Toward the end of 1822, the legislature terminated the charter of the Bank of Kentucky (*Argus* 30 Jan. 1823 and Wilson 1928, p. 125).

III. HERE COMES THE JUDGE

In 1822, two circuit court judges of the state, independently, found that the application of the replevy law to extant contracts violated the U.S. Constitution's "impairment of contracts" clause (*Western Monitor* 4 June 1822 and *Argus* 22 June and 11 July 1822). And, the next year, the Court of Appeals (the state's supreme court) took up the two cases, held three days of hearings on them, and found, 3–0, that the replevy law was indeed an impairment of contract, unconstitutional, and void with regard to contracts that predated it (*Argus* 18 June and 15 Oct. 1823 and *Public Advertiser* 13 Oct. 1823).

For the next several years, the politics of the state revolved about the constitutionality of the state's relief laws, the role of the judiciary relative to the legislative and executive branches of government, and the relationship of state government to the federal government. The underlying issues of debtor relief and paper money gradually receded as their disastrous consequences were made evident, and as the postponement of foreclosure ran its course and the supposed friend of the debtor—the Bank of the Commonwealth—proceeded itself to seek judgments on debtors in default.

Indeed, beginning in 1822, there was a spontaneous rejection of the paper money of the Bank of the Commonwealth, with the recognition of specie and the notes of the branches of the Bank of the United States within the state, which notes could be redeemed in specie, as the unit of account.[6] When the paper money of the Bank of the Commonwealth was first issued it immediately became the unit of account and main medium of exchange of the state, backed as it was by the state's tender laws (*Public Advertiser* 21 July 1821). Coin and bank notes redeemable for specie were exported or hoarded (*Public Advertiser* 27 Oct. 1821) and only the paper money of the Bank of the Commonwealth circulated (*Western Monitor* 26 Apr. 1822). But, this soon changed.

Through November 1822, prices in the *Louisville Public Advertiser*'s price current were given in paper money (*Public Advertiser* 16 and 23 Nov. 1822), then, in December, they were given in specie (28 Dec. 1822 and 5 Feb. 1823). The *Kentucky Gazette* (3 Feb. 1825) continued to publish price currents in paper money through 1825, at which time it, too, began quoting prices in specie. Later that year, it published a conversion table facilitating the use of the paper money of the Bank of the Commonwealth as a parallel medium of exchange, at a floating exchange rate relative to coin and bank notes redeemable in specie (*Kentucky Gazette* 25 Aug. 1825).

[6]The conditions under which "bad money drives out the good" (i.e., Gresham's Law) and, conversely, when "good money drives out the bad" are not well understood. Briefly, bad money drives out good money when government forces acceptance of bad money on the same terms as good money; and, conversely, good money drives out bad enough money, or circulates parallel with bad enough money at a premium, in the absence of such force (e.g., Selgin 2003).

In 1822, some of the newspapers of the state indicated that their subscription rates were in terms of specie, and that the paper money of the Bank of the Commonwealth would only be accepted at its value in specie. These papers were criticized by *The Argus of Western America* (29 Aug. 1822) the leading Relief paper in the state.

At this point, I should introduce Amos Kendall, the editor of *The Argus* during the period, and, while Relief men were in charge, the printer of the state government. Kendall is probably best known for the role he played in President Andrew Jackson's administration, although the role he played, later and outside of government, in the wiring of the country for Samuel B. Morse's telegraph may have been his greatest accomplishment.

Kendall was, during the period, an advocate for the Relief agenda, including the Bank of the Commonwealth and its paper money, and for the "states' rights" position. While he had some brilliant insights into economics (Rothbard 1995, pp. 13–32), he was not disciplined in the field and was subject to many of the popular fallacious of the time concerning money and banking. He was also a polemic writer, and following the decision of the Court of Appeals, his writing turned incendiary.

The state legislature protested the decision of the Court of Appeals, describing the court's voiding of the law on the grounds of unconstitutionality as a usurpation of legislative power. "The people of Kentucky . . . have no preference for judicial tyranny. . . . They will not tolerate tyranny under any disguise . . ." (*Argus* 28. Jan. to 18 Feb. 1823). Said Kendall, "We have heard insurrection and civil war portrayed in all their horror, as the necessary consequences of the legislature's protesting in the exercise of power of which they have been undisputed masters since the origin of our institutions" (7 Jan. 1823).

The legislature then attempted to remove the judges of the Court of Appeals, but failed to attain the required two-thirds majority, falling one vote short in the lower house and two in the upper (*Kentucky Gazette* 23 Dec. 1824). The legislature subsequently passed a law by a simple majority "reorganizing" the Court of Appeals, abolishing the "Old Court" and creating a new state Supreme Court that was staffed with judges sympathetic to the Relief agenda (30 Dec. 1824).

A minority within the legislature protested the abolition of the Old Court, saying "We do consider it a revolution. We consider this unparalleled act by the majority to consolidate their power and perpetuate their supremacy over the rights of the minority" (Schoenbachler 1929, p. 199). Again, Kendall invoked inflammatory rhetoric.

> Proclamation of War!!—We have read the protest of the minority in the Kentucky legislature, and from the language and sentiments,

> we do not know of a more proper name for it. . . . It proclaims the country in a state of revolution, and summons all the adherents of the old court to a resolute contest for the purpose of overturning the existing court of appeals . . ." (*Argus* 19 Jan. 1825)

The legislature also expressed its view of the nature of the rights of man:

> The right of each member of society must, from the nature of government, depend on the will of all, and that will must be displayed by the agency or expression of the majority.
>
> . . . the will of the people, in civil society, constitutes the sovereignty of the state; that sovereignty is essentially a moral force, of unlimited extent . . .
>
> In civil society, each of the members enters a double will, the one as a commoner in nature, the other as a member of a corporate body. The first is erratic, impulsive and selfish; the other is social, or rather political, and . . . pure, enlightened and disinterested. (*Kentucky Gazette* 17 Feb. 1825)

This, clearly, is the states' rights position. Instead of seeing the rights of man as inherent, endowed, as it were, by the Creator, and seeing governments as formed by men in order to secure these rights, it sees the rights of man as dependent on something described as the will of the majority. Instead of seeing interest as inevitable, if not as good, and seeking to restrain the excessive pursuit of interest through a system of checks and balances, it denigrates the individual, describing him as impulsive and selfish, and glorifies the collective, describing it as pure and enlightened. And, as for the rights of the minority, "all that is said, therefore, about the rights of minorities is incompatible with the very nature of civil society."

IV. MURDER AND THE ELECTIONS OF 1825 AND 1826

In late 1824, one of the sons of Governor Joseph Desha, Isaac B. Desha, was arrested for murder and highway robbery.

> It appears that [Isaac B.] Desha fell in company with Mr. [Francis] Baker at some place near Mayslick. After some conversation, by which he learned that Mr. Baker was traveling eastward, and intended calling on Captain William Beckly, a relation of his living near Washington, he, Desha, offered to accompany him, to show him the way to that gentleman's, which offer was accepted. Nothing more was seen or heard of Mr. Baker until he was found several days afterwards in the woods covered with logs and rubbish, with his throat cut from ear to ear! The back of his head was

> much bruised, supposed to have been occasioned by the strokes of a large whip in Desha's possession and the thumb of his right hand had been cut—apparently while resisting the knife of the murderer. Desha, we learn, was met near the place where the murder was committed, by a lad, who asserts that his hands and clothes were bloody, and that he was carrying a bridle, which was also bloody. The horse of the deceased was found in the possession of Desha; and a shirt Desha had on, on being compared with Baker's, was found to be of the same quality, with the mark cut out in precisely the same place where Baker's name was written on the other. (*Public Advertiser* 19 Jan. 1825)

After a change of venue favorable to him, Isaac B. Desha, who was defended by a team of prominent Relief lawyers, was tried and found guilty. But, the judge, also a Relief man, granted Desha a new trial (*Public Advertiser* 29 Jan., 9 Feb. and 5 Mar. 1825, *Louisville Gazette* 3 Feb. 1825, and *Commentator* 5 Mar. 1825).

The murder, the change of venue and the granting of a new trial by a friend of the Governor dragged down the Relief party in the elections of 1825 (Cole 2004, p. 88). Undoubtedly also effecting the election were the moribund economy,[7] and the effective doubling of taxes by the state legislature.[8] In this election, the Old Court party gained a large majority of 22 seats in the 100-seat lower house of the state legislature. As Figure 1 shows, the value of the paper money of the Bank of the Commonwealth rose sharply through from early 1825 to early 1826.

Kendall, commenting on the victory of the Old Court party, said, "We consider the present majority as having been obtained by any other means than such as are honorable or honest" (*Argus* 10 Aug. 1825). In contrast, this is how the *Louisville Morning Post* (9 Aug. 1825), also a Relief paper, reacted,

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[7] The Governor spoke of the condition of the economy in his prior annual message to the legislature, "The defalcation in the revenues of the state, caused by the universal depression in the prices of property, the diminution of the profits arising from the banks, as well as the curtailment of their business . . ." (*Public Advertiser* 3 Nov. 1824). Since, as of 1822, there were some indications of the start of a recovery (Schoenbachler 1929, p. 181), it might be that the economy had relapsed into recession upon the intervention of the state legislature into the attempts of the Bank of Kentucky and the Commonwealth Bank to begin to collect on their outstanding loans.

[8] The legislature effectively doubled taxes by directing that property be valued in the paper money of the Bank of the Commonwealth (*Public Advertiser* 29 June and 23 July 1825). The next legislature redirected that property be valued in specie, causing the Governor to worry about the state's revenue (12 Dec. 1826).

> The current of sentiments seems to be against us on this point. . . . So we go, at one time it is the lot of one man to agree with the majority, then of another; and there ought to be no more wonder or consequence attached to it than to any other differences of opinion in a free community.

With an Old Court majority in the lower house of the state legislature, but with the Governor a Relief man and Relief men still in control of the upper house, the state was headed for a period of stalemate tinctured with uncertainty. Governor Desha's annual message to the state legislature offered an unapologetic defense of the Relief agenda. "The doctrine of our late court of appeals," he said, "that an opinion of the Supreme Court of the United States on subjects involving the rights of the state, is binding and conclusive upon the state authorities, is believed to be not only erroneous but fatal to the sovereignty of the states" (*Morning Post* 11 Nov. 1825). According to Old Court men, the Governor, together with his other son, Marcus Brutus Desha, brandishing arms, threatened and otherwise attempted to intimidate the lower house and the judges of the Old Court (*Public Advertiser* 10 Sep. 1825; *Commentator* 22 and 29 July 1826; and Cole 2004, p. 91). The Governor and other partisans of the New Court, in their turn, spoke of a conspiracy of bankers, capitalists, and others (Schoenbachler 1996, pp. 209–10).

In the election of 1825, Solomon Sharp, a Relief man and a former Attorney General of the state, won a seat in the state legislature. Then, during the gathering of the new legislature, he was murdered in his home by a man identifying himself as "John A. Covington" (*Morning Post* 11 Nov. 1825). A reward for the then enormous sum of $3,000 was offered by the state government for information leading to the arrest and conviction of the murderer (*Kentucky Gazette* 9 Dec. 1825). For the reasons listed below, Jereboam Beauchamp came to be suspected:

> It is said that he [Beauchamp] had conceived an inveterate hostility to Col. Sharpe . . . which delicacy forbids us to mention; and that he had under this feeling threatened the life of Col. Sharp.
>
> It is known that he arrived in Frankfort on Saturday evening, before the murder, and departed thence early the next morning.
>
> It is said that he exhibited no curiosity about the affair in the morning before he left town; and that he met the representative of his county a few miles from town on his way to the legislature and conversed with him some time without mentioning this most extraordinary affair.
>
> It is said that he [lodged with Mr. John Scott] on Sunday evening . . . [and] that during the night he was heard to go out of the house and to return an hour or two after.

> It is said that the patrol at half past one o'clock that night passed and observed a man in a cloak such as Beauchamp wears, and whose appearance agrees with his.
>
> It is said that [the bloody handkerchief that was dropped by the assassin was] just such a handkerchief as Beauchamp had tied round his forehead at a tavern and at Mr. Scott's.
>
> A plain track was found in the yard where Mrs. Sharp saw the assassin . . . [and] that track, it is said, corresponds with Beauchamp's boot.
>
> It is said that when he had got near home he denied ever having been at Frankfort.
>
> It is said that when he was arrested he had about him a dirk, with rather a broad blade made exceedingly sharp, not so broad as the wound in the deceased, but with which it might have been made if drawn out obliquely. (*Morning Post* 22 Nov. 1825)

The delicate matter which the paper did not detail was that Beauchamp's murder of Sharp was an honor killing. Sharp, some years prior, had an affair with the woman whom Beauchamp later married, which affair culminated in a pregnancy and a still-born child. During the election campaign, one of Sharp's people started a rumor that Beauchamp's wife had given birth to a mulatto child, implying that she had an affair with one of her family's servants. Beauchamp was subsequently arrested, tried, convicted, and condemned to death (*Public Advertiser* 10, 20, and 27 May 1826 and *Kentucky Gazette* 12 May 1826).

While this murder, investigation and trial were transpiring, the case of Isaac B. Desha was continuing. First, Desha was re-tried, again found guilty, and again granted a new trial (*American Sentinel* 23 and 30 Sep. 1825 and *Public Advertiser* 1 and 5 Oct. 1825). The newspapers of the state were abuzz with discussion of this trial since the judge was appointed to temporarily fill a vacancy by the Governor who knew that this appointee would probably preside over his son's case, and because the new trial was granted on a technical matter[9] (*American Sentinel* 4 Nov. 1825; see also *Maysville Eagle* 28 Sep. and 5 Oct. 1825).

Then, while on bail waiting yet another trial, and apparently keeping himself continuously intoxicated, Desha attempted to commit suicide, and cut his throat badly. The news of this attempted suicide was

[9]The new trial was granted upon a post-verdict motion by the defense that the Commonwealth Attorney had not proven that the murder took place in Fleming County, which, the Commonwealth Attorney said, was immaterial since that would only have established Fleming County as the venue for the case and the case had already been moved to another county.

reported at the same time as that of Beauchamp's execution (*Public Advertiser* 15 July 1826). The physicians who attended Desha were able to save his life with the aid of a silver tube connecting his severed windpipe (19 and 26 July 1826 and *Commentator* 15 July 1826), and his case was continued pending his recovery.

Beauchamps' execution was a spectacle. His wife, the woman for whom he had committed his crime, joined him in his prison cell the evening prior to his scheduled execution, and they attempted to commit suicide together by stabbing themselves. She was successful but he was not nearly so. The next morning, when they were discovered, he was bandaged up and then taken to the scaffolding that had been erected. There, after the requisite prayers and hymns, and also after an exchange with a person thought to have been involved in the murder which led eventually to yet another twist in the story, he was hanged. The Beauchamp-Sharp affair soon became romanticized as "The Kentucky Tragedy," and gained a life of its own in poetry, literature and theater.

The Sharp murder dominated the election of 1826 (Bruce 2006, p. 41 and Cole 2004, p. 93). In this election, the Old Court party gained control of the upper house of the state legislature and retained control of the lower house. The new state legislature subsequently repealed the state's replevy law and resolved the court controversy in favor of the Old Court (Conant 1969, p. 380).[10] The notes of the Bank of the Commonwealth lost much of their remaining "moneyness" (*Lexington Reporter* 8 Oct. 1826).[11] And, Amos Kendall, in a seven-part editorial, likened the Old Court party to King George III, among other things (*Louisville Gazette* 14 Apr. to 26 May 1826).

[10]The repeal of the act abolishing the Old Court was accomplished over the veto of the Governor, as Desha perceived that the legislature no longer spoke for the people. ". . . in the name of the people, you require of me to approve and sign all these declarations. I deny your authority. These declarations are mere matters of opinion. . . . I therefore . . . deny that the people have authorized you to make the demand" (VanBurkleo 1988, p. 350).

[11]Over the next several years, the Bank of the Commonwealth withdrew its notes from circulation in conjunction with collecting on its loans, in the process of which their value rose gradually to par (*Niles Register* 16 May 1829, p. 181). In 1829, the state legislature passed a bill to wind up the affairs of the Bank (*Maysville Eagle* 22 Dec. 1829). The issue of whether the notes of the Bank of the Commonwealth were bills of credit issued by a state government in violation of the U.S. Constitution's prohibition of "bills of credit," eventually came before the U.S. Supreme Court. Regarding this, Chief Justice Roger B. Taney, a Jackson man, speaking for the Court, said that even though this bank was merely a creature of the state, it could issue paper money (Breckenridge 1903, p. 143).

V. WRAPPING THINGS UP

From the standpoint of money and banking, Kentucky's experience with irredeemable paper money led, eventually, to a new majority in the state, one favoring sound money and the upholding of contractual obligations. The support of sound money meant, during the remaining term of the Bank of the United States, that the unit of account and the main medium of exchange in the state were coins and the notes of the branches of the Bank of the United States in the state.

Following President Jackson's veto of the re-chartering of the Bank of the United States, the state chartered three large, well-capitalized banks, the (new) Bank of Kentucky, Bank of Louisville, and Northern Bank of Kentucky. These and other banks subsequently chartered by the state were required to maintain a specie reserve (Dewey 1910, p. 21). With but a couple exceptions,[12] they were specie-paying banks through the remaining antebellum period except for times of general suspension in the country.

Turning to Isaac B. Desha, he recovered enough so that, in mid-1827, he could again be tried. However, the court was unable to empanel a jury as his lawyers made many preemptory challenges of prospective members. The judge in this trial was going to hold Desha without bail until the next session of the court. But, Governor Desha, who was present in the court at the time, proceeded to grant his son a pardon, and give a long speech lambasting the judge (*Focus* 7 July and 21 Aug. 1827).

Following his release, Isaac B. Desha next appeared in the newspapers in conjunction with the murder and highway robbery of another person, in Texas, where he (Desha) was traveling under an alias but was recognized by a former Kentuckian by reason of family resemblance and his silver tube. While awaiting trial there, he apparently committed suicide (*Lexington Reporter* 19 Nov. 1828 and *Philadelphia Gazette* 1 Nov. 1828).

Finally, I will mention that, in the elections of 1828, Thomas Metcalf, an Old Court man, was elected to succeed Governor Desha. In his first annual message to the state legislature, Metcalf spoke to the proper role of government in light of the ordeal through which the state had passed.

> The legitimate design of the best government is to preserve to all the citizens equal enjoyment of the absolute rights of personal

[12]Among the few banks of Kentucky that failed during the late antebellum period were the Savings Institution of Louisville, a "pet bank" or Jacksonian federal depository (Gilbart 1837, p. 53), and the two banks organized under the state's short-lived free banking act (*Banker's Magazine*, p. 752).

> security and private property, and the relative rights, civil, social and domestic, of rational and virtuous freemen . . .
>
> Kentucky has unhappily, for years past, been harassed by angry controversy. This conflict has left but little worthy to be remembered . . .
>
> Public opinion acknowledges no superior . . . it is the arbiter, in the last resort, of all our rights . . .
>
> What then are the elements of our political power and safety? The aggregate mind and morals of our freemen. The wise man clings to reason and justice and religion . . . as the strong anchor[s] of liberty. Without the prevalence of these peaceful guardians, he has no security and no rational hope. Whenever these predominate, there is "no one to make him afraid." So long as they exercise a controlling influence, he knows that his peace will be undisturbed, his rights respected, and his country exalted. (*Commentator* 2 Dec. 1828)

Governor Metcalf expressed the Old Court view of the rights of man. To be sure, public opinion is acknowledged to be the final arbiter of our rights. But, while this is admitted, public opinion does not define our rights. These rights exist independently. Accordingly, we need to anchor public opinion in reason, justice, and religion, so we can enjoy our rights in peace. Otherwise, I will add, our hope is that, when public policy violates our rights, public opinion will change upon the demonstration of the consequences of those policies.

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