

ORDER IN THE MARKETPLACE:  
COMMERCIAL ORGANIZATIONS IN ANTEBELLUM ST. LOUIS

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the Faculty of the Graduate School  
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In Partial Fulfillment  
of the Requirements for the Degree  
Doctor of Philosophy

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by  
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ORDER IN THE MARKETPLACE: COMMERCIAL ORGANIZATIONS IN  
ANTEBELLUM ST. LOUIS

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ABSTRACT

This dissertation is a study of how merchants in St. Louis worked to bring order to their commercial lives in the years between the Panic of 1819, the nation's first major economic depression, and the Panic of 1857, another similar event that struck on the eve of the Civil War. Through the first half of the nineteenth century western merchants had to contend with popular resentment against banks and paper money which lingered from the first panic as well as with a lack of consensus on how best to improve the nation's rudimentary financial system. At the same time, an improving transportation system made financial innovation a necessary corollary to conducting business as the west was integrated into the fabric of the national economy.

Merchants were pressed hard on all sides in the expanding market economy. This study uses private letters, newspapers, legislative journals and business records to show how St. Louis merchants adapted to the problems of conducting business and establishing a more orderly marketplace. Always seeking to improve their position in the marketplace, merchants had to contend with the state legislature, which was often hostile to their interests, and with competitors in other western cities who challenged their trade networks. Merchants formed organizations to facilitate business and which gradually took over some government functions, in effect creating their own quasi-government over the marketplace.

## Introduction

*“The perennial gale of creative destruction”*: The Rise of the Market Economy in Missouri.

In September of 1874 the St. Louis Chamber of Commerce met to honor one of their founding members, Henry Von Phul, recently deceased. The assembled merchants unveiled a painting of the honoree and their remarks celebrated Von Phul’s role in building the organization and the city. Henry Von Phul’s life and business career paralleled the history of St. Louis and its merchant community from frontier outpost to the most important commercial entrepot of the West, situated at the confluence of the nation’s major rivers. Von Phul arrived in St. Louis in 1810 and established himself as a merchant supplying fur trapping expeditions, and also supplying U.S. Army posts and trading posts in the Great Lakes region by way of the Mississippi River. As Missouri’s population grew, Von Phul and his partners extended their activities to supplying smaller merchants in the towns recently established along the rivers, always working to extend their commercial network.<sup>1</sup>

As a merchant Von Phul pursued his own interests in the marketplace, but he and his contemporaries also worked to the benefit of St. Louis as they engaged in competition with rival cities in the West. As a founding member of the Chamber of Commerce and

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<sup>1</sup> William Hyde and Howard L. Conard, *Encyclopedia of the History of St. Louis*, (1899), Vol. IV, p. 2381-2384; Henry Von Phul account with Thomas Forsyth, Mar. 5, 1810, Mar. 20, 1815, Tesson Collection; Receipts and bills, Feb. 6, 1815-July 10, 1822, Personal Account Book, 1822-Nov. 1827, Auguste Chouteau Collection; Bill of Lading, Sept. 30, 1822, Parsons Collection; Accounts between 1827 and 1833 in the Pierre Chouteau Maffitt Collection show that Von Phul and McGill were active in supplying the American Fur Company’s expeditions and trading posts in the Upper Missouri, Rocky Mountain and Great Lakes regions; James Kennerly Diary entry, Mar. 19, 1839; Bill of Lading on Steamboat *Alton*, Aug. 30, 1839, Lucas Collection, Missouri Historical Society, St. Louis.



Merchants Exchange, his work helped to build a more orderly marketplace, yet he also suffered from the vicissitudes of the market economy. Von Phul went bankrupt in the depressed market conditions that followed the Panic of 1837 but recovered and continued in business. As a Democrat he was a member of a political party that made opposition to banking a test of party loyalty, yet Von Phul served as a Director of a branch Bank of the United States, and later served as a Director of the Bank of the State of Missouri. Like his contemporaries, Von Phul was a multi-purpose businessman who invested in steamboats, insurance companies and later, railroads. In his lifetime St. Louis rose to become the dominant commercial city of the West but lost that position when Chicago with its own natural advantages, rose in the 1850s to displace the river city by the new and “artificial means” of commerce.<sup>2</sup>

By 1860, Von Phul enjoyed his success in retirement, but old age was taking its toll and he was beginning to fade. One acquaintance described him as having a “faraway, wistful look.” He turned his business dealings over to his sons who established a branch in New Orleans. The Civil War interrupted river traffic, and railroads and finance favored Chicago, all of which eroded St. Louis’ commercial position. By 1865 the city was no longer the dominant commercial entrepot of the West. Steamboats still traveled the Mississippi River between St. Louis and New Orleans, but rivers no longer carried as much of the nation’s commerce and St. Louis merchants made due with less. Von Phul endorsed his sons’ financial obligations, and when they failed in 1872, Von Phul was left to pay all of their debts. Embarrassed by his situation, Von Phul communicated with his

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<sup>2</sup> Von Phul and McGill to Jacob U. Payne, Columbia, Dec. 16, 1828, St. Louis Business Papers; Atterbury, Caldwell and Co, Wheeling, Virginia, to Hamilton R. Gamble, Apr. 5, 1832, Hamilton R. Gamble Papers; Mar. 19, Aug. 8, Sept. 12, Sept. 26, 1842, William Carr Lane to Mary E. Lane, William Carr Lane Collection, Missouri Historical Society, St. Louis.

creditors through his attorney, letting them know that he would honor his debts, which eventually took the better part of his fortune. When he died in September 1874, Henry Von Phul was an honored member of the city's business community, and a reminder of its past glory. Von Phul's life then is representative of the struggle in which American merchants engaged in the first half of the nineteenth century as they worked to establish order within the marketplace.<sup>3</sup>

The question this study seeks to answer is how did merchants like Henry Von Phul and his contemporaries respond to the uncertainty of their ever changing commercial environment? Few men of his time and place had the time to contemplate their world with detached reflection. Instead they worked daily to stay ahead of the problems of life in business. They had no choice but to confront problems as they appeared to them, locally and with little understanding of their causes, or certainty that their response would be effective. Merchants confronted the practical problems of long distance commerce with eastern cities, competition with other cities, common hostility to banking and paper money, and political opponents who helped make those two things always problematic.

As a point of departure this study begins with the first of the major economic downturns in the nineteenth century known as the Panic of 1819. Because the Panic was the first major economic reversal that could not be clearly attributed to some external cause, Americans searched for something to explain the onset of hard times. When the economy crashed in late 1818 people began searching for some way to restore order to their world. Some questioned the self-interested behavior of the marketplace and argued

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<sup>3</sup> Paul Beckwith. *Creoles of St. Louis*. (St. Louis, 1893) p. 114-116. Lawrence O. Christensen, William E. Foley, et. al. *Dictionary of Missouri Biography*. Columbia, MO: Univ. of Missouri Press, 1999. p.778-779; Hyde and Conard, *Encyclopedia of the History of St. Louis*, Vol. IV, p. 1281-1284.

that the nation must forego luxury and return to the republicanism of the founding generation. Others turned to government seeking relief from the hard times. As people debated relief proposals in the public arena questions arose as to the state's proper role in the economy. The debates over relief laws, banking, currency, and government intervention were the beginning of a national debate in which different views of the market economy emerged. Some wanted to use government to slow the advance of the market economy which was represented by banks and paper money. Others however had a better, though imperfect understanding that the market could not be restrained and worked to continue its operation. It is important to note that neither position had a clear vision of what lay ahead, but instead they responded to events and changes based upon their experience and an imperfect knowledge of the events which they confronted. Eventually, the pursuit of self-interest came to be equated with the community's best interest. Each side in this contest, in their own way was working to impose their vision of order in the marketplace.<sup>4</sup>

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<sup>4</sup> There is no complete book length study of the Panic of 1819 except by Murray N. Rothbard in 1962. Others include it in larger studies and emphasize different outcomes including, social discord and class conflict, the beginning of sectionalism, the beginning of democratic politics, and questioning cultural values that permitted aggressive profit driven behavior. A partial list includes Murray N. Rothbard, *The Panic of 1819: Reactions and Policies*, (New York: Columbia Univ. Press, 1962). Richard C. Wade, *The Urban Frontier: The Rise of Western Cities, 1790-1830*, (Cambridge, MA: Harvard Univ. Press, 1959); Frederick Jackson Turner, *Rise of the New West, 1819-1829*, (1906; New York: Collier Books, 1962) George Dangerfield, *The Era of Good Feelings*, (New York: Harcourt, Brace & World, 1952); Harry L. Watson, *Liberty and Power: The Politics of Jacksonian America*, Rev. 2006, (New York: Hill and Wang, 1990); Daniel S. Dupre, *Transforming the Cotton Frontier: Madison County, Alabama 1800-1840*, (Baton Rouge, LA: Louisiana State Univ. Press, 1997); Charles H. Sellers, *The Market Revolution: Jacksonian America, 1815-1846*, (New York: Oxford Univ. Press, 1991); Samuel Reznick, "The Depression of 1819-1822, A Social History," *American Historical Review*, (Oct. 1933), p. 28-47: 47. Later works which include the Panic of 1819 are by John Lauritz Larson, *The Market Revolution in America*, (New York: Oxford Univ. Press, 2010), and Daniel Walker Howe, *What Hath God Wrought*, (New York: Oxford Univ. Press, 2007). An unpublished dissertation which studies the panic from a cultural perspective is Sarah A. Kidd, "The Search for Moral Order: The Panic of 1819 and the Culture of Early America," Ph.D. Diss, University of Missouri-Columbia, 2000.

This study begins in 1819 however the transition to a market economy was underway long before, and that transition has been the subject of much debate among American historians. Conflicting points of view either have profit seeking behavior, if not capitalism, arriving with the first English settlers in the New World, or argue that such behavior developed sometime afterward, with the exact moment that capitalism emerged in dispute. The moral-economy school holds that because the British colonies and later early America, was primarily an agricultural economy and society, farmers were not motivated by profit. Instead they maintained the household as the unit of production and were driven by the desire to maintain self-sufficiency and to pass on enough land to the succeeding generation to have a “competency.” The moral economy school was based in part upon examination of farmers’ account books which showed that their calculations favored exchange and barter with neighbors rather than money. In this scenario farmers resisted the impersonal relations that characterized the market economy in favor of community oriented inter-personal relationships that existed in a pre-industrial and pre-capitalist society.<sup>5</sup>

The market economy school rejected the moral economy argument in part by examining similar account books and arguing that although farmers often did not settle their accounts with neighbors, they nonetheless recorded transactions in monetary values. A further examination of account books for merchants and early manufacturers however, shows that even these market-oriented actors used the same crude accounting practices as

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<sup>5</sup> Michael Merrill, “Cash is Good to Eat: Self-Sufficiency and Exchange in the Rural Economy of the United States,” *Radical History Review*, 3 (Fall 1976), p.42-71; James A. Henretta, “Families and Farms: *Menatlite* in Pre-Industrial America,” *William and Mary Quarterly*, 35 (Jan. 1978), p. 3-32; Christopher Clark, “Household Economy, Market Exchange, and the Rise of Capitalism in the Connecticut Valley, 1800-1860,” *Journal of Social History*, 13 (Winter 1979), p.169-189; Daniel Vickers, “Competence and Competition,” *William and Mary Quarterly*, Vol. 47, No. 1. (Jan. 1990), p. 3-29.

farmers, leaving their accounts in arrears. Early manufacturers had no idea whether they were operating at a profit or not. Whether they were making money or losing it, they had no idea how much. Therefore the lack of cash based accounting and well kept account books were not evidence of pre-market behavior. Additional evidence for the development of a market economy in colonial America came from comparing commodity prices in regional market towns. As early as 1750, colonial farmers traveled widely to reach regional market towns, and prices in those regional markets rose and fell in unison with those of seaport cities, indicating that the more distant communities were integrated into a wider market economy. <sup>6</sup>

A third argument rejects the two-option model of either moral or market economy and instead holds that subsistence and market production existed side by side from the beginning of settlement, but it was a question of degree. Rather than trying to locate the timing of economic development for the entire country, the argument goes, focus instead on the spatial development of settlement, which was not uniform. Even people in less developed regions needed to purchase manufactured goods and pay taxes with money, which they acquired by producing a surplus for sale in the market. In this composite farm model the market economy developed slowly over the long term with some degree of subsistence and market production co-existing until after World War II, when modern agriculture and consumer based capitalism finally became dominant. <sup>7</sup>

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<sup>6</sup> Winnifred Barr Rothenberg, *From Market-Places to a Market Economy: The Transformation of Rural Massachusetts, 1750-1850*, (Chicago: Univ. of Chicago Press, 1992); Naomi R. Lamoreaux, "Rethinking the Transition to Capitalism in the Early American Northeast," *Journal of American History*, Vol. 90, No. 2, (Sept. 2003), p. 437-461.

<sup>7</sup> Richard L. Bushman, "Markets and Composite Farms in Early America," *William and Mary Quarterly*, Vol. 55, No. 3, (July 1998), p. 351-374.

The American Revolution gave added emphasis to the profit driven behavior of the market economy. Americans interpreted the revolution to mean the freedom to pursue economic self-interest, did so enthusiastically, and found freedom in the release from the constraints of more personal economic relationships such as long apprenticeships and deference to local grandees. Political and social developments of the revolutionary era made market participation more acceptable. By the 1790s the term “republicanism” was synonymous with democracy and it applied to the marketplace as well as politics. The adoption of the Northwest Ordinance in 1785 made millions of acres of public land available for development and by 1815 the United States was ready to push westward and take up the lands between the Atlantic Coast and the Mississippi River. The creation of the second Bank of the United States in 1816, and numerous state banks established a workable though imperfect financial system. The expansion of the American population and the market economy was a combination of political developments, republican ideology and practical developments as Americans, demanded transportation improvements from their governments, and pursued self-interest in a changing economic world which they did not fully comprehend.<sup>8</sup>

Interpretations of the period between 1815 and the 1850s emphasize the expansion of the market economy as the driving force in American life, though people of the time did not use that term to describe the changes taking place. One interpretation has eastern bankers and capitalists pitted against small farmers and urban laborers who

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<sup>8</sup> James Henretta, *The Origins of American Capitalism*, (Boston, MA: Northeastern Univ. 1991); Joyce Oldham Appleby, *Capitalism and a New Social Order: The Republican Vision of the 1790s*, (New York: New York Univ. Press, 1984); Gordon Wood, *The Radicalism of the American Revolution*, (New York: Knopf, 1992); Malcolm J. Rohrbough, *The Land Office Business: The Settlement and Administration of American Public Lands, 1789-1837*, (New York: Oxford Univ. Press, 1968); John Lauritz Larson, *The Market Revolution in America*, (New York: Cambridge Univ. Press, 2010), p. 12-38.

were protected by Andrew Jackson and the Democratic Party.<sup>9</sup> A later interpretation argues that economic concerns and the use of government were central to political party formation as people contested the use of government to either advance or restrain the market economy. Another interpretation has class conflict developing as social and economic elites pushed the development of the market economy onto a reluctant working class. More recent works reject these models which make the eventual rise of capitalism mechanistic and inevitable. Instead they argue that developments were not inevitable nor the result of impersonal forces acting on an unwitting, and unwilling population. Instead the market economy was built up, brought on, and advanced by people pursuing their self-interest and reacting to the changes taking place around them.<sup>10</sup>

Early banking, paper money and the credit system were anything but a science, and banking became one of the most controversial aspects of the expanding market economy and American politics before the Civil War. The historiography on banking varies considerably. In 1945 Arthur Schlesinger Jr. argued that the second Bank of the United States represented eastern monied interests against whom Jackson did battle as a reformer on behalf of small farmers and urban laborers. In 1957 Bray Hammond published *Banks and Politics in America* where he argued that Jackson's era was not the

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<sup>9</sup> Arthur Schlesinger, Jr. *The Age of Jackson*, (Boston: Little, Brown, 1945). Schlesinger used Andrew Jackson as a substitute for Franklin D. Roosevelt as the protector of the common man from big business.

<sup>10</sup> Harry L. Watson, *Liberty and Power: The Politics of Jacksonian America*, (New York: Hill and Wang, 1990) argues that political parties formed around economic issues of Jackson's time; Charles Sellers, *The Market Revolution: Jacksonian America, 1815-1846*, (New York: Oxford Univ. Press, 1991) argues that capitalism was forced on an unwilling public by social and political elites; Daniel Feller, *The Jacksonian Promise: America, 1815-1840*, (Johns Hopkins Univ. Press, 1995) argues that rather than an uncertainty or fear, people believed that America was on the verge of profound changes and destined for greatness, thus "promise."; More recent interpretations are Daniel Walker Howe, in *What Hath God Wrought: The Transformation of America, 1815-1848*, (New York: Oxford Univ. Press, 2009) argues that transportation and communication improvements were the driving force in Jacksonian America; John Lauritz Larson in, *The Market Revolution in America: Liberty, Ambition and the Eclipse of the Common Good*, (New York: Cambridge Univ. Press, 2010) argues that people in early America were feeling their way forward in the development of the market economy.

age of the small producer as Schlesinger argued but instead it was the Age of the Entrepreneur where small businessmen were limited by the second Bank's control over state banks which provided credit for business expansion. Hammond argued that a younger generation of entrepreneurs used the idealistic rhetoric of a generation earlier but "adapted to money-making," in their struggle against an older and more conservative generation of capitalists.<sup>11</sup>

James Roger Sharp argued in 1970 that the contest over banking was not between capitalist and entrepreneur as Hammond suggested, but instead the anti-banking message was "a warning against the increasing commercialization and vulgarization of American life." Political brokers, Sharp argued, were able to bridge the differences between hard and soft-money factions, permitting chartering legislation, while the concerns of the anti-banking factions led to improved practices and more stable banking before the Civil War.<sup>12</sup>

Two years later William G. Shade published *Banks or No Banks: The Money Issue in Western Politics, 1832-1865*, wherein he argued that the banking issue was not rooted in social class, entrepreneurial spirit or political party. Instead Shade argued one should look to "political subcultures" which were influenced by ethnicity, religion, "economic attitudes and behavior patterns sanctioned by his social peers." Studying the states of the Old Northwest Shade argued that rather than being settled by the 1850s, the contest over banking and money issue continued into the Civil War era.<sup>13</sup>

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<sup>11</sup> Arthur M. Schlesinger, Jr., *The Age of Jackson*, Bray Hammond, *Banks and Politics in America: From the Revolution to the Civil War*, (Princeton, NJ: Princeton Univ. Press, 1957), p. 328-29.

<sup>12</sup> James Roger Sharp, *The Jacksonians Versus the Banks: Politics in the States after the Panic of 1837*, (New York: Columbia Univ. Press, 1972).

<sup>13</sup> William G. Shade, *Banks or No Banks: The Money Issue in Western Politics, 1832-1865*, (Detroit: Wayne State University Press, 1972), p. 17-19.



Antebellum banking has been covered in detail and it seemed there was little to gain from reopening that subject. My interest in banking was less about the political divisions that stemmed from that troublesome subject or how to explain the origins, but in how merchants managed to conduct business in an environment that was hostile to banking. Missouri's banking experiences were similar to those described by other writers but did not fit exactly into any of the models. Bray Hammond described banking in the states between the Panic of 1819 and the 1850s as a progression from "monopoly, prohibition and laissez-faire". Missouri also went through those stages though not quite in the same order. The Panic of 1819 hardened anti-banking sentiment which was codified in constitution and law, leaving the state to endure a period of banking prohibition until 1837, followed by state monopoly and laissez-faire.

Hammond's entrepreneurial thesis developed in *Banks and Politics in America* was partially true for Missouri. Rather than opposing the Bank of the United States, it was the entrepreneurial business interests in St. Louis who worked to bring a branch Bank to the city in the late 1820s as they faced challenges to their trade routes after the opening of the Erie Canal. They were successful, but the Bank arrived over the protests of their rural political opponents. In the wake of Andrew Jackson's veto in 1832 those same interests were reversed and rural legislators became bank supporters while some urban merchants fought to prevent a state bank, hoping to attract some other institution which they could control.

My interest in banking is less about why certain people or groups opposed banking, and more about how one group I describe as merchants adapted to the results of the strong anti-banking sentiment and restrictive banking laws in their state. The

competing positions on banking are indicative of how the contestants viewed the wider market economy. Merchants were interested in maintaining the function of the marketplace, which required money and credit, whether it came from the Bank of the U.S. or some other institution. Opponents were also interested in the marketplace but believed that paper money jeopardized its function. Thus, one camp saw paper money as necessary, even knowing that it could be unstable, and worked to lend stability to the locally available currency by non-governmental means. Opponents believed that only hard money would maintain order in the marketplace and used banking and currency laws to control and restrain the marketplace.

Who were the people in the two groups involved in this epic struggle? There is truth to the images of farmers and urban laborers opposed to banks, and also rural areas mostly opposed banks while urban areas supported them. In general the Democratic Party opposed the Bank of the U.S. and the Whigs were in favor, and those with close ties to the market economy supported banks however, all of those are inadequate in some way as a means of explaining the very contentious banking issue in American politics. Some of the most vigorous opponents of paper money were merchants engaged in the market economy and who later held seats as directors of the state bank. Democratic legislators from rural districts often opposed banking and did so in terms that would have made Andrew Jackson proud, while others supported banking. Whig legislators generally supported banking measures, though not always, and some found banks so troublesome that they could not bring themselves to support them.<sup>14</sup>

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<sup>14</sup> Benjamin H. Reeves to Abiel Leonard, Dec. 6, 1832, f. 63, Abiel Leonard Papers, State Historical Society of Missouri Manuscript Collection; St. Louis *Missouri Republican*, "Call of the Legislature," Nov. 22, 1833, "For the Republican", Dec. 13, 1833; Fayette *Missouri Intelligencer and Boon's Lick Advertiser*, "State Bank," Dec. 20, 1834; Fayette *Boon's Lick Democrat*, "The Aristocracy Moving," Aug. 23, 1836.

Banking was a contentious issue and it is too simple to reduce the support or opposition to only one factor. For some it was a matter of political affiliation and ideology, and some harbored an almost visceral hatred of banks. However there were practical reasons for opposing banks and paper money. Both sides of the banking issue in Missouri could look to neighboring Illinois where, depending on one's position, they found either the source of all their fears or a workable solution to their most vexing problem. Rather than opposition to the market economy, a stable marketplace was the goal for both sides. Banking was important to that end but the question was whether the money issued would be specie or paper bills, and if the latter, how much?

Rather than class, political affiliation, or even culture, opinions on banking depended upon one's view of the market economy. Even some merchants held an anachronistic view of the market economy and believed that it could continue to operate on specie and private credit arranged through personal connections. Other merchants were not interested in that argument at all and took credit and banking where they could find it. Both sides were interested in a stable and orderly marketplace but they differed on how that should be achieved.<sup>15</sup>

In their search for answers following the Panic of 1819 and in their efforts to establish economic order, Americans gradually came to accept the market economy. However, that acceptance was not universal or without reservation. There were people who, while participating in the market economy did so reluctantly. At the same time there were other people who embraced the self-interested behavior that the market economy required. Acceptance, with or without reservation however was moot because the market economy continued to advance. There were enough people pursuing their self-interest

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<sup>15</sup> Sharp, *Jacksonians versus the Banks*, p. 321-322.

without question or reservation for the market economy to continue even while others might claim to question such behavior. So acceptable or not, everyone was carried along on a ship named market economy that all aboard had helped to build.<sup>16</sup>

Finding moral order and gradual acceptance did not mean the market economy would continue to function without interruption or that another panic might not interrupt business. Banks would surely fail and a speculative bubble might collapse causing another wave of failures. So people engaged in the market economy tried to establish a more practical kind of order. The means of establishing order took several forms. First, because money and credit were the lifeblood of commerce they had to establish adequate banking facilities. This became a never ending struggle due to the nature of antebellum banking and the politics surrounding that very contentious issue. In the contest over banking and paper money it became evident that even though the nation as a whole might have come to some acceptance of the market economy, not everyone agreed on how the economy should function.

The market economy could be thought of as a great force that rolled inexorably over the land and consuming all before it, but it was also individuals adapting to their economic environment. Not everyone was hopelessly trapped by circumstances and there were small producers who acted as entrepreneurs and took risks to improve their condition. While some failed, others achieved a measure of success and in the process

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<sup>16</sup> Daniel Walker Howe, *What Hath God Wrought: The Transformation of America, 1815-1848*, (New York: Oxford Univ. Press, 2007), p. 142-144; Murray N. Rothbard, *The Panic of 1819: Reactions and Policies*, (New York: Columbia Univ. Press, 1962), v-vi; Bruce H. Mann, *Republic of Debtors: Bankruptcy in the Age of American Independence*, (Cambridge, MA: Harvard Univ. Press, 2002); Scott A. Sandage, *Born Losers: A Study of Failure in America*, (Cambridge: Harvard Univ. Press, 2005); Sandra Vanburkleo, "The Paws of Banks: The Origins and Significance of Kentucky's Decision to Tax Federal Bankers, 1818-1820," *Journal of the Early Republic*, Vol. 9, No. 4 (Winter 1989): p.457-487; Sarah A. Kidd, "The Search for Moral Order: The Panic of 1819 and the Culture of the Early Republic," PhD Diss, University of Missouri-Columbia, 2002.

built the market economy up around them. Even when people failed in business it did not mean they fell into an abyss from which they never escaped. Instead people pursued other opportunities in business as the market economy evolved.<sup>17</sup>

There was also an ideological adaptation to the market economy that is reflected by an outpouring of uncertainty in the nation's press. Between 1818 and 1822 newspapers were replete with letters and editorials which claimed that if only the nation would only restore the republicanism of the previous generation the economy would return to normal. The two great enemies of republican simplicity were speculation and jobbing, which many writers argued everyone *else* should give up to restore economic order. Meanwhile the neo-republican was going to continue what he had been doing, which was some form of speculation or jobbing. Republicanism was like a security blanket to hang on to while they waited for some better idea to come along.<sup>18</sup>

Republicanism glorified self-restraint and used ill-defined virtue and morality as an antidote to the nation's problems. However, as time went on, merchants gradually built a new ideology that replaced republicanism Nineteenth-century merchants developed a secular gospel as they went about everyday business, responded to problems large and small, and struggled with political opponents over matters such as money and banking. Merchants and their organizations promoted economic growth as something that

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<sup>17</sup> Donna J. Rilling's study of builders in Philadelphia argued that journeymen carpenters often changed roles, going from carpenters to builders depending on the state of the economy, and took advantage of local financing and market conditions to speculate in urban housing, *Making Houses, Crafting Capitalism: Builders in Philadelphia, 1790-1850*, (Philadelphia, PA: Univ. of Pennsylvania Press, 2000); John Denis Haeger in *The Investment Frontier: New York Businessmen and the Economic Development of the Old Northwest*, (Albany, NY: State Univ. of New York Press, 1981), showed that some Eastern land speculators allowed debtors to renegotiate loans rather than foreclose; Edward J. Balleisen, *Navigating Failure: Bankruptcy and Commercial Society in Antebellum America*, (Chapel Hill, NC: Univ. of North Carolina Press, 2001) argued that some of the men who failed after the Panic of 1837 became the first generation of salaried professional managers.

<sup>18</sup> President James Monroe, *Annual Address*, Nov. 14, 1820, in Fred L. Israel, ed. *The State of the Union Messages of the Presidents, 1790-1966*, Vol. 1, (New York: Chelsea House, 1966); Noble E. Cunningham, *The Presidency of James Monroe*, (Lawrence, KS: Univ. of Kansas, 1996).

would benefit everyone, and the collective success of the merchant community was good fortune for the entire city. During the contest over banking the disadvantages for many seemed to outweigh the benefits to a merchant minority. Despite upsets and failures however, there were tangible benefits of engaging the market economy. Equally important, market proponents could point to tangible effects of not participating. By the 1850s the advantages were more pronounced as boosters sought public funding for railroads, and communities as well as formerly reluctant state legislators responded with enthusiasm.

Other studies emphasize the difficulty experienced by farmers, craftsmen and laborers as the market economy developed. This study seeks to examine the ways in which merchants adapted to the difficulties of the marketplace and searched for ways to continue business operations. The merchants in my study were pressed hard by the market economy because they were immersed in the competition of the marketplace and trying to get ahead or stay ahead of their competitors. At the same time, merchants had to contend with political opponents who held different ideas about the economy and whose work made it more difficult to conduct business. These issues plus the competition inherent in business created an environment in which merchants were pressed as hard by the market economy as anyone.<sup>19</sup>

My dissertation has two arguments. The first is that two competing ideas about how to maintain order in the marketplace emerged following the Panic of 1819 and became more sharply divided during Missouri's struggle to charter a state bank, which was not finally realized until 1837. Banks were both facilitators and symbols of the

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<sup>19</sup> Christopher Clark, *The Roots of Rural Capitalism: Massachusetts, 1780-1860*, (Ithaca, NY: Cornell Univ. Press, 1990); Sean Wilentz, *Chants Democratic: New York City and the Rise of the American Working Class, 1788-1850*, (New York: Oxford Univ. Press, 1984).

market economy and once in operation the state bank became the point of conflict over the market economy. Those who tried to restrict banking and paper money were working to take control *of* the marketplace as a means of restraint. Merchants however understood that the credit function and note issue provided by the state bank were necessary to keep the marketplace operating so they worked instead to maintain order *within* the marketplace. Unable to overcome the political control of the hard money faction in the state legislature, merchants eventually looked to other means of maintaining that order.

The second part of my argument is that organizations, which merchants created to bring order to the local marketplace, eventually rationalized the wider market economy. The fight over banking was only part of establishing order in the marketplace and merchants and bankers did not know for certain what would work. Instead they often felt their way forward, sometimes acting, at other times reacting to events that affected their business lives. Organizations such as the Chamber of Commerce and the Merchants Exchange became governing bodies within the marketplace by providing some of the same functions that state government provided to citizens. Dispute mediation, rules of conduct, and a means of disciplining members became accepted functions of self-established merchant organizations. The Association of Bankers and Exchange Dealers established rates of exchange and attempted to regulate the sometimes unreliable paper currency. Self-created organizations and regulation, collecting and disseminating information, all contributed to a more orderly marketplace.

Transportation developments are important to my study for several reasons. First, technology forced merchants to adapt to the changing realities in the marketplace. Steamboats and later railroads carried goods in greater quantities and brought change at

ever increasing speeds. Improved transportation made it easier to participate in the market economy as both consumer and producer. New people also entered the marketplace and merchants began to rely more on organizations to establish rules of conduct and to judge the worthiness of those with whom they did business. Improving transportation also made it possible for rival cities to challenge St. Louis for control of the western trade networks. And the greater capital requirements of railroads took the financing of transportation away from local merchants and transferred it to the financial capitols in eastern cities. Transportation therefore brought more people into the marketplace, challenged those already there for control, and moved finance to distant cities. Merchants pressed hard by changes and competition in the marketplace built the new order that would displace the old.<sup>20</sup>

National and international events affected the expanding market economy but as those events played out in international and national financial capitols they impacted local communities. People reacted to those events in the same way they experienced them, on the local level, and based upon their experiences of past events. Missouri presents an opportunity to examine a part of the United States as it developed from a frontier to a mixed economy of commercial agriculture that was dependent upon, but often at odds with, the urban commercial center of St. Louis. The relationship between

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<sup>20</sup> Louis C. Hunter, *Steamboats on the Western Rivers: An Economic and Technological History*, Revised edition, Dover Publications, 1993, (Cambridge, MA: Harvard Univ. Press, 1949); George Rogers Taylor, *The Transportation Revolution*, Reprint 1968, (New York: Harper Torchbooks, 1951); Arthur E. Johnson and Barry E. Supple, *Boston Capitalists and Western Railroads: A Study in the Nineteenth-Century Investment Process*, (Cambridge, MA: Harvard Univ. Press, 1967); Alfred Chandler, *The Visible Hand: The Managerial Revolution in American Business*, (Cambridge, MA: Harvard Univ. Press, 1977); John Lauritz Larson, *Bonds of Enterprise: John Murray Forbes and Western Development in America's Railway Age*, (Cambridge, MA: Harvard Univ. Press, 1984); Daniel Walker Howe, *What Hath God Wrought: The Transformation of America, 1815-1846*, (New York: Oxford Univ. Press, 2007); Joseph Schumpeter, *Capitalism, Socialism and Democracy*, 5<sup>th</sup> ed. 1957, (London: George Allen & Unwin, 1943).



those two and the responses to economic crisis is representative of the United States as it molded itself around the market economy in the decades before the Civil War.

This study begins then with the understanding that the market economy was already operating in America by 1819, however not all parts of the country were at equal stages of development, nor did all people participate to the same degree. Missouri was just beginning to emerge from a frontier stage of development and its economy depended on the constant arrival of new people. The counties along the Missouri River in central and western Missouri were engaged in commercial agriculture. Although they were mostly small and medium sized farms, slave labor was common and there were a few who could be considered planters though never on a scale to rival their counterparts in the Deep South. The men who came to be political leaders in the Boone's Lick region were born in an age when "Jeffersonian society was being dissolved by the economic opportunity of a nation drawn to the main chance." They were status conscious, "doctrinaire republicans" for whom "change was not reform." Even while engaged in the market economy they looked to an outdated ideology for security in changing times.<sup>21</sup>

When the Panic of 1819 arrived in Missouri the state was only beginning to establish political institutions as it drafted its first state constitution and entered the federal union. The state wide relief effort created a political and constitutional controversy over the legislative response that interposed the state between parties in private contracts. Other writers who have covered Missouri's response to the panic have argued that there was little opposition to the relief laws, or that opposition was based

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<sup>21</sup> Robert E. Shalhope, *Sterling Price: Portrait of a Southerner*, (Columbia, MO: Univ. of Missouri Press, 1971), p.8-9, 16-17; R. Douglas Hurt, *Agriculture and Slavery in Missouri's Little Dixie*, (Columbia, MO: Univ. of Missouri Press, 1992), p 216-244; Christopher Phillips, *Missouri's Confederate: Claiborne Fox Jackson and the Creation of Southern Identity in the Border West*, (Columbia, MO: 2000).

upon occupation. There was a split between a farmer and land speculator faction who acted in self-interest to protect their land claims. If their motivation was not completely altruistic, neither was it completely self-interested. We cannot discount statements from legislators that people should be protected from the worst effects of the market economy. Opposition came from an urban merchant and professional faction who resisted laws that interfered with debt collection. My research shows instead that support or opposition for relief laws was based upon one's recent economic fortunes rather than occupation, location or class.<sup>22</sup>

In *Yankee Merchants and the Making of the Urban West*, Jeffrey Adler examined the reasons for the growth and decline of St. Louis before the Civil War. The city, Adler argued, grew only slowly due to natural disadvantages and the state legislature, which was often hostile to the interests of the city and its merchants. St. Louis finally grew to prominence, Adler argued, due to its location on and near major rivers but more importantly because eastern merchants and their money arrived in the 1840s.<sup>23</sup>

Adler correctly described the contest between rural and urban Missouri however he incorrectly located the split in the relief effort following the Panic of 1819. At a time when major cities of the American West were located on rivers and steamboats facilitated commerce, Adler ignored the city's economic expansion that began in the late 1820s and St. Louis merchants' expanding influence in the river borne commerce of the upper Mississippi Valley. St. Louis according to Adler languished in its superior location near

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<sup>22</sup> Richard C. Wade, *The Urban Frontier: The Rise of Western Cities, 1790-1830*, (Cambridge, MA: Harvard Univ. Press, 1959); James Neal Primm, *Economic Policy in the Development of a Frontier State: Missouri 1820-1860*, (Cambridge, Mass.: Harvard Univ. Press, 1954), vii.; Hattie M. Anderson, "A Study in Frontier Democracy: The Social and Economic Bases of the Rise of the Jackson Group in Missouri, 1815-1828," Ph.D. Diss., Univ. of Missouri, 1935; Dorothy B. Dorsey, "The Panic of 1819 in Missouri," *Missouri Historical Review*, 29 (Jan. 1935): p.79-91.

<sup>23</sup> Jeffrey S. Adler, *Yankee Merchants and the Opening of the Urban West: The Rise and Fall of Antebellum St. Louis*, (New York: Cambridge Univ. Press, 1991).

the confluence of the continent's three largest rivers until Yankee merchants arrived to show the rubes how business was done. Adler then describes the city's "collapse" in the 1850s as Yankees and their investment capital departed for Chicago as the contest over slavery's expansion into Kansas produced violent confrontation in the west.<sup>24</sup>

St. Louis merchants were in a competition with Chicago but the outcome of that contest was not decided solely by the departure of Yankee businessmen. Rather than collapse in the 1850s, St. Louis merchants had as good a chance as their northern rival to win the coveted trans-continental railroad. They partnered with their former opponents in the state legislature to compete for the commerce of the west via railroad expansion. St. Louis businessmen also worked to extend the city's rail connections to the east via the Ohio and Mississippi Railroad, which was intended to equalize the advantages of Chicago's early rail connections to New York. Chicago had many advantages but the contest was not decided before the 1850s. The route of the trans-continental railroad was not decided before the Civil War, the Illinois Central did not receive its federal land grant until 1854, there was no bridge crossing the Mississippi River until 1860 and railroads proceeded west from St. Louis at the same pace as those in Iowa.<sup>25</sup>

St. Louis business leaders made costly strategic mistakes but found needed financial backing, and by the summer of 1857 had rail connections to the east coast. Only when the Panic of 1857 struck later in the year, affecting all railroads and all of the northern economy, did the Ohio and Mississippi Railroad fail. The Civil War brought

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<sup>24</sup> Ibid.

<sup>25</sup> William Cronon, *Nature's Metropolis: Chicago and the Great West*, (New York: W.W. Norton and Co., 1991); Wyatt Winton Belcher, *The Economic Rivalry between St. Louis and Chicago 1850-1880*, (New York: Columbia Univ. Press, 1947).

even harder economic times and finally put an end to the possibility that St. Louis would overtake its northern rival on the lake.

This study seeks to locate the growth of St. Louis, and to examine the role of its merchant community, in the expanding market economy that characterized the decades before the American Civil War. Chapter one sets up the study by showing the disorder in the marketplace caused by the Panic of 1819. It also shows that St. Louis experienced an economic recovery beginning in the late 1820s that was aided by the branch Bank of the United States which opened in 1829. Taking advantage of the Bank, St. Louis merchants expanded their commercial ties with outlying communities in Missouri, Illinois and the upper Mississippi Valley. Their improving position in western commerce was jeopardized by Andrew Jackson's veto of the Bank re-charter bill in July 1832. The impending demise of the branch Bank brought banking into the forefront of Missouri state politics.

Chapters two and three explore the struggle between urban merchants and their anti-banking opponents. State political parties formed around the banking issue with the Democratic Party splitting between hard and soft money supporters. The hard-money faction was located principally in the Boon's Lick region and that group controlled state politics, however there was also significant support within St. Louis for the hard money ideology. St. Louis' rising economic dominance and the banking issue led to an urban-rural split, principally between the city of St. Louis and the Boon's Lick region. Merchants in St. Louis and smaller communities also began to identify themselves as a separate economic and political group with distinct interests which were represented commercially and politically by the St. Louis Chamber of Commerce. By the time the

Panic of 1837 struck banks were still unpopular however, rather than argue whether a state bank was necessary people argued instead over how to use the state bank to maintain an orderly marketplace. This marks Missouri's transition from prohibition of banking to a state monopoly on banking. Banks had become necessary to maintaining order in the marketplace and, I argue, indicates that in between the two calamities more people had come to accept the market economy's central place in American life.

Chapter four covers the rise and importance of commercial organizations which served several functions. The organizations were a way of fostering business by bringing together different parties who were actively promoting commerce – merchants, insurance companies, steamboat agents and the press. The organizations also came to be governing bodies for the marketplace, providing some of the same functions available from state government. The various functions of the organizations helped to rationalize the market economy and demonstrated its central place in American life.

Chapter five covers the railroad boom of the 1850s and the efforts of St. Louis businessmen to keep abreast of their competitors in other cities, especially Chicago, by connecting St. Louis to the emerging network of railroads. St. Louis capitalists and boosters built railroads to the west in order to defend the trade on the Missouri River and to position their city as the rightful place to locate the central hub for a transcontinental railroad. A small number of St. Louis men undertook a more risky project in conjunction with counterparts in Cincinnati, to build a direct connection to the east coast that would challenge northern rivals.

The process of bringing railroads to St. Louis and Missouri showed that any reluctance to accept the market economy, evident in political opposition, had ended by

the 1850s. Railroad boosters appealed for financial support from the state government and also appealed directly to the public. Their appeals were at times delivered with a shrewdness bordering on manipulation but the public nonetheless gave their approval. Faster, easier transportation would benefit everyone and public support for state involvement in railroads was easier to obtain than support for a state bank because the benefits of railroads seemed more tangible than a bank.

For merchants it was a continuation of the ongoing competition in the marketplace that was different only in the speed with which change occurred, and in the amount of investment capital needed to compete. Because financing railroad construction required such concentrated capital, in the 1850s railroad boosters had to seek outside investors. The need for financing to build railroads, which were necessary to keep up with rivals, introduced an era of finance capitalism which further stratified the marketplace and ended the age of the entrepreneur.<sup>26</sup>

Antebellum merchants were pressed hard on all sides as they worked to maintain adequate banking facilities with access to credit and monetary issue. Beginning in 1819 economic disruptions appeared on average every sixteen years throughout the nineteenth century. The duration and severity varied, but these events were not unusual and every American merchant would experience more than one during his business career. Popular opinion often blamed merchants, who were damaged as badly as anyone. Political reactions led to structural changes that affected their ability to conduct business. Inter-city competition threatened their trade routes as Americans opened the west for settlement and economic development. The endless competition to be the first or the

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<sup>26</sup> John Lauritz Larson, *Bonds of Enterprise: John Murray Forbes and Western Development in America's Railway Age*, (Cambridge, MA: Harvard Univ. Press, 1984).

fastest within the marketplace created a new order that endlessly evolves and often destroys its creators. Merchants were only partly successful in their efforts to establish order within the marketplace, but in their attempts brought a new order to the marketplace.<sup>27</sup>

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<sup>27</sup> Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*, 5<sup>th</sup> ed., 1976, (London: George Allen & Unwin, Ltd., 1943), p. 81-86.

## Chapter One

*“Shall the sheriff take ploughs in payment of taxes..?”*: The Panic of 1819 in Missouri

In June 1821 Missouri Governor Alexander McNair addressed a special session of the state legislature, assembled in St. Charles to finalize the state’s entry into the federal union. Under the terms of the Missouri Compromise, a “solemn public act” was required guaranteeing free black people the right to enter the state and live unmolested. Of more immediate importance to those assembled, was finding some way out of the hard times that had recently descended on the trans-Mississippi West. According to Governor McNair the new state’s very survival was at stake, claimed McNair, and he emphasized the economic problems citizens faced by citizens of the new state. The rudimentary system of “finance and credit” on which people depended for life’s “necessaries and luxuries,” had collapsed and immigration had stopped. It was up to the assembled legislators to find some way out of the morass, while remaining true to the “principles of the Constitution.” As events would show, the state legislature’s attempts to alleviate the hard times had the opposite effect, and only contributed to the economic and political disorder.<sup>1</sup>

Alexander McNair arrived in Missouri in 1804 well ahead of the postwar wave of American settlement, after several years as an army officer. Politically ambitious, he sought preferment from his patron, General William Henry Harrison, who appointed him

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<sup>1</sup> Gov. Alexander McNair, *Opening Message*, June 21, 1821, in Buel Leopard and Floyd C. Shoemaker, *The Messages and Proclamations of the Governors of the State of Missouri*, Vol. I, (Columbia, MO: State Historical Society of Missouri, 1922), p.17-19; Glover Moore, *The Missouri Controversy, 1819-1821*, Reprint, 1967, (Lexington, KY: Univ. of Kentucky Press, 1953), p, 172-173, .272-273.



to minor posts and helped him procure more important positions. Most important was his appointment as Register of the Government Land Office where he endeared himself to the growing American population by disobeying his superior's unlawful orders to limit land purchases to only one quarter section per man. This put him at odds with longer resident land speculators who offered their own lands in more generous quantities. Like other frontier entrepreneurs, McNair was a land speculator and merchant, acquiring a few slaves and good property but often with little ready money, instead giving out his personal notes in business transactions. Before McNair ran for governor against William Clark in 1820, several of his notes had gone to protest, beginning the legal collection process. Rumors had it that he promised to use his office, if elected, to extricate himself from debt, and to aid his creditors.<sup>2</sup>

Responses to the Panic of 1819 show Americans were trying to come to terms with the modernizing forces of the market economy as it was becoming clear that it had become the driving force in national life. While prosperity ruled few questioned participation in the market economy. Once hard times set in though, people began searching for causes, frequently looking to others rather than to themselves for the cause of the nation's malaise. Using the rhetoric of the English Whigs, editorialists reminded their readers that the republic required virtue in the people to survive. Republican simplicity became a common theme as writers excoriated their readers for indulging their appetites for imported manufactured goods, and exhorted them to reject luxury and vice.

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<sup>2</sup> Buel Leopard and Floyd C. Shoemaker, *The Messages and Proclamations of the Governors of Missouri*, Vol. I, (Columbia, MO: State Historical Society of Missouri, 1922), p.3-14; John O'Fallon to Gen. Thomas A. Smith, July 18, 1820, Thomas Adams Smith Papers, f.19, State Historical Society of Missouri, Manuscripts Collection; William Clark Kennerly, *Persimmon Hill: A Narrative of Old St. Louis and the Far West*, (Norman, OK: Univ. of Oklahoma Press, 1948), p. 33; William E. Foley and C. David Rice, *The First Chouteaus: River Barons of Early St. Louis*, (Urbana, IL: Univ. of Illinois Press, 1983), p. 153.

Young men were advised to take up productive labor rather than engage in speculation and stock jobbing.<sup>3</sup>

While some commentators appealed to the past, seeking relief in the shibboleths of a mythical golden age of republican virtue, others looked to government for practical solutions in the present. Finding the federal government's response either too slow or inadequate, some appealed to state government which was politically and geographically closer to the people. Appeals to state government and attempts at state-level relief took three forms. First, state chartered banks had the power to issue paper money, so appeals called for an injection of money into the depressed economy. Second, were attempts to delay rulings by state courts that seized and sold debtors' property for the benefit of creditors. Third, was the end of debtors prison, an archaic practice where creditors had their debtors jailed when they became insolvent. The ensuing debates over these measures challenged old ideas of virtue and self-interest, leading to new definitions better suited to the market economy.<sup>4</sup>

While Alexander McNair may have exaggerated somewhat in order to justify the work of the session and the relief laws soon to come, Missouri like the rest of the United States in 1821 was in a deep economic depression that followed a period of growth and prosperity. European demand for American foodstuffs, cotton and tobacco, carried by American shipping, drove the boom. Until 1820 federal government land policy allowed purchasing on credit, and farmers and planters bought and opened new land to take

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<sup>3</sup> Rowland Berthoff, "Independence and Attachment, Virtue and Interest: From Republican Citizen to Free Enterpriser, 1787-1837," in *Uprooted Americans: Essays to Honor Oscar Handlin*, (Boston: Little, Brown and Co., 1979), 99-124.

<sup>4</sup> Richard C. Wade, *The Urban Frontier: The Rise of Western Cities, 1790-1830*, (Cambridge: Harvard Univ. Press, 1959), p. 164, 173, 188-89, Murray N. Rothbard, *The Panic of 1819: Reactions and Policies*, (New York: Columbia Univ. Press, 1962). Rothbard's work examines both state and national reactions to the Panic and ensuing depression.

advantage of the high commodity prices. Western land sales also increased as the American population surged westward into land free of any threat from Indian nations. When Congress did not renew the charter for the Bank of the United States in 1811, state-chartered banks proliferated, and a lack of national monetary control put more money in circulation, contributing to the inflationary bubble. When the second Bank re-appeared in 1817 it only served to encourage speculation and expansion rather than to function in any restraining capacity. The end of the war released consumer demand for manufactured goods which British factories were able to meet by circumventing tariffs and dumping cheap products on the American market. Prosperity lasted until late 1818 when commodity prices declined rapidly and the Bank of the United States began to contract credit. The bubble finally burst. <sup>5</sup>

Missouri's economy in the early 1820s was a combination of fur trading and supplying the needs of western Indians through government run trading factories, government-leased lead mining, and land speculation. St. Louis was one of the rising commercial cities in the trans-montane West and from its favorable position near the confluence of several major rivers merchants were beginning to establish trade networks with smaller communities. The city's manufacturing was limited to the works of local craftsmen. As Governor McNair observed, there were still not enough people working farms for the trans-Mississippi West to participate in the European-driven demand for

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<sup>5</sup> Rothbard, *The Panic of 1819*, p.1-23; George Dangerfield, *The Era of Good Feelings*, (New York: Harcourt Brace & Co., 1952), 175-189, ; Wade, *The Urban Frontier*, p. 160-169; Douglass C. North, *The Economic Growth of the United States 1790-1860*, (New York: W.W. Norton, 1966), 61-65.

agricultural products. While migration continued there, however, a market to be found supplying new arrivals with life's necessities and some luxuries.<sup>6</sup>

Although few understood the fragile nature of the prosperity, some contemporary observers understood the general nature of the American economy and its relationship with the larger Atlantic world. Anonymous essays, some copied from eastern newspapers, appeared in the Jackson, Missouri *Independent Patriot* in March and June 1821 which outlined America's position in the larger economy. The wartime shortages in Europe had given impetus to American expansion as producers responded to higher commodity prices. After the war European demand declined, prices fell and Americans were left with large debts. These basic facts were understood and there seems to have been little disagreement on causes. Where people disagreed was on how to respond and how to return the economy, as well as society to normal.<sup>7</sup>

Despite Alexander McNair's claims of widespread hardship, some editorialists tried to deny there was any need for government intervention in the economy. With some justification, speculators claimed that Missouri was far enough disconnected from the rest of the nation that the hard times had not yet even arrived, and if and when they ever did, they would not be as severe. Counting on continuing immigration for profits, some countered McNair's claims of economic disaster by touting Missouri's advantages. With a growing population, diverse agriculture and reasonable land prices, Missouri was the ideal destination for small farmers and "moderate capitalists." The state was too far west,

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<sup>6</sup> Halvor G. Melom, "The Economic Development of St. Louis, 1803-1846, Ph.D. Diss, University of Missouri, 1947, p.345, 347; Ruby Johnson Swartzlow, "The Early History of Lead Mining in Missouri," *Missouri Historical Review*, 29 (Oct. 1934), 27-34; (Apr. 1935), 195-205; Glen E. Holt, "St. Louis' Transition Decade, 1819-1830," *Missouri Historical Review*, 4 (July 1982), 365-381.

<sup>7</sup> *Origin of the General Distress*, Jackson *Independent Patriot*, Mar. 24, 1821; *On the Times*, Jackson *Independent Patriot*, June 2, 1821.

they claimed, to be affected by problems in the East. In addition the new state had other benefits that would maintain its advantages. Lower land prices would continue to attract people and one booster even claimed, “Large scale failure cannot happen here.”<sup>8</sup>

Speculators in western land stood to reap great profits from the postwar migration as they bought up land and plotted town sites in advance of the settlement wave. Prime agricultural lands in Missouri, although cheaper than similar lands in the South, still ranged from four to twelve dollars per acre, and in some cases exceeded twenty-five. In 1816 George C. Sibley, the U.S. Government factor at Fort Osage purchased 1,600 acres near St. Louis for sixty cents per acre and later had an offer of eight dollars per acre on the same land. At that price he stood to make \$11,840 profit on an investment of only \$960, more than a twelve-fold increase. Town lots at Franklin in Howard County sold for an average of twenty-three dollars in 1816, for over three hundred the next year and by July 1819 some sold at auction for as much as one thousand dollars.<sup>9</sup>

Merchants, the frontier’s multi-purpose entrepreneurs, were also speculators. They were so numerous that Sibley observed, “The western country is covered up with merchants.” They bought goods from eastern suppliers, sometimes on credit, and headed west hoping for profits to come later. To arrive at a new town with a supply of goods that were locally in demand could mean immediate success. More often however, merchants

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<sup>8</sup> St. Louis *Enquirer*, Jan. 20, 1819; Glen E. Holt, “St. Louis’ Transition Decade, 1819-1830,” *Missouri Historical Review*, (July 1984) , p.365-381: 372,374-381.

<sup>9</sup> George C. Sibley to Samuel Sibley, Sept 9, 1813, Jan. 14, and Sept. 9, 1816. Box 1-2, 1803-1828, George C. Sibley Papers, Missouri Historical Society, St. Louis; Thomas W. Burton to John Sappington, July 2, 1817; Reuben Ewing to John Sappington, Oct. 21, 1818, f.12, 13, John Sappington Papers, 1803-1887, C1027, State Historical Society of Missouri Manuscript Collection; Thomas H. Benton to James Clemens, Jr., July 30, 1818, Series 4, Box 1/17, file 3, Mullanphy-Clemens Family Manuscript Collection, Pius X Library, St. Louis University; Jonas Viles, “Old Franklin: A Frontier Town of the Twenties,” *Missouri Historical Review*, 9 (Mar. 1923), 269-282: p. 273; Hattie M. Anderson, “Frontier Economic Problems in Missouri, 1815-1828,” *Missouri Historical Review*, 34 (Oct. 1939) 38-70: 38; Andrew C. Isenberg, “The Market Revolution in the Borderlands: George Champlin Sibley in Missouri and New Mexico, 1808-1826,” *Journal of the Early Republic*, 29 (Fall 2001) 445-465: 458.

set up for the long haul as general purpose establishments selling anything they thought would make money. They stood to gain by selling the necessary items people needed as they cleared land and started farms. Dry goods, hardware, tools and farm implements of all sizes, as well as building supplies were advertised in local newspapers and found on the shelf. In return they bought the products of the country – furs, grain, tobacco, and everything produced from livestock - salted pork, lard, hams, hides, dried beef. And calling oneself a merchant did not even limit a person to buying and selling merchandise and farm products. Land was a commodity and merchants, like many of their neighbors bought it to sell later at a profit.<sup>10</sup>

Compounding the economic problems, Missouri's banking system, to use that word loosely, was weak. Business relied on private credit and paper currency issued by local fur-trading magnates and a few exchange dealers who trafficked in banknotes from other states. Two state-chartered banks, the Bank of St. Louis created in 1816 and Bank of Missouri created in 1817, were under-funded and ill-managed. The Bank of St. Louis failed in July 1819 due to fraud and mismanagement by its directors. As the General Assembly met in June of 1821, the Bank of Missouri led by French-Creole fur magnate Auguste Chouteau was still in operation with the help of government land office deposits, but was in financial troubles due to a run on its specie reserves, and also due to unsecured lending to its St. Louis directors.<sup>11</sup>

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<sup>10</sup> James Noble to Nehemiah Noble, Jan. 17, 1822, Parker-Russell Papers, Box 1-2, Missouri Historical Society, St. Louis; George C. Sibley Letter, ca.1815, George C. Sibley Papers, Missouri Historical Society, St. Louis; Wade, *The Urban Frontier*; Timothy R. Mahoney, *River Towns in the Great West: The Structure of Provincial Urbanization in the American West, 1820-1870*. (New York: Cambridge Univ. Press, 1990); Halvor G. Melom, "Economic Development of St. Louis, 1803-1846", Ph. D. Diss., Univ. of Missouri, 1947.

<sup>11</sup> St. Louis *Missouri Gazette and Public Advertiser*, Mar. 3, July 14, 1819; Territorial Delegate John Scott to Treasury Sec. William H. Crawford, May 17, 1819, in Clarence Edwin Carter, *Territorial Papers of the United States, Vol. 15, Territory of Louisiana-Missouri 1815-1821*, 538-539; James Kennerly, St. Louis, to

The weak banks, frontier economy and low population led to a lack of money in circulation. Payments for federal lands, and commercial ties to eastern merchant houses drained off the most reliable banknotes as well as the available gold and silver coin. Without a reliable circulating medium, personal notes, or written promises to pay sometime in the future, became the most common currency on the frontier. Typically coming due thirty days to six months in the future, their value was determined by the date of redemption as well as the reputation of the person who had issued them. The notes were legally binding contracts, and failure to honor them when presented led to legal action. Although the notes were a workable substitute for money, they created even more problems when men had no money to pay their promises and suffered the expense and indignity of collection in court.<sup>12</sup>

Despite claims to the contrary, hard times eventually arrived and failure became as common in Missouri as elsewhere. Evidence of hard times was easy to find. Newspapers carried merchants' appeals asking their clients to settle accounts. The networks of credit and debt extended farther than the local community and merchants were indebted to others who also demanded payment. These appeals became more desperate as time passed. John Delap, a Jackson, Missouri storekeeper advised his clients that they must "come forward to pay off their accounts as longer indulgence cannot be

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George C. Sibley, Aug. 8, 1821, George C. Sibley Papers, Missouri Historical Society, St. Louis; Timothy W. Hubbard and Lewis E. Davids, *Banking in Mid-America: A History of Missouri's Banks*, (Washington, DC: Public Affairs Press, 1969), 15, 29-39; William Nesbit Chambers, *Old Bullion Benton: Senator from the New West*, (Boston: Little Brown & Co., 1956) 77-79; William E. Foley and C. David Rice, *The First Chouteaus: River Barons of Early St. Louis*, (Urbana: Univ. of Illinois Press, 1983), 42, 82, 177-78.

<sup>12</sup> James Kennerly, St. Louis, to George C. Sibley, Ft. Osage, Aug. 8, 1821, George C. Sibley Papers, Missouri Historical Society, St. Louis; Hubbard and Davids, *Banking in Mid America*, 34-36; Bruce H. Mann, *Republic of Debtors: Bankruptcy in the Age of American Independence*, (Cambridge, MA: Harvard Univ. Press, 2002). Mann explores the ubiquitous nature of debt in the Early Republic through contracts and less formal debt instrument, and the means of collection. Imprisonment for debt was a practice carried over from English law but was beginning to decline by the first quarter of the nineteenth century.

given. The subscriber is compelled to pay money and through you it must come.” Joseph Frizel wrote that he could “no longer indulge those who owed him without injuring his own credit.” John Glasscock posted “positively the last notice” in January 1821 before turning his accounts over to an attorney for collection.<sup>13</sup>

The mere threat of legal action to collect debts may have worked in some cases, but not all. Court dockets from 1820 and after were filled with debt collection cases. Newspapers of the time were replete with notices of sheriff’s sales to satisfy court-issued judgments. Creditors collected debts through the state court system, beginning with the county Justice of the Peace and ending in Circuit Court located in each county. In the process, a debtor had to either give bond for his appearance in court, and for the surrender of his assets, or be thrown into jail. Missouri’s Constitution prohibited imprisonment for debt, but only after surrendering one’s assets to creditors. If a creditor believed the debtor was likely to flee the state to avoid paying he could ask the justice of the peace or the judge to have the debtor arrested and jailed even before the sheriff delivered the summons.<sup>14</sup>

Debtor’s notices seeking protection from creditors are a sign of the depth of the depression. Normally these notices were uncommon but beginning in late 1818 their frequency of appearance increased and by 1820 they were commonplace. In July and

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<sup>13</sup> Jackson, *Missouri Herald*, Feb. 19, Apr. 22, July 15, Dec. 23, 1820; Dorothy B. Dorsey, “The Panic of 1819 in Missouri,” *Missouri Historical Review*, Vol. 29, No. 2, (Jan. 1935), p.79-91: p. 81-86; Holt, “St. Louis’ Transition Decade”, 368-372.

<sup>14</sup> St. Louis *Missouri Gazette*, July 25, 1821; Jackson *Independent Patriot*, Jan. 6, 1821; *A list of accounts John Sappington put into the hands of James Burke for collection (1819-1820)*, Nov. 19, 1820, folder 13, John Sappington Papers; Ste. Genevieve Archives, 1756-1930, Folders 689-700, State Historical Society of Missouri Manuscript Collection; Dorothy B. Dorsey, “Panic of 1819 in Missouri” *Missouri Historical Review*, (Jan. 1935), 79-91; Art. 13, Sec. 17. *Missouri Constitution*, 1820; Mann, *Republic of Debtors*, p.10-14. Mann’s book explores the ubiquitous nature of debt in the Early Republic through contracts and less formal debt instrument, and the means of collection. Imprisonment for debt was a practice carried over from English law but was beginning to decline by the first quarter of the nineteenth century.



August of 1821, St. Louis County Circuit Court records show that thirty-four men were imprisoned for debt and released after surrendering their assets to the court. In order to gain his freedom, a debtor had to surrender his assets to the court, and publicly notify his creditors before seeking the law's protection from his creditors. Although intended to force debtors to disclose any hidden assets, the practice rarely produced any. Instead, throwing men into jail produced further hardship by disrupting families and forcing them onto the care of friends and what few resources communities had to offer. Not surprisingly in the face of a deep depression and widespread failure, abolishing imprisonment for debt became one of the goals of the relief effort in 1821.<sup>15</sup>

Land was the most common asset seized by the courts or surrendered for non-payment of taxes. Delinquent tax lists published in newspapers indicate that the majority of those who were in arrears for taxes were speculators who surrendered land in large blocks ranging from several hundred to several thousand acres. However small farmers also lost land to creditors, or in some cases the state in large numbers. For land speculators who depended on selling land to new arrivals, the steep drop in land prices and decline in immigration meant the loss of anticipated profits. For some it became cheaper to surrender land to the state than to pay the taxes that were due on it.<sup>16</sup>

As the date of the special session approached, writers questioned the wisdom of interfering with natural order of the marketplace. "Rusticus" and "Franklin" reminded their readers that any attempt to delay debt collection would only interrupt the normal routine of business. Many people were both a creditor and a debtor and if state

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<sup>15</sup> St. Louis County, Circuit Court Index, 1807-1848, Microfilm Roll C36308; Cooper County, Circuit Court Index, Microfilm Rolls C36908, C42688, Missouri State Archives, Jefferson City, MO; Mann, *Republic of Debtors*, p.58-59.

<sup>16</sup> St. Louis *Missouri Gazette*, Aug. 29, 1821; Dorothy B. Dorsey, "The Panic of 1819 in Missouri", *Missouri Historical Review*, (Jan. 1935), 79-91.

government gave one person relief from his debts then twenty more would suffer even greater losses. If Missouri's legislators wanted proof, the editorialists suggested, they only had to look to their neighbors in Kentucky where debtor relief laws were already in force. Kentucky law forced creditors to accept devalued paper money from the State Bank or to wait some period of time before seizing property to satisfy a debt. These laws affected people in Missouri to a certain extent. In 1820 the Territorial Legislature was forced to appeal to Congress on behalf of land owners for a delay in making payments to the federal Government Land Office.<sup>17</sup>

Opposition to direct relief of debtors had both a legal and a moral basis. Opponents reminded readers that the U.S. Constitution prohibited government's interference in private contracts, and of the moral hazard inherent in relief laws. Coming to the aid of debtors might only encourage them to repudiate their debts or to take on other debts which they could not repay. The legislature could appeal to Congress to delay payments because the federal Government Land Office was a party in the contract. Any state laws were sure to be struck down by the courts. If the state interfered with agreements freely contracted in the marketplace then it would encourage individuals to do the same. Even if people were living beyond their means, they had contracted "honest debts" which must be repaid if the marketplace was to continue its function.<sup>18</sup>

Some charged that pervasive luxury and vice were evidence of corruption in the people, but others charged that private interests were corrupting government. The real

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<sup>17</sup> "Communication," Franklin *Missouri Intelligencer*, May 28, 1821; St. Louis *Missouri Gazette and Public Advertiser*, Mar. 17, 1821; Memorial of Missouri Territorial Legislature to U.S. Congress, Nov. 16, 1820, in Carter, *Territorial Papers*, Vol. 15, 669-670; Murray N. Rothbard, *The Panic of 1819*, 52-53.

<sup>18</sup> U.S. Constitution, art. 1, sec. 9, 10; St. Louis *Missouri Gazette and Public Advertiser*, Mar. 17, 1821; "Resolutions adopted by citizens of Howard and Cooper Counties," "Communication," "Stop Laws," Franklin *Missouri Intelligencer*, May 28, 1821; St. Louis *Missouri Gazette and Public Advertiser*, May 23, 1821.

purpose behind the relief laws was private interests. Governor McNair, a merchant and land speculator himself, was known to be in financial trouble and several of his notes had gone to protest. He was rumored to have promised to use his office to extricate himself from debt, and to aid his creditors. Republican government was “calculated to bring forth the noblest virtues and qualities of men,” wrote one, but any relief laws which interfered with contracts would not only be evidence of corruption.<sup>19</sup>

During its month-long session at the capitol in St. Charles, the General Assembly produced a package of relief laws similar to those debated in the press before the session. On June 9, 1821, Alexander Stuart, a merchant, attorney and land speculator from St. Louis County, introduced a bill that was ostensibly for the relief of both debtors and creditors. Although entitled, “An Act for the relief of Debtors and Creditors,” the law clearly favored the debtor in danger of losing property to the County Sheriff who would sell it at auction to satisfy debts. The law first protected a person’s house lot or farm, provided there was additional land to satisfy the debt. Second, it bound the county sheriff to accept the opinion of three independent men in the county as to whether dividing the property would result in “injury” to the debtor. Next it allowed the person whose property had been seized to recover their land up to two and a half years later, and it also gave him priority over any creditors in its recovery. Finally, the law delayed a creditor’s receipt of a deed to the land for three years after the sale.<sup>20</sup>

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<sup>19</sup> “Stop Laws,” Franklin *Missouri Intelligencer*, May 28, 1821; John O’Fallon to Gen. Thomas A. Smith, July 18, 1820, Thomas Adams Smith Papers, f.19, State Historical Society of Missouri Manuscripts Collection.

<sup>20</sup> *Missouri House Journal, First General Assembly*, 1820-1821, p. 114, 121, ; *Laws of Missouri*, Chapter 367, *An Act for the Relief of Debtors and Creditors*, June 28, 1821; “An Act pointing out the manner that executions may be stayed, and regulating the sale of property under execution,” Missouri General Assembly, *Laws*, 1<sup>st</sup> General Assembly, 2<sup>nd</sup> Session, 1821, p.46-52.

Although attempts to relieve debtors met with controversy, attempts to alleviate the depression by means of banking and currency issue were even more controversial as a result of the widespread opposition to banks in general and the Bank of the United States in particular. The Bank in Philadelphia became the scapegoat for all the nation's economic problems due in part to its policy of contracting credit after the depression started. The purpose of the Bank was to provide a stable currency for the nation, which it did by issuing its own currency, but also by limiting the paper banknotes of state banks. It exercised control over those lesser institutions by holding large quantities of their banknotes, which it could present for redemption at any time. Such a power in a period of economic expansion made the Bank unpopular in the areas where credit was in greatest demand. In addition to its retrenchment policy and power over state banks, the Bank challenged the power of state legislatures by forcing them to restrict note issue when state charters often set the terms of their operation.<sup>21</sup>

Hezekiah Niles, editor of *Niles Weekly Register*, articulated the conservative opposition to banks and also the market economy. Banks led merchants to ruin, Niles argued, by issuing so much paper currency that it caused inflation. Merchants entered business hoping to prosper until eventually there were so many that they began to “interfere with each other's business.” Others became money-lenders who survived on “illegal interest” and encouraged merchants to over-extend themselves with short-term loans. Prices declined and many merchants either went bankrupt or were forced to

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<sup>21</sup> Bray Hammond, *Banks and Politics in America: From the Revolution to the Civil War*, (Princeton, NJ: Princeton Univ. Press, 1957), 259-285.

become “brokers, shavers, speculators” in banknotes - “in other words, bloodsuckers of the community.”<sup>22</sup>

Niles argued that banks and paper money were corrupting republican virtue. Agriculture, he argued, was the basis of national wealth as well as the source of political and economic independence in the republic. Farmers in his idealized world lived simple lives of equality, free of debt, in a “happy state of self-dependence” until enticed to take on debt by the banks. By engaging in “expensive improvements” and land speculation that did not contribute to their “wealth and comfort” as well as by the consumption of imported goods, “farmers would become paupers, laborers would become beggars and both would sacrifice their independence”, to the detriment of the nation.<sup>23</sup>

Niles charged that banks encouraged corruption and described a process where even one corrupt man on the bank’s board could somehow persuade fellow directors to cast republican virtue aside and spread corruption through the political system. Banks, Niles charged, were often chartered for purely political reasons rather than out of real economic necessity. Once established banks perpetuated themselves by placing their directors in the legislature, and bribed “statesmen and legislators” to support questionable internal improvements and other public projects that turned profits for the banks. They had, Niles charged, “forged chains...for the people...and themselves.”<sup>24</sup>

When the Missouri General Assembly met in June 1821, these were the popular arguments against banks and paper money. Anti-bank sentiments proved to be as strong

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<sup>22</sup> “The Paper System”, *Niles’ Weekly Register*, Apr. 25, May 2, May 9, May 16, June 6, June 13, June 20, 1818; Norval Neil Luxon, *Niles’ Weekly Register: News Magazine oof the Nineteenth Century*, (Baton Rouge: Louisiana State Univ. Press, 1947), 120. Although editor Hezekiah Niles later changed his opinion of banks and the Bank of the United States, up until Andrew Jackson’s war on the Bank, he was at first a vigorous opponent of both banking and paper money.

<sup>23</sup> “The Paper System”, *Niles’ Weekly Register*, Apr. 25, May 2, May 9, May 16, June 6, June 13, June 20, 1818.

<sup>24</sup> “The Paper System” No. 1, *Niles’ Weekly Register*, Apr. 25, 1818.

on the Missouri frontier as anywhere in the nation. During the four weeks of the special session, all three petitions to the House on the issue all opposed a state bank. As one petition charged, a new bank would be of little benefit one petition charged, and only support “a host of bank officers, swindlers and speculators at the expense of the “honest and industrious part of society.”<sup>25</sup>

From the beginning of the session on June 4<sup>th</sup> most, but not all members demonstrated hostility to banks. Immediately after opening the session and establishing committee assignments, Speaker of the House Henry S. Geyer, a St. Louis attorney and bank supporter, presented a report on the Bank of Missouri. Despite its reportedly sound financial condition, Duff Green from Howard County introduced a motion to investigate the Bank to determine whether it had violated the terms of its charter. The motion passed, and Geyer had no choice but to appoint a committee, chaired by Green, along with two other members from St. Charles and Ste. Genevieve Counties.<sup>26</sup>

Support for a state bank drew so little support that no proposal or petition to establish a bank ever made it out of committee for a discussion on the House floor. On Wednesday, June 13, Colonel John S. Ball from St. Louis County introduced a resolution to explore the feasibility of borrowing enough specie to establish a state bank. Speaker Geyer appointed a committee that included Ball, James H. Relfe from Ste. Genevieve County and Joseph Evans of St. Charles County, the same two men who sat on Duff Green’s committee investigating the Bank of Missouri. It is notable that the proposal was for a state-operated, rather than a privately operated bank. But rather than consider even

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<sup>25</sup> Franklin *Missouri Intelligencer*, May 24, 1821; *Missouri House Journal, Special Session, June 1821*, p. 17, 38, 88, 96.

<sup>26</sup> *Missouri House Journal, Special Session, June 1821*, p. 17.

what would certainly have been a conservatively run bank, the House tabled the proposition rather than submit it to a vote.<sup>27</sup>

While some opposed a bank because of the likelihood of personal graft, others may have opposed a new state bank because the state was likely to have a considerable degree of control over its lending and note issue policies. The Constitution limited the state to a single bank with five million dollars in capital stock, thus limiting the possible financial impact of the bank. And the Constitution also reserved half of the capital stock to the state's own use. By controlling half of the bank's stock the state became an equal, though for some an unwelcome partner in the business of banking as well as the growth of business. Such legislation would insure that the state would protect the bank from private speculation but it also gave the state the power to restrain business, limiting opportunity and democracy in the economy. Those who called for a new bank in the wake of the Panic of 1819 preferred to see private interests controlling the bank, which they assumed would be more beneficial to the entire population.<sup>28</sup>

Unable to find support for this newly redefined state bank, the legislature's compromise solution was a Loan Office program. The legislators' deliberations and debates have not survived, but it is evident that the loan office received more attention than any other relief proposal considered during the 1821 emergency session. First introduced in the House by Duff Green on June 9, a joint House-Senate committee produced the bill less than a week later. On Friday June 15, and then again the following Monday, the House as a committee of the whole, debated the proposal for the entire day without reaching a resolution. The House postponed formal discussion on the Loan

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<sup>27</sup> *Missouri House Journal, Special Session, June 1821*, p. 38, 92.

<sup>28</sup> Art. 8, *Missouri Constitution*, 1820.

Office for two days while legislators privately worked out amendments that would allow the bill to pass. When the bill passed the House on June 22, it was by a margin of only three votes.<sup>29</sup>

Empowered to issue \$200,000 in non-convertible certificates, the Loan Office was an attempt to inject cash into the faltering economy and to provide a means of paying state taxes. The program divided the state into five districts, each served by an office controlled by three commissioners selected by the General Assembly. Any sitting bank president or director was excluded from serving in the program. Loan Offices issued the notes only in small denominations, from fifty cents to ten dollars that were intended to serve as a medium for day-to-day commerce and to pay state taxes. The maximum loan amount was set at one thousand dollars if secured by land or two hundred if secured by other property. Collateral was to be valued at least twice the loan amount. Loans were due in one year but could be renewed with payment of interest. To make foreclosure less likely the state could demand only ten percent of the principal be repaid each year.<sup>30</sup> <sup>31</sup>

With its small-denomination notes and constant oversight by the legislature, the loan office was a bank for a virtuous agrarian republic rather than a commercial one. Its policies favored landholders and small farmers, considered the basis of the agrarian republic, rather than merchants and speculators who many blamed for causing the crisis. The program was unlike a chartered bank, which created a corporation with limited liability for its directors and frequently-avoided provisions to redeem its notes in specie. The people would retain control through their elected representatives and, so the Loan

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<sup>29</sup> *Missouri House Journal, Special Session, June 1821*, p. 66, 74, 77-78, 98.

<sup>30</sup> State of Missouri, An act for the establishment of loan offices, Ch. 313, (1821), *Laws of Missouri, Vol. 1, 1824*, 760-766.

<sup>31</sup> *Laws of Missouri*, Ch. 313; "The Paper System" *Niles Weekly Register*, "The Paper System", Apr. 25, May 2, May 9, May 16, June 6, June 13, June 20, 1818.



Office proponents believed, avoid the losses and liabilities inherent in the market economy. Who would control banking in the state, private men whose actions were shielded from view, and as some believed shielded from responsibility for their actions by a state charter? Or would the people through their representatives have control? Representative Duff Green answered that question in his letter to the Franklin *Missouri Intelligencer* after the session ended. The Loan Office was “different from a bank,” Green explained, “no one man can swallow up the whole...it is to be divided among the people.”<sup>32</sup>

Green was the program’s sponsor and its principal supporter. He was also representative of the frontier entrepreneur. Green wore several hats, as an attorney, a merchant, a surveyor and a land speculator. Brash and ambitious, Green used his connections to his wife’s politically active family who were also in business, to his advantage. He made alliances with prominent men in the territory, among them Governor William Clark, who recommended him for a colonel’s commission in the state militia, which he received, along with a glowing letter of appointment from President James Monroe. He practiced law and allied with several other attorneys from the central Boon’s Lick region. Green’s associates were also politically ambitious and included one future governor and several future state Supreme Court justices.<sup>33</sup>

Although espousing a belief in Jeffersonian principles, Green personified the frontier democratic character of Andrew Jackson, rather than the philosophical elitism and deference of Thomas Jefferson. Green used the rhetoric of republicanism, but for

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<sup>32</sup> Franklin *Missouri Intelligencer*, July 9, 1821.

<sup>33</sup> W. Stephen Belko, *The Invincible Duff Green: Whig of the West* (Columbia, MO: Univ. of Missouri Press, 2006) p.31-46. Green married the sister of Ninian Edwards, Territorial Governor and Senator from Illinois, who engaged in business ventures with prominent St. Louis men such as Rene Paul.

Duff Green and other men like him, republicanism meant democracy. It was an economic as well as political democracy that held no special privilege, where government was responsive to the will of the people and served their interests.<sup>34</sup>

Support for the relief program and Loan Office was not clearly divided between the farmers and planters of the rural agricultural counties and the merchants in the emerging urban area of St. Louis. The most populous counties were evenly divided in their support. Howard County at the center of the rich Boon's Lick region attracted many slave owners and commercial farmers. St. Louis County was second in population but the city of St. Louis was more of a muddy frontier town than the urban metropolis it would later become. The southern Mississippi River counties of Ste. Genevieve and Cape Girardeau were centers of French settlement but mixed with Americans who were quickly displacing the original French. All were evenly divided in their support for the Loan Office. There were only two counties whose representatives unanimously voted against the program. Pike County located north of St. Louis along the Mississippi River, and sparsely populated Wayne County in the far southwest corner of the state had only three representatives between them. Other supporters, as well as opponents, in the General Assembly could be found in all counties of the state.<sup>35</sup>

The press with its ability to shape public opinion was weighted against the relief program. There were five newspapers in operation during the relief debate, although not were in operation concurrently. Three of the newspapers were opposed to the relief

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<sup>34</sup> Joyce Appleby, *Capitalism and a New Social Order: The Republican Vision of the 1790s*, (New York: New York Univ. Press, 1984); Gordon Wood, *The Radicalism of the American Revolution*, (New York: Alfred A. Knopf, 1992).

<sup>35</sup> *Missouri House Journal, Special Session, June 1821*, p.98; Walter A. Schroeder, *Opening the Ozarks: A Historical Geography of the Ste. Genevieve District 1760-1830*, (Columbia: Univ. of Missouri Press, 2002), 114-115.

program. Most newspapers printed letters and editorials from opponents as well as supporters, but they were pseudonymous so it is impossible to positively identify the writers. The St. Louis *Missouri Republican*, edited by Josiah Spalding was started as an “ad sheet” published for merchants and others in business. The paper was vigorously opposed to the relief program and came to be the voice of the anti-relief faction in state politics. The Jackson *Independent Patriot* in Cape Girardeau County printed mostly national news items, Congressional debates and federal laws until the special session in June 1821. After the relief program was enacted, the *Patriot* published only anti-relief and anti-bank pieces. The St. Louis *Enquirer* sometimes edited by, and supporting Senator Thomas Hart Benton, later to become known as “Old Bullion” for his opposition to banks, opposed the relief program and Loan Office. The St. Charles *Missourian*, was also opposed, but muted its opposition because the publisher, Robert McCloud, held the contract for state printing. The *Missourian* carried letters from supporters and opponents of the relief program, but editorials critical of state government would most likely have endangered his printing work for the state.<sup>36</sup>

The St. Louis *Missouri Gazette and Public Advertiser*, published by Joseph Charless, supported the relief program, but ended its run at the end of 1821. Charless and the *Gazette* were alone in calling for expanding the relief laws to protect personal property as well as land from creditors, and also campaigned for a lien law, enacted in 1821, allowing those in building trades to secure a client’s building if they were not paid.

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<sup>36</sup> William H. Lyon, *The Pioneer Editor in Missouri*, (Columbia, MO: Univ. of Missouri Press, 1965), p.16-17. *Missouri Republican*, Mar. 20, 1822, The St. Louis *Enquirer* and the Howard County, Franklin *Missouri Intelligencer* carried opinion pieces equally mixed between pro and anti-relief supporters. The St. Louis *Missouri Republican* carried a few pro-relief pieces but most were opposed. The Jackson *Independent Patriot* carried no pro-relief letters or editorials from June 2 to Sept. 8, 1821, the period of greatest agitation that also included state elections in which the relief laws were the central issue.

The Franklin *Missouri Intelligencer*, seemed to favor the relief program, but its editor Benjamin Holliday printed letters on both sides of the relief issue. [Citation]

Merchants were most visibly connected to, and represented the market economy as they pressed their clients to settle their debts so they could pay their own. Because of this unavoidable relationship some blamed them for taking advantage of the people in their distress. At a dinner in Franklin on July 28, 1821, supporters feted and toasted the legislators who voted for the relief laws and Loan Office. Lauding the men with toasts to their spirit of patriotic service and ties to old heroes, the after dinner toasts charged the state's merchants with draining the population of its hard money. "The merchants of Missouri, when they have drained us of our specie, we shall be drained of them," toasted one. Several toasts charged merchants and other opponents of the relief program with being an "unfeeling faction" who while supporters were believed to have acted in the spirit of unity.<sup>37</sup>

Although supporters hoped the Loan Office would save the day, it was problematic from the beginning. Based on the faith and credit of the state rather than conversion to gold and silver coin, all soon discovered that faith in the state's credit was really quite low. The law made its paper scrip legal tender only for state taxes and fees, and the state used them to pay its debts and salaries. The certificates could not be exchanged for specie so Eastern merchants and banks refused to accept them. There could be no general legal tender provision even within the state because of the Constitutional prohibition on states issuing bills of credit. Few merchants would accept them at face value, others took them but only at a steep discount, and others refused to

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<sup>37</sup> "On Saturday the 28<sup>th</sup>", Franklin *Missouri Intelligencer*, July 31, 1821.

accept them at all. They soon traded at a fifty percent discount, much worse than most of the paper currencies in circulation.<sup>38</sup>

The Loan Office had unintended consequences, for ironically those who were often blamed for the financial crisis, speculators, were the ones who profited from the state's attempt to bring relief to those suffering its effects. The certificates circulated at par for only a short time before they declined in value. As their value declined and interest accumulated, they became more valuable as investments than as currency. Financial speculators bought up the certificates at reduced rates, recognizing that eventually the state would have to redeem them at full value with interest if it was to maintain the public faith in its credit.<sup>39</sup>

In November, the General Assembly passed a special act authorizing a \$10,000 loan to a St. Louis partnership for building a flourmill. Another act authorized a loan for \$50,000 to build an iron works, but neither venture ever came to fruition. The state eventually issued over \$180,000 in Loan Office certificates before terminating the program in November 1822. Notes remained in circulation until the early 1830s when the last remaining certificates were retired.<sup>40</sup>

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<sup>38</sup> Franklin *Missouri Intelligencer*, "Notice", Aug. 7, 1821; "A Farmer of Howard", Aug. 14, 1821; "Notice", *St. Charles Missourian*, July 18, 1821; State of Missouri, *An act for the establishment of loan offices*, Ch. 313, (1821), *Laws of Missouri, Vol. 1, 1824*, 760-766.

<sup>39</sup> *Niles Weekly Register*, "The Paper System" No. II, May 2, 1818; State of Missouri, "An act for the establishment of loan offices", Ch. 313, (1821), *Laws of Missouri, Vol. 1, 1824*, 760-766.

<sup>40</sup> State of Missouri, *Loan Offices*, Ch. 369 (1822), *Laws of Missouri, Vol. 1, 1824*, 760-766; Governor John Miller, Address to the General Assembly, Nov. 16, 1830. *Messages and Proclamations of the Governors of Missouri.*, p.142-143; *Missouri Intelligencer*, Mar. 5, 1822; State of Missouri, An act to suppress the further emission of Loan Office certificates, Ch. 386 (1822), *Laws of Missouri, Vol. 1, 1824*, 940-941; State of Missouri, An act authorizing a loan to Nezhiah Bliss, for the purpose of aiding him in the establishment of Iron works within this state, Ch. 350 (1821), *Laws of Missouri, Vol. 1, 1824*, 822-825. W. J. Hamilton, "The Relief Movement in Missouri," *Missouri Historical Review*, 22 (Oct. 1927) 51-92: p 71, 86; Jackson *Independent Patriot*, Jan. 19, 1822, *St. Charles Missourian*, Jan. 24, 1822, *Missouri Intelligencer*, Mar. 19, 1822.

The legislature did not consider other proposals that would have even more forcefully interposed the state government between creditor and debtor. On June 20, Edmund Rutter of Cape Girardeau introduced a bill that called for the cancelation of all debts contracted after a certain date. The measure received one reading and by a vote of thirty-four to six did not receive a second. The fact that Rutter's proposal received only cursory consideration shows that legislators were willing to delay the operation of the market, but not to stop it from working altogether.<sup>41</sup>

Having passed the package of Relief Laws, the General Assembly proposed several amendments to the state constitution that were consistent with Governor McNair's calls for economy in government expenditures. Adopted only the year before, the Constitution set minimum executive and judicial salaries and also stipulated that they could not be reduced while in office. Therefore, to reduce them amendments were necessary, something McNair had proposed earlier. He also proposed eliminating the office of Chancellor, an antiquated concept made redundant by the increasing reliance on contracts and civil litigation. Chancery jurisdiction would then fall to the circuit and supreme courts. The amendments passed the legislature, but it was necessary to submit them to a vote in the next session before they would take effect.<sup>42</sup>

Having passed the Relief Laws, their supporters needed to protect them from judicial review. As had happened in other states, the laws would face certain challenge in the courts. Kentucky's battle over debtor relief left the state with two rival court systems,

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<sup>41</sup> *First General Assembly, 2<sup>nd</sup> Sess. House Journal*, p. 80.

<sup>42</sup> *Laws of Missouri*, Ch. 288, *An Act fixing the salaries of the officers of the state, and allowing certain contingent expenses*, 1820; *Missouri Republican*, July 17, 1822; *Jackson Independent Patriot*, Dec. 23, 1820; Gov. Alexander McNair, "Opening Address," June 4, 1821, *Messages and Proclamations of the Governors of Missouri*, p. 17-19; Jack W. Peltason, "Missouri Plan for Selection of Judges," *Masters Thesis*, University of Missouri, 1944, p.5-9.

and its legal affairs and state politics in chaos. Missouri's pro-relief legislators tried to avoid that outcome by seizing control of the state judiciary at the same time the laws became operative. Proposed amendments necessary to reduce judicial salaries also made it possible for the legislature to reduce their salaries at will during the judges' tenure of office. To avoid conflict with the Constitution, it was necessary to vacate all judicial posts before their salaries could be reduced, then re-appoint them with the consent of the Senate. In effect, the amendments were designed to give the legislature the power to punish judges for ruling against the relief laws without the trouble of an impeachment process. In doing so the relief supporters threatened to overturn the structure of power in Missouri state government.<sup>43</sup>

The proposed amendments also set up a challenge that could have potentially altered the balance of power within state government. As proposed, the House of Representatives would join the senate in giving advice and consent to the Governor on appointments to judicial postings and to executive offices. Because of the relative numbers in the House and Senate, the House would become the dominant branch of state government. As Speaker of the House Henry Geyer argued in a letter to the *Republican* in late July 1822, if a joint vote was required, the House would overwhelm the Senate by their numbers, effectively giving the House control of state government.<sup>44</sup>

As the regular session began in November, the relief faction expanded the laws, offering greater protection to debtors. To force Loan Office certificates into circulation,

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<sup>43</sup> Dangerfield, *The Era of Good Feelings*, 387-89; Charles G. Sellers, *The Market Revolution: Jacksonian America 1815-1846*, (New York: Oxford Univ. Press, 1991), p.169-171; Elizabeth Vanburkleo, "That Our Pure Republican Principles Might Not Wither," Ph.D. Diss., Univ. of Kentucky, date?; Also see Vanburkleo, "The Paws of Banks: The Origins and Significance of Kentucky's Decision to Tax Federal Bankers, 1818-1820", *Journal of the Early Republic*, 4 (Winter 1989); 457-487.

<sup>44</sup> "To the Voters," *Missouri Republican*, July 17, 1822; Edward Bates, quoted in *Missouri Republican*, June 5, 1822, in Jack W. Peltason, "The Missouri Plan for the Selection of Judges", Masters Thesis, University of Missouri, 1947, p. 6.

creditors were forced to wait up to two and a half years to collect unless they were willing to accept the paper scrip in payment. A minimum valuation law appointed a commission of local men to assess the value a debtor's property, and expanded the list of personal property removed from a creditor's reach. Debtors were also allowed up to three years to replevy, or recover, property seized and sold by the sheriff.<sup>45</sup>

Enacted to delay the negative effects of the commercial economy, the Relief Program had the opposite effect. As opponents argued, the Relief Laws interrupted the normal working of the marketplace. James Noble, a St. Louis store clerk described the effects of the new stay law and Loan Oplan to his father back in Vermont. "The legislature have passed the property or replevin law and no debts can now be collected except in loan office paper which sells for specie at one half." Some courts followed the new relief laws while others did not, leading to even further disruption in the marketplace. The relief laws came under the scrutiny of the state courts and judges in St. Louis, St. Charles and Cooper counties issued rulings that invalidated all of the Relief Laws.<sup>46</sup>

None was more vigorous in their opposition to the Relief Program than St. Louis County circuit judge Nathaniel Beverly Tucker, the ambitious youngest son of an old Virginia family whose fortunes had declined, but not their sense of social position. Frustrated with his lack of success and the democratic changes taking place in his native state, Tucker migrated to Missouri in 1816 expecting to recreate an idealized republican society. His talents and breeding, he believed, would put him among the patricians and his ambitions could be realized. Appointed to the bench in 1817 by acting Territorial

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<sup>45</sup> Missouri General Assembly, *Laws*, 2<sup>nd</sup> Session, 1821, p.74.

<sup>46</sup> James Noble to Nehemiah Noble, Jan. 17, 1822, Parker-Russell Papers, Box 1-2, Missouri Historical Society, St. Louis.



Governor Frederick Bates, Tucker considered himself intellectually and socially superior to the crude, often ill-trained lawyers he found on the frontier. He was well regarded as a jurist but his undisguised sense of superiority grated on some and he was passed over when delegates to the State Constitutional Convention were chosen. Tucker's opinion of himself was better suited to an earlier generation and the tidewater plantations of Virginia than the farms and small towns of frontier Missouri.<sup>47</sup>

From February to July 1822, in the cases, *Missouri v. William Carr Lane*, *Glasscock v. Steen*, and *Fulkerson v. Devore*, Tucker and other judges struck down the relief laws and the Loan Office program. The relief laws were counter to the Constitution's contract clause and the Loan Office certificates were bills of credit. Tucker described a society in which all confidence between men in the marketplace had been lost. "Confidence is utterly destroyed insomuch that no transaction is made on credit, and the few who might command the confidence of others, dare not trust their own resources."<sup>48</sup>

Tucker used James Madison's *Federalist* argument against paper money issued by several states during the Revolution and under the Confederation government. But in 1788 the popularly imagined political economy was still a republic of virtuous agrarianism rather than an aggressive commercial capitalism. Although Tucker was railing against the emerging market economy but the economy was central to the

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<sup>47</sup> Robert J. Brugger, *Beverly Tucker: Heart Over Head in the Old South*, (Baltimore: Johns Hopkins Univ. 1978). Chapters 1-3 give Tucker's family and personal history and his early career and ambitions in Missouri through statehood and the relief crisis.

<sup>48</sup> *Missouri v. William Carr Lane* St. Louis County Circuit Court, Feb. 1822, in St. Charles *Missourian*, Mar. 7, 1822; *Stephen Glasscock v. Enoch Steen*, St. Louis County Circuit Court, Mar. 1822, in St. Charles *Missourian*, Mar. 21; Apr. 4, 1822; *Isaac Fulkerson vs. Uriah J. Devore*, St. Charles County Circuit Court, July Term 1822, in *Missouri Republican* Sept. 18, 1822.

American republic but it was neither the economy nor the society that Madison and the founders had imagined.<sup>49</sup>

For men like Beverly Tucker, public morality seemed to be in tatters, as men and women embraced the commercial market economy. Rather than living lives of republican simplicity and independence, even on the frontier people wore fine clothes of imported cloth and sported foreign “gew-gaws.” Farmers took on debt and gave up their agrarian independence as they speculated in land. The republic still required virtuous men if it was to survive but the expansion of the commercial economy was changing the definition of virtue, from sacrificing one’s own interests for public good and rejecting materialism, to embracing self-interest and the consumerism of the market. To Tucker’s horror, some believed that the public good now required the state to intervene and come to the aid of its citizens when the market faltered.<sup>50</sup>

As the state courts struck down the relief program, the public debate shifted, to question the judiciary’s role in the commercial republic. Unsure of which courts would allow them to collect these small debts and which would force them to wait two and a half years, merchants were unsure where to turn, but also at the mercy of their own creditors. Some argued to end judicial review by state courts, limiting that power to the United States Supreme Court. Others argued that the legislature, as representatives of the people, should have sole power to decide whether laws complied with the constitution.

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<sup>49</sup> Clinton Rossiter ed., *The Federalist Papers*, No. 44 (New York: Penguin Putnam Books, 1999); Drew R. McCoy, *The Elusive Republics: Political Economy in Jeffersonian America*, (Chapel Hill: Univ of North Carolina Press, 1980); See also McCoy, *Last of the Fathers: James Madison and the Republican Legacy*, (New York: Cambridge Univ. Press, 1989). McCoy explores the competing versions of republicanism held by Jefferson and Madison and argues that the War of 1812 secured Madison’s “commercial republic,” and that, after leaving the presidency, Madison wrestled with how to adapt to the emerging democratic practices.

<sup>50</sup> *Missouri v. William Carr Lane* St. Louis County Circuit Court, Feb. 1822, in St. Charles *Missourian*, Mar. 7, 1822.

“Cincinnatus” argued that the judicial branch played a subordinate role among the three branches of government. To yield power would reduce the people to “crouching slaves” and result in a “perfect despotism.”<sup>51</sup>

The state elections in August 1822 were all about the relief program and Loan Office. Although support for the relief program remained, limited acceptance of the devalued notes and difficulty collecting debts caused support to wane over the past year. Some legislators who supported the relief laws in the previous sessions had changed their minds by the time the legislature met again in November. Henry S. Geyer had voted for both the Loan Office and relief laws but changed his position and stated his opposition to the relief laws, Loan Office and the constitutional amendments. Edmund Rutter of Cape Girardeau, who had proposed suspending debt collection, had to defend his record against charges that he had voted for the relief laws and Loan Office, despite the fact that he had voted for neither. Rutter won re-election but only with help from fellow legislators, Abraham Byrd, Robert English and William Dougherty, who published a statement attesting to Rutter’s opposition to the relief laws.<sup>52</sup>

Special elections in September and October held to fill vacant seats sent still more Anti-Relief candidates to the legislature. Capt. James McAllister of St. Louis County ran as an Anti-Relief candidate against Dr. James Nash for the senate seat vacated by the death of land speculator Elias Rector. McAllister stated his opposition to all of the constitutional amendments “except so far as to effect a reduction of salaries.”

Announcing McAllister’s victory, the *Republican*, which was representative of merchants

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<sup>51</sup> “Many Citizens,” “Cincinnatus,” St. Charles *Missourian*, May 16, 1822; “C.P.B.,” St. Charles *Missourian*, May 2, 1822.

<sup>52</sup> “To the electors of St. Louis County,” *Missouri Republican*, July 17, 1822; *Missouri Republican*, Sept. 18, 1822; Jackson *Independent Patriot*, May 4, July 27, 1822;

and had more often opposed the relief laws, called it a “complete triumph of the anti-relief ticket.”<sup>53</sup>

The *Republican*, representing St. Louis merchants, argued that republican virtue depended, not on rejecting the market economy, but on rejecting government interference in the marketplace. Combining republican simplicity with individualism and competitiveness, the paper built support for the repeal of the Loan Office and relief laws, and the defeat of the constitutional amendments. There were signs of returning prosperity - increased boat traffic on the river, new ventures in the mining district and the return of fur trading business – which were brought by the hard work, thrift, and a rejection of government interference. Retrenchment and economy were replacing “profusion” and once it became apparent that there was no easy fix people gave up chasing the “pot of gold” buried on their farms and instead returned to the “good old republican principle of leaving every man to work out his own way.” The “spirit of freedom” in America, argued the *Republican*, was defined as individualism in the marketplace where every man to rose or fell depending on his own “habits and efforts.”<sup>54</sup>

However, it is not accurate to say that all merchants were opposed to the relief laws or the Loan Office. The experience of John O’Fallon offers an example of how support for the relief program and Loan Office cut across occupational lines, as well as motivation for their support. It was he who spread rumors of Alexander McNair’s financial problems and his claims to use his office for his own relief and for the benefit of his creditors. O’Fallon had also once been a partner of Alexander McNair in a St. Louis Merchant firm. A nephew of Territorial Governor William Clark, O’Fallon used his

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<sup>53</sup> *Missouri Republican*, Sept. 18, Oct. 16, 1822.

<sup>54</sup> “For the Republican”, *Missouri Republican*, Sept. 4, 1822; “A True Picture,” Oct. 9, 1822, Oct. 16, 1822.

family ties to win government contracts to supply military garrisons on the frontier. He also did business in St. Louis, held interests in St. Louis banks, and speculated in frontier lands. O'Fallon's family ties gave him some advantage over his competitors but by no means insulated him from the vicissitudes of business. In July 1820 a keelboat loaded with merchandise sank, causing O'Fallon to incur a substantial loss. By January 1821 he confided to a friend that he had to "resort to every shift to maintain my credit." When elected to the General Assembly in a special election in November 1822, O'Fallon voted to maintain the Loan Office rather than see its demise.<sup>55</sup>

Popular opinion had swung against the relief laws and Alexander McNair called for the repeal of the relief laws when the General Assembly met in November 1822. McNair argued that the laws had been ineffective and were no longer necessary due to signs of economic recovery. Remaining legislative support is difficult to gauge because the repealing acts were done mostly without roll call votes. Duff Green, elected to the Senate, was almost alone in supporting the Loan Office program in that body. His resolution defending the Loan Office found only two supporters. Some support for the program remained in the House but the lower body also voted to end the relief program.<sup>56</sup>

In repealing the relief laws the General Assembly restored the law for imprisoning debtors. That practice remained on the books, however it was gradually falling out of use. Under territorial law debtors were never cleansed of their debts and their creditors could return endlessly until the debt was satisfied. Insolvent debtors were also required to

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<sup>55</sup> John O'Fallon to Gen. Thomas A. Smith, July 18, 1820, Jan. 22, 1821, Thomas Adams Smith Papers, f19, State Historical Society of Missouri Manuscript Collection; *House Journal, Second General Assembly*, p. 67-71; Kennerly, *Persimmon Hill*, p.33-35, John O'Fallon and Alexander McNair were partners for a short time in a St. Louis mercantile business.

<sup>56</sup> Governor Alexander McNair, *Second Annual Message, Senate Journal, Second General Assembly, 2<sup>nd</sup> Sess., 1822*, p. 6-12; *House Journal, Second Missouri General Assembly, First Sess. 1822-1823*, p. 25, 30, 34, 49, 67-71.

serve minimum time in prison but that also gradually eased as the laws changed to require their creditors to pay for their upkeep while incarcerated. Under the 1821 relief laws, the practice of imprisoning an insolvent debtor was for all practical purposes ended. Therefore, replacing the pre-1821 laws was more symbolic than practical.<sup>57</sup>

After ending the Loan office and relief laws, the General Assembly took up the proposed amendments to the constitution. The amendments affecting economy in state government passed unanimously in the House and Senate, removing the constitutional minimum salaries for the governor, and all judicial posts. Abolishing the office of Chancellor and transferring those duties to circuit court also passed by two-thirds in each chamber. Given the hard times, the legislature was probably eager to display a sense of economy and reduce the governor's salary. And considering the hostility to state courts engendered by their striking down the relief laws, the assembled representatives were probably even enthusiastic about reducing judicial salaries.<sup>58</sup>

While willing to practice economy in government, most in the legislature balked when it came to altering the balance of power within state government. Amendment ten which vacated all Supreme Court and Circuit Court benches passed both chambers with strong support but since the House would not have a voice in determining reappointment, the issue was reduced to only lowering judicial salaries. A resolution in the House called the judges to appear to offer opinions on their removal, and to hear reasoning for

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<sup>57</sup> Territory of Louisiana, *An act concerning insolvent debtors* (1807); *Supplementary to an act concerning insolvent debtors* (1808) *Laws of Missouri, Vol. 1, 1824*, (Jefferson City: W. Lusk and Son, 1842), 181-182, 202-203.

<sup>58</sup> *House Journal, Second Missouri General Assembly, First Sess. 1822-1823*, p. 67-71.

economy in government. Unspoken in the resolution was that the judges would likely have to defend their decisions striking down relief laws.<sup>59</sup>

Nominations for the vacant judicial posts remained contentious almost until the end of the session. Governor McNair refused to budge on his nominees seeing it as a challenge to executive power. The Senate, sensitive to public dissatisfaction, took its time approving the appointments and pressured McNair to offer at least some new nominees. “We have no judicial nominations before us,” an anonymous senator wrote. “There has been considerable excitement on that subject...and we are looking for a communication from the governor on the subject of judges. It is generally believed he will make no change in his nominations.” Faced with leaving the state with no court system or approving the governor’s appointments, the Senate finally approved all of them on the last day of the session. All of the judges resumed their posts except one. Nathaniel B. Tucker resigned immediately and was replaced by William Harper, who had been the state Chancellor until the amendments eliminated his office. With the Senate’s confirmation of the judges the relief program came to an end.<sup>60</sup>

Had the program been successful as Duff Green and its other supporters hoped? Court cases indicate that people were applying for relief under the laws. Comments in the less polemical opinions issued by state judges indicate that the laws were having an effect. And the fact that the Loan Office issued over \$180,000 in paper notes also show that people were clearly using both to their advantage. The Loan Office notes did not receive widespread acceptance but there are indications that the program was intended

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<sup>59</sup> Franklin *Missouri Intelligencer*, July 16, 1821; *Journal of the Senate, Second General Assembly, 1822-1823*, p.34-35; *House Journal, Second General Assembly*, p.55-56. 67-71.

<sup>60</sup> Franklin *Missouri Intelligencer*, Dec. 17, 1822, Dec. 31, 1822; A.J.D. Stewart, Bench and Bar in Missouri, (St. Louis: Legal Publishing Co., 1898) 235.

more to provide a means of paying taxes than of substituting for specie or other paper money.

Who benefited from the relief program? Some accused land speculators, including Duff Green, of sponsoring and supporting the relief laws. That was the case but given that Missouri was the frontier in 1821 and that many people came there for land, if speculators motives were not entirely altruistic, neither were they completely self-interested. The first debtor relief law protected only land from creditors. The Loan Office could loan up to one thousand dollars with land as collateral as compared to only two hundred for other property. Clearly the program was intended to protect land speculators, while offering only minimal protection to those with smaller landholdings. The debtor relief laws were later expanded later to include a wider range of property, thus expanding the protection to people with little or even no land.

Other writers have described the Loan Office as the most controversial part of the relief program. It would be hard to determine which element was most controversial. All elements of the relief program generated considerable controversy. The state's interference in private contracts, non-convertible paper currency, and an attempt at bringing the state court system under the control of the state legislature were intended to bring order to the new state's economy. Instead the measures produced something closer to chaos in the marketplace, the state's court system, and in state government. Letters and editorials printed that all of those things were indicate

Who supported the relief program and Loan Office? Some writers have portrayed the struggle as between debt-ridden farmers who favored easy money and debt relief, against merchants to whom they were indebted. My research has not born that out. There



was no split, either urban vs. rural, or farmer vs. merchant. As an example, consider two banquets that took place in Franklin shortly after the Loan Office and first relief laws were enacted. Both gatherings offered toasts to patriotism, virtue and the prospect of the future. Attendees at both meetings were a mix of attorneys, merchants, land speculators, local “mechanics” such as tanner, miller, and hatter, as well as several militia officers. Two partners in a local sawmill split their support, with one attending each banquet. However, one group applauded the legislators who had voted for the relief program, and the other vilified the same men.<sup>61</sup>

There may be some truth to the *Missouri Republican’s* analysis of the relief program’s supporters. Some were genuinely interested in offering relief from the hard times, allowing people time to recover without losing their farms and businesses. Others were speculators who had over-extended themselves and supported the relief laws to prevent their own bankruptcy. As evidence, consider that Duff Green and his partners lost some land to creditors, as well as to the state for taxes due. Merchant and trader, John O’Fallon was in debt due to losing the boatload of merchandise. Governor Alexander McNair, also a St. Louis merchant and land speculator, in his official statements seemed ambivalent to the relief laws and Loan Office, but was rumored to be deeply in debt, with his creditors threatening legal action to collect their due.<sup>62</sup>

Rather than being divided by occupation or locale, it is more likely that support for the Relief Program and Loan Office was based upon one’s connection to, and success or failure in the market economy. “A Farmer” blamed Missouri merchants, the “enemies”

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<sup>61</sup> Franklin *Missouri Intelligencer*, July 16, July 31, 1821; Jeffrey Adler, *Yankee Merchants and the Making of the Urban West: The Rise and Fall of Antebellum St. Louis*, (New York: Cambridge Univ. Press, 1991).

<sup>62</sup> Duff Green, Washington, D.C. to Abiel Leonard, Franklin, Missouri, Jan. 9, 1845, f 192, Abiel Leonard Papers; John O’Fallon to Thomas A. Smith, July 24, 1820, Jan. 22, 1821, f 20-21, Thomas Adams Smith Collection, State Historical Society of Missouri Manuscript Collection.

of the people who refused to accept the Loan Office certificates in payment while refusing to buy farmers' produce. They were alleged to be in league with eastern merchants who were only interested in draining hard money from the west. Even those who claimed to reject the materialism of the marketplace acknowledged that it would only be a temporary state. Since Missouri was still a developing frontier, there was no manufacturing of finished goods and it suffered under a colonial economic relationship with the eastern cities. Steamboats from Louisville, New Orleans and Pittsburgh arrived with "surplus merchandise." For those who acted against the public good, their actions were personalized. For the farmers and mechanics who had purchased their wares the market was an impersonal force that drew men in where they acted against their will, and without blame for their actions.<sup>63</sup>

What was government's proper role in the economy? The definition of virtue changed during the debates over the relief program. Before the relief crisis republican virtue was a rejection of "luxury and vice", often defined as conspicuous consumption or the seemingly constant evil of speculation. Republican virtue was by that definition excluded from the marketplace. After the relief laws were enacted and the state courts began to strike them down, the arguments changed. The argument that "evil men" would gradually usurp the people's liberty, supposes that evil men were those who would deny the small farmer and mechanic his place in the market square. Republican virtue was now defined as promoting equal access to, rather than rejecting participation in the marketplace. Government, the relief supporters argued, must be united in supporting success in the marketplace.<sup>64</sup>

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<sup>63</sup> St. Charles *Missourian*, May 23, 1822.

<sup>64</sup> St. Charles *Missourian*, May 16, 1822.

One outcome of the panic and relief crisis was an increased hostility to banks and paper money. There were valid reasons for not trusting banks and the opposition to banking was as much practical as ideological. Lacking capital the state would have to borrow money to fund a bank, creating an additional tax burden. Convertibility to specie gave banknotes currency therefore issuing notes with no specie behind them would not satisfy. Experience had shown that some men engaged in banking were corrupt and the laws were ill-defined, thus operators avoided prosecution for activities that would later be considered fraud. Despite provisions that banks must convert their paper notes into specie these were often dispensed with during hard times, and with state approval. The Loan Office was a political compromise that produced both of the perceived evils – non-convertible paper money and an additional tax burden. Missouri's legislature developed hostility to banking that was notable even in its time and it became the most controversial issue in state politics as emerging political parties struggled for control of this symbol and facilitator of the market economy. There would not be another bank chartered in Missouri until 1837.

The General Assembly's special session in June 1821 indicated that most people understood that the market economy prevailed. Alexander McNair's opening message appealed for time to develop the state's productive resources. It was not a call to remain a frontier in a colonial economic relationship dominated by eastern banks and merchant houses. There was one attempt to cancel debts after a given date and it received little support - one reading in the House and only four votes in support of continued debate. The House made domestic manufactures the order of the day with a large vote of support, but there was no ensuing debate on which items might be produced at home nor were

there any proposals to encourage people to produce them. The single attempt to encourage manufacturing was the proposed loan to start a commercial flourmill which never got off the ground because the Loan Office certificates were not acceptable in the marketplace.

But if the market did not function without interference, neither was the market to operate in a completely mechanical fashion. Governor Alexander McNair's messages often included calls for the legislature to provide encouragement to the economy. None of the newspapers used in this study carried an essay in opposition to these statements. Government's positive involvement in the market brought no complaint from anyone, at least publicly printed. But there was vigorous, if not universal, opposition when the state tried to restrain the operation of the market. When Duff Green asked, "Shall the sheriff take paper or ploughs?," he phrased his support for the Loan Office in terms of aiding those who had faltered in the marketplace. The purpose of state government then was not to guarantee a laissez faire economy but to set limits on its operation. Complaints arose when it seemed that some in the marketplace were taking advantage of those who had failed. Buying property at a sheriff's sale was to be branded a "speculator," always a negative term. The often-maligned speculator was often blamed for buying property at sheriffs' sales. Just who these speculators were is never clear. What is important is that many of the letters appearing in the public debate show that there was still opposition to a completely impersonal functioning of the market economy. Government was to guarantee not a free market but a fair market.

All parties in the struggle over relief laws used the rhetoric of morality. For those who claimed to reject the expanding market economy, "virtuous" citizens rejected

“luxury and vice.” Relief supporters accepted the market economy but argued that it was immoral for government to stand idle while so many of its citizens lost the means to compete in the market. Government acted morally by coming to the aid of its citizens in times of economic crisis. Their opponents who accepted that failure was part of the market economy, morality meant honoring one’s debts contracted in the marketplace and in the government’s non-intervention into private contracts.

Virtue and morality were necessary for a republic to survive but by the 1820s the virtuous agrarian republic had passed, if it ever existed. The United States was more like a commercial republic that was being replaced by democratic politics and a market that demanded self-interest. Both needed more than shibboleths of a mythical golden age. As the panic and following depression made clear, the market economy needed stable institutions to support its commerce: a system of banking that supplied credit and convertible currency to farmer and merchant alike, state governments that respected private contracts, and a new paradigm that decoupled morality from failure in the marketplace. As the struggle over Missouri’s relief laws made clear, that transition had not been fully realized.

## Chapter Two

*“The genius of prosperity...repairs the wreck of commercial storms”*: Missouri’s Bank War, 1828-1837

In early December 1828 the St. Louis *Missouri Republican* published a letter by a writer calling himself “Commerce.” The “genius of prosperity repairs with magical facility the wreck of commercial storms,” he claimed. The West had finally recovered from the depression that followed the Panic of 1819, the writer argued, and St. Louis was in a position to expand its commercial influence, challenging Pittsburgh, Louisville and Cincinnati for the commerce of the west. Prosperity” could also apparently make some men forget what many believed to be the source of those recent storms. “Commerce” was writing to argue for the establishment of a branch of the Bank of the United States, an institution many people blamed for prolonging the depression in the west. Senator Thomas Hart Benton even charged the Bank was a monster, ready to devour the entire western country. The Panic of 1819 left a bitter legacy of failed banks and failed attempts to control the vicissitudes of the market economy. Speculators were vilified in the press and people were chastised for succumbing to “luxury and vice.” Self-interest, some claimed, outweighed public virtue. The nation’s problems would be solved only when that imbalance was corrected. When prosperity returned a decade later some people - merchants such as Commerce - had managed to reconcile republican virtue with self-interest.<sup>1</sup>

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<sup>1</sup> “U.S. Bank”, *Missouri Republican*, Dec. 2, 1828; Sarah A. Kidd, “The Search for Moral Order: The Panic of 1819 and the Culture of Early America,” Ph.D. Diss., University of Missouri-Columbia, 2002. Kidd

Commerce argued that many people were ready to embrace the market economy and merchants needed the bank to make that happen. His letter differentiated between the “enterprising merchant” and one who is satisfied with smaller profits. Some merchants were content with low profits, he claimed, but there were others who wanted new opportunities and greater profits. Extending their business out into the countryside, they would find people just as eager to engage the market economy. “Our farmers do not want woolens and calicoes,” he argued. “They want money.” Unspoken was the fact that if the Bank located a branch there, it would be St. Louis merchants who sat on the board of directors and controlled access to commercial credit, denying it to their rivals. The branch Bank would give St. Louis merchants control of the expanding trade.<sup>2</sup>

St. Louis was rising to become a western commercial entrepot in the 1830s, in competition with Louisville and Cincinnati facilitated by the increased use of on western rivers. The first steamboat began operation on the Ohio River in 1817 and by 1830 there were 187 boats, totaling almost 30,000 tons of shipping operating in the West. Only six years later the number had more than doubled and steamboat tonnage in operation on western rivers continued to increase until the mid-1850s. As a consequence of the development and increasing use of steamboats, St. Louis was well-positioned on the

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argued that the search for order resulted in a less aggressive pursuit of self interest and the cultural acceptance of the market economy by the mid 1820s.

<sup>2</sup> U.S. Bank”, *Missouri Republican*, Dec. 2, 1828; Walter Buckingham Smith, *Economic Aspects of the Second Bank of the United States*, Dover Edition, 1993, (Cambridge, MA: Harvard Univ. Press, 1953), p.39; Ralph J. Catterall, *The Second Bank of the United States*, (Chicago: Univ. of Chicago Press, 1903); Smith and discuss Nicholas Biddle’s policy of appointing local men to the branch directories, with the cashier appointed from Biddle’s trusted Philadelphia circle. Local directors ruled on the access to credit, with the cashier under Biddle’s control from the home bank in Philadelphia.

Mississippi River near the confluence with other major rivers to become the center of western river-borne commerce before the Civil War.<sup>3</sup>

The American economy recovered slowly through the 1820s and regional economies gradually became more interdependent. The South opened new land for cotton production, the Northeast expanded manufacturing, and the west developed stronger ties to both. Improving transportation - the Erie Canal connecting the Great Lakes to New York City, and increasing use of steamboats on western rivers – was making it easier to engage the market economy. St. Louis merchants were in a position to take advantage by expanding trade networks into the countryside. Improved transportation however also brought threats to established trade networks as merchants in other cities of the west challenged existing routes, and trade was rerouted to the east via the lakes and Erie Canal, away from the Mississippi River.<sup>4</sup>

For St. Louis merchants bringing a branch of the Bank of the United States to their city was a means of maintaining control *in* the marketplace. The market economy could not be turned back and merchants needed the bank to maintain their city's position in the competition for western commerce. They understood that any state bank created by the legislature would also be controlled by that body, whose members outside St. Louis

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<sup>3</sup>Louis C. Hunter, *Steamboats on the Western Rivers: An Economic and Technological History*, Revised ed., Dover Publications, 1993, (Cambridge, MA: Harvard Univ. Press, 1949), p. 23-37, 43-52.

<sup>4</sup>Douglas C. North, *The Economic Growth of the United States 1790-1860*, Reprint, 1966 by W. W. Norton, (New York: Prentice Hall, 1961), p.182-192; George Rogers Taylor, *The Transportation Revolution* p. 334-338; Smith, *Economic Aspects of the Second Bank of the United States*, p.22-28, 32-36; Richard C. Wade, *The Urban Frontier: The Rise of Western Cities, 1790-1830*, (Cambridge, MA: Harvard Univ. Press, 1959), p.322-336; R. Douglas Hurt, *Agriculture and Slavery in Missouri's Little Dixie*, (Columbia, MO: Univ. of Missouri Press, 1992), p. 51-79; Glen E. Holt, St. Louis' Transition Decade," *Missouri Historical Review*, (July 1982), 365-382. Holt argues that, despite its relative lack of integration into the larger American economy, Missouri experienced a long period of depression that lasted until at least 1825. Factors that finally turned the economy around included the resumption of migration, increased tariffs on lead imports, the Indian trade and overland expeditions to Santa Fe; *Daniel Boone*, pseudonym, *Letters*, State Historical Society of Missouri, n.d.; "U.S. Bank", *Missouri Republican*, Dec. 2, 1828; "To Builders", *St. Louis Missouri Republican*, Jan. 17, 1828.



were mostly opposed to any bank. The alternative was to rely on out of state, or “foreign,” banks but that carried another problem. St. Louis merchants would then see their capital siphoned off by banking investors and groups of rival merchants in other cities who were their competitors in the marketplace.

But not everyone shared Commerce’s positive view of banking and the market economy. For some men it was a matter of taking control *of* the marketplace. Banks and paper money represented the changing economy and by controlling them, the market economy might be restrained. If the state was going to have another bank it must be controlled by the legislature to protect the people from the evils of banking – unsound paper money, fraudulent management and political corruption. Many political leaders in the Boon’s Lick region claimed allegiance to Andrew Jackson and the emerging Democratic Party, where opposition to the Bank of the U.S., and banking in general became a test of party loyalty. However the same men were also engaged in the market economy which they mistrusted. Planters and commercial farmers engaged in land speculation and sent a diverse mix of products to market in St. Louis and New Orleans. Others were merchants and businessmen of other sorts who facilitated engagement in the market economy for both producers and consumers. As people became more closely tied to local and distant markets they needed the credit and paper money banks provided. Despite the greater necessity, hostility toward banks only increased. It was an impossible position and a contradiction but one shared by many.<sup>5</sup>

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<sup>5</sup> James Roger Sharp, *Jacksonians Versus the Banks: Politics in the States After the Panic of 1837*, (New York: Columbia Univ. Press, 1970). Sharp argues that after the Panic of 1837 the Democratic Party’s “appeal ... was a ... warning against the increasing commercialization and vulgarization of American life,” which was represented by banks, (p.321-22); William G. Shade, *Banks or No Banks: The Money Issue in Western Politics, 1832-1865*, (Detroit, MI: Wayne State Univ. Press, 1972), *Studying the Northwest*, Shade argued that banking was the divisive issue in politics after the Panic of 1837 but ethno-cultural factors were more important in determining support for banks. Counties with higher proportions of residents from the

As the economy expanded in the late 1820s, St. Louis merchants established order in the marketplace in two ways. First, those with the financial means gradually extended commercial dominance over outlying communities. Second they were successful in bringing institutional banking and credit to the city, over which they were able to exercise some control. The branch Bank did not completely replace the existing system of personal relationships with merchants in other cities, nor the use of paper currency from banks in other states, but having access to, and at least nominal control over the Bank's considerable financial resources gave them an advantage over rivals. Having established control, the impending demise of the Bank of the United States threatened the recently established order. St. Louis merchants were then forced into a struggle with political and ideological rivals in the state legislature for control of the new state bank that replaced the Bank of the U.S.

The prosperity to which Commerce alluded divided the state between the growing economic power of urban St. Louis and the political power of the rural counties along the Missouri River known as the Boon's Lick. By the end of the 1820s St. Louis was a growing commercial center that was beginning to economically dominate Missouri's outlying counties, much of neighboring Illinois, and the upper Mississippi River Valley. Despite its economic importance St. Louis remained politically weak in state politics where the Democratic Party had large majorities. The state Democratic Party came to be

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Northeast were more likely to view banking positively; Harry L. Watson, *Liberty and Power: The Politics of Jacksonian America*, Rev. ed, 2006, (New York: Hill and Wang, 1990), p.132-171, Watson argues that political parties formed around economic issues including banking.; R. Douglas Hurt, *Agriculture and Slavery in Missouri's Little Dixie*, (Columbia, MO: Univ. of Missouri Press, 1992), Hurt shows that the counties lying along the Missouri River in Central Missouri were very early engaged in commercial agriculture using slave labor.

controlled by a small group of slave-owning planters and professional men in the Boon's Lick who maintained control of the party by means of a nominating committee.<sup>6</sup>

St. Louis became an opposition stronghold to the hard money, anti-banking ideals of the Boon's Lick Democrats. First identifying with the National Republicans and later the Whig Party, St. Louis never had the strength to overcome statewide Democratic majorities and functioned more as a pressure group than a political party. Always politically weaker than their rivals in the Boon's Lick, St. Louis merchants had to contend with the anti-banking sentiment prominent in state politics. That is not to say however that they were completely powerless. By exploiting divisions within the state Democratic Party, and with the help of pro-business and soft-money Democrats in St. Louis, merchants were able to effect specific policies. Changing deeply held perceptions of banking and eventually persuading the anti-banking faction to charter a state bank however proved most difficult.<sup>7</sup>

Attracting a branch of the U.S. Bank meant a boost to economic growth but it was also like playing with someone else's money. Because the Bank was capitalized with funds from private investors and the U.S. government, local businessmen did not have to invest anything in the branch to take advantage of its credit. Thus, local businessmen, even the whole state, bore little risk if the Bank failed (unlikely anyway), would get the facilities of the Bank with its deposit and credit operations, but without tying up their

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<sup>6</sup> John Vollmer Mering, *The Whig Party in Missouri*, (Columbia, MO: University of Missouri Press, 1967), p. 28-40, 70-85; Robert E. Shalhope, *Sterling Price: Portrait of a Southerner*, (Columbia, MO: Univ. of Missouri Press, 1971), p. 19-21; Christopher Phillips, *Missouri's Confederate: Claiborne Fox Jackson and the Creation of a Southern Identity in the Border West*, (Columbia, MO: Univ. of Missouri Press, 2000), p.79-80; Holt, "St. Louis' Transition Decade," 365-382.

<sup>7</sup> Mering, *The Whig Party in Missouri*, p.28-40, 70-85.

own capital, and equally important, without suffering the political fight that chartering a bank would entail.<sup>8</sup>

The St. Louis branch Bank opened in May 1829 as part of Bank President Nicholas Biddle's policy of expanding the Bank's business. The branches were under the control of the parent bank in Philadelphia and Biddle established a system to oversee the branch banks – sending trusted emissaries to each branch to serve as cashier, soliciting secret reports from local agents, and sending agents from Philadelphia to inspect books. Biddle's system and management were able to prevent most of the excesses perpetrated under his predecessors that contributed to the Second Bank's unpopular reputation. Control of the branch banks was however only nominal. Communication between parent and branch banks often took weeks, and although Nicholas Biddle and the central directors in Philadelphia personally approved all branch officers and local directors, they could not know all of the men and had to rely on the recommendations of others. Conducting business required that branch officers and directors have autonomy in approving the extension of commercial credit. Local merchants served the Bank but because they were subject to local politics and prejudices also served themselves and their social and commercial allies while denying or limiting access by local and regional rivals to the Bank's resources.<sup>9</sup>

The Bank of the U.S. through its branches facilitated western economic expansion and control of regional trading networks by St. Louis merchants. By the end of the decade St. Louis merchants were beginning to control the upper Mississippi River trading

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<sup>8</sup> John Ray Cable, *The Bank of the State of Missouri*, (New York: Columbia Univ. Press, 1923), p. 83-84; Smith, *Second Bank of the United States*, 22-28, 32-36.

<sup>9</sup> Catterall, *The Second Bank of the United States*, p. 377- 396; Thomas Ford, *History of Illinois from its commencement as a state in 1818 to 1847*. (Chicago, 1854), p. 176-178; Holt, "St. Louis' Transition Decade," p. 365-382.

region. One reason Commerce advocated bringing the Bank of the U.S. to St. Louis was to aid them in their competition with neighboring Alton, Illinois and to allow them to capture the trade with the northern lead mines near Galena, Illinois. St. Louis merchants also continued to supply military posts in the west, deal in furs and the Indian trade, and engage in overland commerce with Santa Fe.<sup>10</sup>

Recovery and prosperity brought more people to the city, and businessmen, mechanics and laborers alike searched for opportunity. In 1820 the population of St. Louis was estimated at only 5,000 people and it was described by some visitors as a crude place where hogs roamed at will, the streets were flanked by roughhewn wooden buildings. By 1830, the population was over six thousand and increasing rapidly and the city experienced a construction boom, as property owners built new warehouses, houses, apartment blocks and hotels to accommodate the increasing population and business activity.<sup>11</sup>

Among those arriving in St. Louis was John B. Camden, who moved to Missouri in the late 1820s. Camden was from Cambridge County Virginia but had lived in Mississippi where he and his cousins shared mercantile interests serving the expanding cotton frontier and supplying government Indian annuities. Camden was doing business in the Boon's Lick by 1827 before settling in St. Louis with his cousins and partners, Peter and Marbel, who found the city to be "the goingest [sic] place" he had ever seen. Steamboats crowded the riverfront, loading and unloading cargo while disgorging

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<sup>10</sup> Catterall, p. 377-403; Thomas Ford, *History of Illinois from its commencement as a state in 1818 to 1847*. (Chicago, 1854), p. 176-178; Holt, "St. Louis' Transition Decade," p. 375-381; Timothy R. Mahoney, *River towns in the Great West: The Structure of Provincial urbanization in the American Midwest, 1820-1870*. (New York: Cambridge Univ. Press, 1990), 112, 118-119, 123-125. 162-165, 198-202; Hunter, *Steamboats on the Western Rivers*, p. 315-317.

<sup>11</sup> Holt, "St. Louis' Transition Decade," p. 366, 375-381; Halvor G. Melom, "The Economic Growth of St. Louis, 1804-1848," Ph.D. Diss, Univ. of Missouri, 1947, p. 116-121.

passengers from all over the country. Merchants like the Camdens met western fur traders and mingled with eastern capitalists who were looking for new opportunities. By 1830 St. Louis was a likely place to find them.<sup>12</sup>

Letters between the Camdens and their family and business associates show that the partners established a mercantile operation in St. Louis in the early 1830s and maintained business ties with New Orleans through an agent who represented their commercial interests in that city. Using bills of exchange drawn on eastern merchant firms and banks, they purchased goods directly from firms in Philadelphia, Boston and New York and acted as wholesale suppliers to other merchants in outlying communities in Missouri and Illinois. Ownership in steamboats brought profits from transporting people and goods for other merchants. The Camdens owned stock in insurance companies, and John served as president and director of two St. Louis insurance companies, both of which did business insuring steamboats and their cargoes, thus profiting from and contributing to the commercial development of the city.<sup>13</sup>

Andrew Jackson's decision to veto the Bank's re-charter bill in July 1832 threatened the city's trading networks and regional economic position as well as

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<sup>12</sup> St. Louis *Missouri Republican*, Nov. 8, 1827; *Missouri Intelligencer*, Oct. 12, 1827, Feb. 1, 1828; Marbel Camden to unknown, 1834, in John Francis McDermott, "Dr. Brown's St. Louis," *Missouri Historical Review*, Jan. 1960: 247-249.

<sup>13</sup> John B. Camden to Peter G. Camden, June 1, 1834; Peter G. Camden to Marbel Camden, Manchester, MS, Dec. 15, 1838; F. S. Read, Mercer County, KY to Marbel Camden, St. Louis, May 22, 1837; A.P. Read, Stanford County, KY to Marbel Camden, Pontotoc, MS, Jan. 7, 1835; F.S. Read, Mercer County, KY to Marbel and Mary Camden, Pontotoc, MS, Jan. 26, 1836; F.S. Read, Mercer County, KY to Marbel Camden, St. Louis, May 22, 1837; Peter G. Camden, St. Louis to Marbel Camden, Pontotoc, MS; Indenture of Co-Partnership between John B. Camden, Marbel Camden and Peter G. Camden, Oct. 12, 1838; E.T. Ely, Mission St. Croix Falls to J.B. and Peter Camden, St. Louis, [n.d.], Case Family Papers, Missouri Historical Society, St. Louis; J.B. & M. Camden to Abiel Leonard, June 16, 1841, Abiel Leonard Collection, C1013, "Camden and Applegate," f.22, Lisbon Applegate Collection, C996, State Historical Society of Missouri Manuscript Collection; "Perpetual Insurance Company", St. Louis *Missouri Argus*, Aug. 2, 1839; Oct. 11, 1837, April 2, May 23, 28, 1840; "St. Louis Port List," *Missouri Argus*, Jan. 31, July 22, Aug. 2, 1839; State Historical Society of Missouri, Columbia, MO; Edwards and Hopewell, *Great West*, p. 136-139.

independence in the marketplace. When the branch Bank ceased operation some institution would take its place but the question was whose bank would replace it? Other state banks might fill the void, but given the inter-city economic competition a “foreign” bank would leave St. Louis merchants at the mercy of their competitors with hard money and stable paper currencies flowing out of their coffers. Good order and stability in the marketplace required a stable circulating currency. Unless a national replacement could be found, the reliable paper money issued by the Bank and its branches would disappear. Given the experiences during the Panic of 1819 however, it would be almost impossible to charter a state bank to replace Jackson’s nemesis without a change in political thinking. A fierce antagonism toward banks prevailed in Missouri therefore establishing a replacement for the Bank over which St. Louis merchants could exercise the same level of control was sure to prove difficult, if not impossible.<sup>14</sup>

Even before the Bank War began to play out in Congress banking began to divide Missouri state politics. In 1831 Congressman Spencer Pettis and Major Thomas Biddle, Nicholas’ brother, killed each other in a duel. After trading insults for some time, Biddle entered Pettis’ hotel room in the middle of the night and beat him severely with a whip. Waiting until after the state elections in August to seek satisfaction, Pettis met Biddle on Bloody Island in the middle of the Mississippi River, where both men were killed in an exchange of gunshots. Pettis’ death necessitated a special election to fill his now-vacant seat in Congress.<sup>15</sup>

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<sup>14</sup> President Andrew Jackson, *Veto Message Regarding the Bank of the United States*, July 10, 1832, [http://avalon.law.yale.edu/19th\\_century/ajveto01.asp](http://avalon.law.yale.edu/19th_century/ajveto01.asp)

<sup>15</sup> James Neal Primm, *Lion of the Valley, St. Louis Missouri*, (Boulder, CO: Pruett Publishing Co., 1981), p.140-142.

Two of the three candidates for the vacant seat were directors at the branch Bank in St. Louis. Fur magnate William H. Ashley, the eventual winner, favored re-charter and argued that the Bank was of benefit to the entire community, not just merchants. The Bank was “indispensible” to all citizens, no matter their occupation or standing. The local branch directors served without pay, he reminded readers. Their only recompense was a sense of civic duty and the benefit of the greater community’s growth. Every household was involved in the market economy, Ashley argued, not only those engaged in banking and commerce. The whole community would benefit from an orderly marketplace which the bank could provide.<sup>16</sup>

His strongest opponent, Attorney General Robert W. Wells, opposed the bank for its financial power over other banks, but also for what he regarded as the directors’ undue and even corrupt control of the local economy. Local directors, Wells charged, manipulated commodity prices, particularly lead, but also other goods landing on St. Louis’ bustling riverfront. By granting each other loans that were unavailable to others, directors bought up large quantities of lead at low prices, thus forcing the price up, where they sold all at a sizeable profit. The practice, Wells charged, would also be applied to other goods that craftsmen and mechanics needed for their trades. Directors also allegedly profited from loaning money from their personal fortunes. Prospective borrowers were turned away from the Bank’s coffers, but directors obligingly loaned

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<sup>16</sup> William H. Ashley, “To the People of Missouri,” *St. Louis Beacon* Oct. 6, 1831, Oct. 20, 1831; Richard M. Clokey, *William H. Ashley: Enterprise and Politics in the Trans-Mississippi West*, (Norman: Univ. of Oklahoma Press, 1980). See especially chapters 10 – 12. William H. Ashley narrowly defeated Missouri Attorney General Robert W. Wells for Congress in 1831, but went on to two more terms in Congress. Ashley broke with the Jackson supporters, in part over support for the Bank, but also for unknown personal rivalries. While claiming support for Jackson, Ashley supported policies of the National Republicans and later Whigs. Clokey argues that Ashley failed to unite the pro-bank Jackson supporters and commercially oriented opposition, due to his support for a positive-government philosophy and to obscure personal animosities between him and elements of St. Louis society.



them money at much higher interest rates. While Andrew Jackson feared the loss of political liberty on a national scale, Wells appealed to local craftsmen and mechanics, reminding them that liberty could be lost in an economic, and local, context as well.<sup>17</sup>

It would be easy to dismiss Wells' claims as election rhetoric however it is likely that he was accurate in his charges that the branch sometimes operated for the benefit of a few. The Bank was controlled by St. Louis business interests who were also representative of a regional social and economic elite. The Bank's first directors were all established merchants who were members of, or allied with the Creole elite in St. Louis. The directors included former Territorial Governor and U.S. Indian Agent, William Clark. His nephew John O'Fallon was branch president, and held profitable contracts supplying western Army posts. Pierre Chouteau was the scion of St. Louis' founding family who made their fortune in the western fur trade, land speculation and mercantile interests. Edward Tracy, married into a St. Louis Creole family, was a partner in an established St. Louis mercantile business who, like Collier, used partnerships with local merchants to extend their commercial influence. William H. Ashley had a reputation as an aggressive and innovative businessman and made a fortune in his own fur trading ventures. He had only recently and tentatively been admitted to that social circle. Politics, business and social connections were sometimes inseparable in early Jacksonian politics.<sup>18</sup>

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<sup>17</sup> St. Louis *Beacon*, Oct. 6, Oct. 20, 1831.

<sup>18</sup> Columbia *Missouri Intelligencer* Jan. 16, 1829, Jan. 29, 1830; Clokey, *William H. Ashley*, Ashley rationalized the fur trade, replacing expensive fixed trading posts with an annual trading fair. Chapter Seven covers Ashley's political identification and gradual alienation from the pro-Jackson camp; Edward Tracy was in Missouri by 1818 and operated a mercantile business, with interests in steamboats on the Missouri and Mississippi River and also acted as an agent for an eastern insurance company. Like George Collier, Tracy and his partner engaged in strategic partnerships with other merchants in outlying counties. St. Louis *Missouri Gazette*, Sept. 25, 1818, May 3, 1820; St. Louis *Missouri Republican* Dec. 28, 1826; Mering, *The Whig Party in Missouri*, p.28-29; Lewis E. Atherton, "James and Robert Aull – A Frontier

The Bank's greatest support in St. Louis came from the merchants who stood to lose when it departed, however supporters and detractors were not exclusively divided between the merchant community and those in other occupations. Two meetings in St. Louis in early August 1832 illustrate the similarities between the two groups. First, a group of merchants and mechanics gathered at the courthouse to protest Jackson's veto. Among the more prominent men were two directors of the branch Bank, Pierre Chouteau, Jr. and George Collier. Others included Asa Wilgus (merchant), Thomas Cohen (watch and clockmaker), Thornton Grimsley (saddlemaker), Robert H. McGill (merchant), and Nathan Ranney (publisher). Former speaker Henry S. Geyer and Edward Bates, were both prominent attorneys and active in politics. Not all men played such prominent political and commercial roles, but their occupations are notable when compared to their opponents who supported Jackson.<sup>19</sup>

The group's resolutions were published in the *Missouri Intelligencer*, a Boon's Lick newspaper supporting Henry Clay and the emerging Whigs. The *Intelligencer* claimed that Andrew Jackson had jeopardized the nation's prosperity and every man's chances in the marketplace. First, the meeting addressed constitutional issues. Chief Justice John Marshall had declared the Bank to be within the scope of the Constitution in *McCulloch v. Maryland*. Jackson's veto overrode the will of the people as expressed when both houses of Congress voted to re-charter the Bank. Second, the Bank was of

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Missouri Mercantile Firm," *Missouri Historical Review*, 30 (Oct. 1935), 3-27: p. 20-21, 24-26; William N. Chambers, *Old Bullion Benton, Senator from the New West: Thomas Hart Benton, 1782-1858*, (Boston: Little Brown, 1956). Chambers gives a breakdown of the political factions in St. Louis in the territorial period and early statehood. Territorial Governor William Clark, allied with the leading French Creole families formed the "Junto", a second faction known as the "Little Junto" formed by their opponents challenged their political and economic control. After statehood, a third faction within the Democratic Party known as the "Boonslick faction," successfully challenged the old guard and came to control state politics.

<sup>19</sup> "Public Meeting at St. Louis," *Missouri Intelligencer*, Aug. 4, 1832; Edwards and Hopewell, *Great West*, p. 344-45.

great utility to the nation as the government's fiscal agent. Third, the Bank was responsible for the nation's rising prosperity and the reliable circulating currency which it provided, and aided by restraining state banks from issuing excess amounts of paper money which led to bank failures. Finally, merchants believed that the nation as a whole had adopted the market economy. The people, claimed the resolutions, understood the Bank was "indispensably useful" to the "individual comfort of the western people."<sup>20</sup>

Rather than a threat to liberty as Jackson claimed, others argued that the Bank of the U.S. provided a more orderly marketplace and tried to change the popular perception of banks. The Bank restrained monetary inflation, easy credit, and the "disruption of local business" that came before and after a panic. The Bank was not to blame for the panic or failures, but instead it was due to individual decisions in business. By removing the concept of morality, banking, borrowing and lending were reduced to business decisions. While some would be enticed to overextend themselves with easy credit banks offered, the "solid capitalist" would not "overbalance...loss and credit." Bankers themselves were no longer "evil," but instead were likely to engage in "injudicious lending."<sup>21</sup>

The resolutions illustrated pro-Bank perceptions of engaging in the marketplace as opposed to their opponents. Aggressive pursuit of new market opportunities was no longer morally questionable speculation, they argued, but was instead something to be desired. If some men failed, that was between them and the bank directors. While some would be enticed to overextend themselves with easy credit, the "solid capitalist" would not be tempted to "overbalance...loss and credit." Bankers themselves were no longer

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<sup>20</sup> "Public Meeting at St. Louis", "The Veto", *Columbia Missouri Intelligencer*, Aug. 4, 1832.

<sup>21</sup> "U.S. Bank", *Missouri Republican*, Dec. 2, 1828; Public Meeting at St. Louis", "The Veto", *Columbia Missouri Intelligencer*, Aug. 4, 1832.

“evil” or immoral, but instead were more likely to engage in “injudicious lending.” And what if some men did become bankrupt? “That is a matter between him, the Bank, and its directors,” Commerce answered. Furthermore, the community might even benefit from their “unfortunate experience.” Rather than a moral failing, the possibility of failure was reduced to a mere business decision.<sup>22</sup>

Whether from experience in the Panic of 1819 or identification with emerging political parties, for many people Andrew Jackson’s message of displaced republican virtue resonated and they found no contradiction in engaging the market economy while calling for the end of the Bank of the United States. The political rhetoric directed at the Bank only served to increase their hostility to all banks. Two weeks after the pro-bank meeting at the St. Louis court house another group met to express support for Jackson’s anti-bank policy. The men at this meeting are hard to distinguish from their opponents. Many of the men were active in Democratic politics and several were merchants. Others were professionals such as attorneys, one doctor, and some held positions in the federal bureaucracy. Three were merchants and one operated a brewery. Edward Dobyms, a partner in the merchant firm of Dobyms and Wimer, would later serve as one of the first directors of the state Bank of Missouri. They believed that the Bank was a threat to the nation’s political liberty and that took precedence over everything else.<sup>23</sup>

The marketplace was expanding and merchants in St. Louis began to extend their control to outlying regions of the state. St. Louis merchant George Collier is an example of how that extension and control was achieved. Collier was heavily involved in the lead

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<sup>22</sup>“U.S. Bank”, *Missouri Republican*, Dec. 2, 1828

<sup>23</sup> Edwards and Hopewell, *Great West*, p. 344-45; “Dissolution of Partnership, Dobyms and Wimer,” St. Louis *Missouri Argus*, July 4, 1839, Hans Smith and Wm. T. Wood, “Report of Committee of Examination,” Nov. 25, 1840, f. 36, John Sappington Papers, 1803-1887, State Historical Society of Missouri Manuscript Collection.

trade and as one of the branch Bank's first directors received its benefits. Beginning with a dry goods store in St. Charles he survived the Panic of 1819 with his reputation and his credit intact. By 1828, Collier had relocated to St. Louis where he began operating on a much larger scale, trading in lead, a business described as "quite speculative." He was appointed to the board of directors for the Bank of the U.S. in St. Louis and soon became one of the city's largest merchants, with several steamboats plying the River between St. Louis, New Orleans and the lead mines at Galena, Illinois.<sup>24</sup>

Collier operated on a large scale through strategic partnerships and by edging out rivals. In a partnership with Peter and Joseph Powell, Collier and Peter each put up \$25,000 to buy merchandise for a dry goods store, and each loaned Joseph half that amount for his share of the firm. Collier functioned only as an investor, leaving the operation to his partners, receiving one-third of the profits. In addition, Joseph Powell was responsible for the day to day operations of another business in which Collier was a silent partner.<sup>25</sup>

Collier was a shrewd businessman who took opportunities when presented. An example is the contract with Joshua N. Robbins of Troy in Lincoln County. The village languished as a backwater until 1829 when it became the new county seat. Robbins was the community's first merchant, and one of the town's proprietors and stood to profit from the town's growth. Instead he fell into debt to his wholesale supplier - Collier.

Rather than collect through the court system, Collier seized the opportunity to extend his

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<sup>24</sup> St. Louis *Missouri Gazette*, June 12, 1818; *Missouri Republican*, Nov. 18, 1828; Oct. 28, 1828; *Missouri Intelligencer*, Jan. 16, 1829; T. Cadwalader, *Petition for a Branch Bank in St. Louis*, Mar. 17, 1827, Cable, *The Bank of the State of Missouri*, 82-83.

<sup>25</sup> *Indenture of co-partnership between George Callier, Peter Powell and Joseph Powell*, Oct. 21, 1828, Snow-Wherry Papers, Box 2, file 16, St. Louis Mercantile Library, University of Missouri-St. Louis; St. Louis *Missouri Gazette*, Sept. 1, 1819; St. Louis *Missouri Republican*, Aug. 13, 1823, Oct. 28, 1828; *History of Lincoln County, Missouri From the Earliest Time to the Present*, (Chicago: Goodspeed Publishing Co., 1888), p. 431-432.

commercial network and make a profit at minimal risk. He cancelled Robbins' debt in return for his existing stock of goods, but more importantly, in return for acting as the exclusive wholesale supplier to the local merchant in future business.<sup>26</sup>

Collier used the agreement to minimize his own risk while transferring most to Robbins. Rather than act as a commission merchant, Robbins bought the merchandise outright paying Collier one-third in advance. Robbins also paid shipping from the city of origin, usually New Orleans or Pittsburgh. He paid Collier with bills of exchange purchased on eastern cities, a more secure form of commercial paper, rather than with a personal note, a sometimes-risky form of payment. Collier further reduced his risk by prohibiting Robbins from selling goods on credit, and also prohibited him from accepting personal notes in payment.<sup>27</sup>

George Collier's agreement with Joshua Robbins seems controlling and self-serving. But consider that Collier was not obligated to cancel a debt. He probably saw it as a choice between receiving only a portion of his debt, and the possibility of greater, though longer-term profits from the town's growth. Joshua Robbins was not obligated to buy any certain quantity of goods. He alone took the risk in assessing local market conditions and ordering his year's supply of goods accordingly. In return, he received the benefit of Collier's ability to purchase in distant supply centers, while still having the opportunity to profit as the community grew, and in proportion to his skills as a businessman.

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<sup>26</sup> *History of Lincoln County, Missouri From the Earliest Time to the Present*, (Chicago: Goodspeed Publishing Co., 1888), p. 431-432.

<sup>27</sup> *Memorandum of Agreement between Joshua N. Robbins and George Collier*, n.d., Box 1, f11, Snow-Wherry Family Papers, Mercantile Library, St. Louis. The use of personal notes, and their transfer to third parties, created potential problems for merchants. Should one of the signers fail, creditors often sued everyone in the chain of endorsement to collect their due. Merchants took steps to limit their exposure to such events. George Collier's partnership agreements are good examples; See Bruce K. Mann, *Republic of Debtors*, for the pitfalls of personal notes.

Collier also extended his commercial influence into the Boones Lick region where he made political as well as commercial alliances through a partnership with William F. Dunnica of Fulton and James D. Head of Columbia. Both men were active in state Democratic politics, and were lesser entrepreneurs in their own right. Dunnica was a merchant, land speculator and partner in a newspaper. Collier later secured a position for him as clerk at the Bank of the U.S. in St. Louis. James Head had similar business experience, and in addition to his business with Collier, was a partner in mercantile and land speculations with the Glasgow family of St. Louis, as well as having family ties to other prominent men in state politics.<sup>28</sup>

When the Bank of the U.S. finally ceased operation creating another national bank was impossible in the existing political climate. The alternatives were to attract a bank from another state, or to secure a charter through the state legislature. Either way, St. Louis merchants stood to lose control of local banking. An out of state, or “foreign” bank, would be controlled by other commercial and political interests. A bank chartered by Missouri’s own legislature would most likely be dominated by members of that body, many of whom had taken Andrew Jackson’s anti-bank message to heart and extended that ideology to all banks.

Attempts to charter a state bank that would replace the branch Bank showed that the merchants’ views of banks and the market economy were not universal. In his final address to the General Assembly in November 1832, outgoing Governor John Miller proposed a state replacement for the branch Bank. Miller’s proposed bank was nothing

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<sup>28</sup> *Missouri Intelligencer*, July 1, 1820, Aug. 5, 1820, Feb. 29, 1828, Feb. 20, 1829, May 4, 1830; *St. Louis Missouri Argus*, Sept. 16, 1836; Columbia, *Columbia Statesman*, May 5, 1854, Mar. 25, 1876.; George Collier to Abiel Leonard, Aug. 14, 1837, f106, Abiel Leonard Papers, State Historical Society of Missouri Manuscript Collection; *History of Howard and Cooper Counties*, Missouri. (St. Louis, 1883), p. 56, 206, 234, 289, 436-439.

more than a safe place to invest the state's internal improvement and school funds while keeping the money within the state and under the control of the legislature. He included private investors, but only as stockholders rather than active participants in the management of the bank.<sup>29</sup>

There was little support for Miller's proposal or any state bank in 1832. Governor Daniel Dunklin elected in 1832 supported Andrew Jackson and his fight to kill the Bank of the United States and worked privately to kill Miller's proposal. Dunklin arrived in Missouri in 1810, settling in the mining district southwest of St. Louis where he kept a tavern and had interests in lead mining. Dunklin served in the territorial militia during the war and started his political career as county sheriff in 1815. Elected to the state legislature in 1824, and to the Lt. Governor's office in 1828, he defeated Henry Clay supporter Dr. John Bull in the race for governor four years later. Dunklin believed that the U.S. Constitution did not permit Congress to create corporations, and for the Bank to establish branches at will while their assets were beyond taxation violated the separation of powers between states and the federal government.<sup>30</sup>

Throughout his term in office, Daniel Dunklin's official messages acknowledged the need for a state bank but favored one owned by the state rather than by private interests. Bank charters, he believed, unfairly shielded stockholders from liability for the bank's actions, particularly redeeming note issues. Any new bank should be limited to providing specie to serve as a circulating medium, and providing a means of securely

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<sup>29</sup> Governor John Miller, *Third Biennial Address*, Nov. 20, 1832, in Floyd C. Shoemaker, *Messages and Proclamations of the Governors of the State of Missouri*, Vol. I, (Columbia, MO: State Historical Society of Missouri, 1922), p.167-168.

<sup>30</sup> F. F. Stephens, "Daniel Dunklin," in Leopard and Shoemaker, *Messages and Proclamations of the Governors*, p. 219-224; Gov. Daniel Dunklin, "Inaugural Address," Nov. 22, 1832, *First Biennial Address*, Nov. 18, 1834; *Message to the Senate*, Jan. 14, 1835, in *Messages and Proclamations of the Governors*, Vol. I, p. 227, 242-244. 293-296; James R. Sharp, "Gov. Daniel Dunklin's Jacksonian Democracy in Missouri," 1832-1836," *Missouri Historical Review*, Apr. 1962, 217-229; p. 218-220.



investing state funds intended for schools and internal improvements, but should not be empowered to issue paper money. Dunklin believed a note-issuing bank was inherently unsafe and too risky for public funds. The community, Dunklin argued, “must be made safe from imposition.”<sup>31</sup>

The House Ways and Means Committee, led by John Thornton, a miller and distiller from far-western Clay County, proposed a conservatively run state-chartered bank that was a mix of state and private ownership. Thornton argued that if the state established a bank immediately it would allow time to instill confidence in the public before the Bank of the U.S. ceased operation. While Daniel Dunklin and many others feared the use of paper money, Thornton and the committee argued that it was simply not realistic to return to the use of specie as a circulating currency while other states were issuing large amounts of paper money. A conservative note-issue policy, Thornton argued, would instill confidence in all who received the bank’s notes. Businessmen, farmers and urban workmen alike would benefit from the bank’s ability to control the flood of paper money soon to wash into the state.<sup>32</sup>

The Senate refused to even take up the proposal citing a lack of public interest. Senator Benjamin Reeves of central Cooper County in the Boone’s Lick region illustrates the fact that banking in the state was not always fixed by political identification or occupation. Reeves was a merchant and trader who engaged in long distance commerce with Santa Fe but was reticent about creating a state bank. Business with the northern

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<sup>31</sup> Gov. Daniel Dunklin, *First Biennial Address*, Nov. 18, 1834; *Message to the Senate*, Jan. 14, 1835, in *The Messages and Proclamations*, Vol. 1, p.242-244. 293-296.

<sup>32</sup> *Missouri House Journal, 1832-33, First Session*, p.257-262; *St. Louis Missouri Gazette*, June 20, 1821; *Missouri Republican*, Oct. 21, 1828, Col. John Thornton was a Clay County miller and distiller who had served various capacities in state politics including several terms in the House of Representatives, Speaker of the House, and on a commission to relocate the state capitol. He received support from Thomas Hart Benton in his unsuccessful bid for Congress in 1831.

Mexican province was conducted using specie rather than paper currency. Reeves acknowledged the need for a reliable circulating currency but did not trust the combination of public and private ownership and management. “The U.S. Bank... is shortly to disappear & some...currency [is necessary],” he wrote. Despite the impending loss of the Bank’s stable currency, Reeves could not support Thornton’s proposal. “I cannot feel friendly to this...bank,” he wrote, “unless I should desire public loss and individual gain.” Reeves voted against other proposed state banks but put his name to a resolution in 1834 appealing to Congress to re-charter the Bank of the United States.<sup>33</sup>

Who would control the bank and, as Benjamin Reeves worried, protect the public from the greed of private men? Conversely, how would the bank attract investment capital and protect investors from the ill-management of state-appointed directors who would be more interested in restraining the bank than attending to the interests of merchants? Thornton’s committee proposed a mix of state and private control, with five directors appointed by the legislature and eight chosen by private investors. The bank’s president would be selected by a joint vote of the General Assembly. Such an arrangement, Thornton argued, would make the bank viable to investors, and at the same time protect them from “the inroads of party excitement.” The bank was nearly a duplicate of the branch Bank, with one important exception - St. Louis merchants would have to share control of the state’s single public bank. The legislature would be able to influence bank policy by appointing five of the thirteen directors, as well as electing the president. Controlling the bank therefore would be a means of controlling, or at least

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<sup>33</sup> Benjamin H. Reeves to Abiel Leonard, Dec. 6, 1832, f. 63, Abiel Leonard Papers, State Historical Society of Missouri Manuscript Collection.

influencing, the marketplace. As events would prove, Thornton's wish would prove futile and the state bank would become one of the most hotly debated issues in state politics.<sup>34</sup>

Comments by Governor Daniel Dunklin and Benjamin Reeves indicate that many people still conceived of the market economy and the public interest as two separate entities. Both men were engaged in the market economy and both acknowledged that the economy was expanding and banks were a necessary part of that process, but neither man could conceive of a safe state banking system using paper money. Dunklin had constitutional objections, but also insisted that bank shareholders be held individually responsible for each banknote issued in the event of failure. Reeves did not trust that a state run bank could be run for the public good without unfair individual gain. Such thinking defeated several attempts at creating a state bank for the next several years.

The state bank debates sharpened political divisions and reflected a growing divide between the "commercial community" of St. Louis and the outlying counties. In St. Louis, merchants organized the Chamber of Commerce to facilitate business by bringing merchants together and to arbitrate disputes. The *Missouri Republican*, formerly an ad sheet filled with names and merchandise lists, funded by merchants in the Chamber of Commerce, emerged as the leading Whig newspaper, supporting the Bank of the United States but opposed to a state bank. First meeting in the offices of the *Republican* as a debating club, the Chamber organized in 1827 but did not formally charter until 1837. Merchants in the Chamber were opposed to the hard-money policies of the Democratic Party. As the contest over banking became more heated in the early

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<sup>34</sup> *Missouri House Journal, 1832-33, First Session, p.257-262.*

1830s, the organization took on a greater political function, using the pages of the *Republican*, to support Whig candidates to the state legislature and Congress.<sup>35</sup>

Banking was the issue that divided state politics but the real issue was control of the marketplace. As Andrew Jackson's battle with the Bank of the United States played out in Washington, political positions in Missouri shifted. Those in Missouri politics who had denounced the Bank as dangerous to liberty became some of the most vigorous advocates for a state bank. One writer charged that Senator Thomas Hart Benton controlled Democratic politics in the state. However, the rising political power in the state was not Benton, but the small group of Democratic Party leaders in the Boon's Lick region known variously as the "Central Clique" or "Boon's Lick Democracy." The group comprised several professional men, planters, and merchants who controlled the state party through a nominating committee. They styled themselves Jeffersonian Republicans, and supported Jackson, Benton and hard money. With the support of similar minded men in St. Louis, they began working to create a state bank and to draft legislation that would force paper money from the state.<sup>36</sup>

The St. Louis merchants who saw the greatest benefit from the branch Bank became the leading opponents of a state bank because they understood that they would not be in control. In early December 1833, an editorial in the *Republican* reminded readers that those who had earlier denounced the Bank of the United States and paper money were now the most vigorous proponents of a state bank. A writer calling himself

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<sup>35</sup> E.D. Kargau, *Mercantile, Industrial and Professional St. Louis*, (St. Louis: Nixon-Jones Publishing Col, 1902), p. 92-96.

<sup>36</sup> *A State Bank*, *St. Louis Missouri Republican*, Dec. 10, 1833; Letter from John J. Lowry to Abiel Leonard, in Jefferson City, MO, *Jeffersonian Republican*, Aug. 26, 1836; Shalhope, *Sterling Price*, 18-26; *Call of the Legislature*, *St. Louis Missouri Republican*, Dec. 3, 1833; "The demand for money in eastern cities...", *Missouri Republican*, Jan 10, 1834, "Eastern News", Jan. 23, 1834.

“O” argued that a certain class of merchants understood the need for banks, but the “poor and middling classes” had been persuaded otherwise by the “slavish discipline of political party.” Given the state’s political structure, any state bank would most likely be “established for party purposes and managed on party principles.”<sup>37</sup>

Because of the Boon’s Lick faction’s anti-bank politics, St. Louis merchants feared losing control of any new bank chartered to the passions of party politics. But despite their political domination the Boon’s Lick and their allies in St. Louis still needed their pro-banking opponents. As the state’s commercial center and the growing entrepot for the upper Mississippi Valley, much of the state’s investment capital resided in St. Louis. “O” argued that the economy had grown past the stage where gold and silver were adequate as circulating currency, therefore a bank was necessary. Any state bank would need the city’s “prudent capitalists” in order to be viable. In late 1833 prosperity was still rising but wait a year, “O” argued, and political change would become easier as people felt the effects of Jackson’s ill-conceived policies. As “O” alluded, capitalists, merchants large and small, mechanics, planters and farmers, whether supporting the bank or not, were all inextricably tied to the market economy that it represented.<sup>38</sup>

The impending demise of the bank provided an added impetus to charter a Missouri state bank. After Andrew Jackson ordered the federal deposits removed from the Bank and distributed to state banks Nicholas Biddle ordered the parent Bank in Philadelphia to restrict credit in order to protect its remaining specie reserves. Jackson’s

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<sup>37</sup> *A State Bank*, St. Louis *Missouri Republican*, Dec. 10, 1833; Letter from John J. Lowry to Abiel Leonard, in Jefferson City, MO, *Jeffersonian Republican*, Aug. 26, 1836; Shalhope, *Sterling Price*, 18-26; *Call of the Legislature*, St. Louis *Missouri Republican*, Dec. 3, 1833; “*The demand for money in eastern cities...*”, *Missouri Republican*, Jan 10, 1834, “*Eastern News*”, Jan. 23, 1834.

<sup>38</sup> Excerpt from Daniel Dunklin campaign speech, June 25, 1832 in St. Louis *Missouri Republican*, Dec. 3, 1833; *A State Bank*, St. Louis *Missouri Republican*, Dec. 10, 1833.

political enemies in Congress advised Biddle to curtail credit even farther in order to show the economic effect of losing the Bank. Whether Biddle restricted because of their advice or as a matter of sound banking, the nation's prosperity was interrupted in early 1834 and he and the Bank received the blame. The branch banks were forced to contract also and by February 1834, the St. Louis branch had reduced its loan discounts by over \$350,000, a significant amount when its annual business was estimated at \$500,000. The Bank continued to do business, purchasing bills of credit on eastern cities, but by late 1834 it was difficult for local merchants to obtain loans. George Collier advised Abiel Leonard, an attorney who handled his legal business in the Boone's Lick, that the branch had reached its limit, and it would be impossible to get a loan unless the parent Bank were able to secure a new charter, an unlikely prospect, he believed.<sup>39</sup>

St. Louis merchants did not completely lose control of institutional credit as the Bank of the United States reduced its business. In May 1835 the St. Louis branch closed and transferred its accounts and business to the Cincinnati Commercial Agency. The agency was a branch of an Ohio bank that had received federal deposits as one of the so-called pet banks, and contracted with the Treasury Department to take over government business in several western states. The Ohio bank used methods similar to those adopted by Biddle in managing branches. Local merchants, some of whom had served Biddle's branch Bank, were appointed to executive positions and to the board of directors, while

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<sup>39</sup> Nicholas Biddle to Samuel Breck, Mar. 1, 1834, Biddle to Charles Hammond, Mar. 11, 1834, Biddle to Samuel Jaudon, Mar. 11, 1834, James W. Webb to Biddle, Mar. 18, 1834, Biddle to S. H. Smith, Apr. 2, 1834, Apr. 11, 1834, in Reginald C. McGrane, ed., *The Correspondence of Nicholas Biddle dealing with National Affairs, 1807-1844*, (New York: Houghton Mifflin Co., 1919), p. 224-230; Peter Temin, *The Jacksonian Economy*, p.59-63; Thomas Payne Govan, *Nicholas Biddle Nationalist and Public Banker, 1786-1844*, (Chicago: Univ. of Chicago Press, 1959), p. 236-259; John M. McFaul, *The Politics of Jacksonian Finance*, (Ithaca, NY: Cornell University Press, 1972), p. 30-32; "The Curtailment", *St. Louis Missouri Republican*, Feb. 13, 1834; George Collier to Abiel Leonard, Oct. 7, 1834, Abiel Leonard Papers, State Historical Society of Missouri Manuscript Collection; Catterall, *Second Bank of the United States*, p.314-331.

the main bank sent a trusted cashier. John O'Fallon served as president of the Agency and other city merchants sat on its board of directors. Thus, St. Louis merchants maintained institutional credit, controlled by themselves, and without the interference of the state legislature, however they profits from the agency's banking business flowed out of the city to Cincinnati.<sup>40</sup>

Calls for Missouri's own state bank began within months of Jackson's veto message in September 1833. Newspapers across the state published accounts of public meetings with resolutions as early as February 1833. St. Louis was divided on the issue with some merchants circulating a petition calling for a state bank and others circulating a petition to bring a branch of the Bank of Pennsylvania, Biddle's post-veto incarnation of the Bank of the U.S. The pro-Jackson St. Louis *Advocate*, called for a special banking session. The *Missouri Intelligencer*, an Opposition newspaper located in the Boone's Lick opposed any state bank, instead advocating a new charter for the Bank of the U.S. At Palmyra in northeastern Marion County on the Mississippi River, a public meeting supported a special legislative session to charter a bank. Marbel Camden observed a "banking mania" across the state. Benjamin Reeves commented in 1834, "last year all banks were dangerous to civil liberty, this year they are indispensable." Mercantile interests, Whigs and Democrats alike, were unwilling to surrender control of the bank to those who mistrusted all banks and would surely institute tighter monetary and credit policies. Others feared the bank itself and the paper money it would issue. Both feared losing their sense of control over the marketplace.<sup>41</sup>

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<sup>40</sup> "New Bank Arrangements," *Missouri Republican*, May 5, 1835;

<sup>41</sup> Booneville *Missouri Intelligencer*, "Roman", July 7, 1832, Aug. 27, 1832, Feb. 2, Nov. 16, Nov. 23, Nov. 30, 1833, "Public Meeting, Palmyra, Mo, 9 Oct. 1833," St. Louis, *Missouri Republican*, Nov. 22, 1833; William H. Lyon, *The Pioneer Editor in Missouri, 1808-1860*, (Columbia, MO: Univ. of Missouri

While Missouri's politics divided over banking and Governor Daniel Dunklin passively waited for the day when the state would "take its place among the greatest" of the Union, the Illinois state government embarked on an aggressive program of internal improvements, including a state bank. A canal connecting Lake Michigan to the Mississippi River, navigation improvements on several rivers and a planned network of railroads would extend the market to every corner of the state. Foreign investors seeking profits in the American economic boom bought Illinois State bonds which provided enough capital for the projects to commence. The bank located in the new state capitol of Springfield provided merchants with credit to expand their commercial networks and issued paper banknotes enough for everyone to participate in the rising prosperity. It seems impossibly ambitious but the program reflected the prevailing prosperity of the times as well as the expectations for the future that were pinned to the market economy.<sup>42</sup>

The new Illinois bank presented merchants in Alton with an opportunity to challenge their commercial rivals in St. Louis. The merchant firm of Godfrey, Gilman and Company of Alton and a group of investors in Illinois led by Cincinnati capitalist Samuel Wiggins used fictitious purchases to avoid state limits on individual stock ownership in order to control the bank. An investigation would later reveal that the sixteen men involved secretly owned over eighty percent of the fourteen thousand shares

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Press, 1965), 65-66. "The people do not need another experiment." Booneville *Missouri Intelligencer*, Dec. 8, 1832.

<sup>42</sup> Gov. Daniel Dunklin, "First Biennial Address", Nov. 18, 1834, in Leopard and Shoemaker, *Messages and Proclamations*, Vol. I, p. 229-259; "State Bank of Illinois", *Missouri Intelligencer*, May 9, 1835, "More Bank Arrangements", Nov. 21, 1835; "The Herald says...", St. Louis *Missouri Argus*, Nov. 13, 1835; F. Cyril James, *The Growth of Chicago Banks*, Vol. I, (New York: Harper Bros. Publishing, 1938), p. 83-92; Ford, *History of Illinois*, 176-77; Mahoney, *River Towns in the Great West*, 124-125; Fred R. Marckhoff, "Currency and Banking in Illinois before 1865," *Journal of the Illinois State Historical Society* (Autumn 1959), 365-418: 374-77; John Denis Haeger, *The Investment Frontier: New York Businessmen and the Economic Development of the Old Northwest*, (Albany, NY: State Univ. of New York Press, 1981), p. 205-206.



of stock issued. After gaining control of the bank the group attempted to dominate the trade between St. Louis and the upper Mississippi Valley. George Collier and other St. Louis merchants fought back, organized by the Chamber of Commerce. Collier and the others restricted upriver trade to their challengers by denying cargoes to any steamboat bound for Alton until they had regained control of the trade.<sup>43</sup>

The Illinois banks provided what merchants needed in the rising prosperity, but gave their anti-banking opponents in the Boone's Lick what they feared - plentiful paper money as the common circulating medium of exchange. Within a year the State Bank of Illinois opened seven other branch banks in addition to the Alton branch and the main bank at Springfield. Two independent Illinois banks, one at Shawneetown on the Ohio River, and the other at Cairo at the confluence of the Ohio and Mississippi also contributed to the paper money in circulation. Both of these banks were relatively well run and initially independent of the state legislature and its mania for internal improvements. Their banknotes found their way into the regional marketplace and the coffers of St. Louis merchants. By the end of 1835 the State Bank of Illinois and these two independent banks provided the most common circulating currency in St. Louis and merchants accumulated large amounts of the notes in the course of business.<sup>44</sup>

Illinois' new state bank also provided Missouri's anti-banking political leaders with a model for poor management, and additional ammunition to those pressing to charter Missouri's own bank to defend the state's prosperity. The Illinois and Michigan

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<sup>43</sup> "Money, Money, Money," *Missouri Republican*, Oct. 1, 1828; "Tracy & Wehrendorff", *ibid*, Mar. 28, 1825; "State Bank of Illinois", *Missouri Intelligencer*, May 9, 1835, "More Bank Arrangements", Nov. 21, 1835; "The *Herald* says...", *St. Louis Missouri Argus*, Nov. 13, 1835; Ford, *History of Illinois*, 176-77; Mahoney, *River Towns in the Great West*, 124-125; Fred R. Marckhoff, "Currency and Banking in Illinois before 1865," *Journal of the Illinois State Historical Society* (Autumn 1959), 365-418: 374-77.

<sup>44</sup> F. Cyril James, *Growth of Illinois Banks, Vol. I, The Formative Years*, (New York: Harper & Bros., 1938), p. 95-98.

Canal and the railroads proved more expensive than anyone predicted and soon required more capital to continue construction. To provide the additional capital, in 1839 the state legislature tripled the bank's capitalization to over three million dollars by subscribing for more stock but without providing the corresponding amount of specie to support the additional bank notes to be issued. Thus the bank was soon issuing far more notes than it had specie with which to redeem them. Contributing to the problem, the state provided little oversight of the bank or its branches, which invited unethical behavior in their officers and at times outright fraud. An investigation later revealed that stockholders were paying their subscriptions in the bank's own currency rather than in specie as required by law. Missouri's banking opponents saw what they had long feared, a wave of banknotes poorly supported by specie reserves, from an ill-managed, out-of-state bank, washing over the state.<sup>45</sup>

The eventual success at chartering Missouri's first bank in twenty years was due to moderates in the Democratic Party who were able to persuade their party brethren that a bank was necessary. Governor Lilburn Boggs represented the moderate faction of Missouri's Democratic Party. A merchant from far western Independence, Boggs was mistrustful of banks but he also understood their necessity and somewhat reluctantly supported efforts to charter a new one. Moneyed monopolies were "unrepublican", Boggs argued in his address to the General Assembly in November 1836, but banks were "so interwoven with the business and interests of the people," that it was simply impractical, and even dangerous, to continue without one. Missouri was the only state in the Union at that date without a bank of its own and was at the mercy of "foreign" banks

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<sup>45</sup> Lilburn W. Boggs, "To the Voters of Missouri", in, St. Louis *Missouri Argus*, May 20, 1836; "Gov. Reynolds of Illinois," *Missouri Argus*, June 17, 1836; "Banking Capital of Illinois," *Missouri Argus*, Mar. 13, 1837; Ford, *History of Illinois*, p. 174-176.

from other states which were siphoning profits away from the people who should rightfully receive them. Boggs described the situation as having “all the evils of a bank with none of the benefits.”<sup>46</sup>

Boggs came by his opinion of banking like many others, through hard experience. Unsuccessful as an independent merchant in the Boon’s Lick, his acquaintance with prominent men in the Territory secured positions as assistant factor at Fort Osage and as the cashier of the first Bank of Missouri that failed in the Panic of 1819. At the age of twenty-one, Boggs was responsible for day-to-day operation of the territory’s only surviving bank. When it failed in 1821 the experience left him distrustful of all banks and especially paper money.<sup>47</sup>

The Democrats split into soft-money and hard-money factions within the state but there was also an increasing urban-rural split between the Boone’s Lick and St. Louis over who would control the bank. The soft-money men were principally in St. Louis where commercial activity was concentrated and the Boone’s Lick Democrats regarded them as apostates. When a bi-partisan group of merchants in the city petitioned Nicholas Biddle to establish a branch bank in St. Louis after his bank was reincarnated as the Bank of Pennsylvania, Judge William Napton, a leader of the Boone’s Lick group, hurled the epithet “aristocracy.” St. Louis merchants had been the one to call for a state bank, Napton argued. Now, when it appeared that the bank would be chartered but out of their control, they were “the first to petition the moneyed aristocrat” to return.<sup>48</sup>

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<sup>46</sup> “New Bank Arrangements,” *Missouri Republican*, May 5, 1835; Lilburn W. Boggs, “To the Voters of Missouri”, in, St. Louis *Missouri Argus*, May 20, 1836.

<sup>47</sup> Gov. Lilburn W. Boggs, *First Biennial Address*, Nov. 22, 1836, in Shoemaker, *Messages and Proclamations*, p. 307-331.

<sup>48</sup> “The Aristocracy Moving,” *Fayette Boon’s Lick Democrat*, Aug. 23, 1836.

Napton was correct that the merchants' motivation was control of the bank. Many St. Louis businessmen opposed a new state bank until the last because they understood that it would be under the control of men like William Napton and the anti-bank faction in the Democratic Party. Merchants needed more liberal credit and plentiful paper banknotes than the hard-money faction was likely to provide. The U.S. Bank branch had been ideal for St. Louis because city merchants directed the credit resources of the Bank toward their ends. Even though the profits went to Philadelphia that city was not in competition with St. Louis. The Cincinnati Commercial Agency gave institutional credit and the profits did not remain in St. Louis, but they went to the benefit of a rival city in the competition for western commerce. By mid 1836 it was apparent that a state bank would be established but it was also apparent it would be controlled by men who had a different idea about what it took to maintain an orderly marketplace.<sup>49</sup>

When Lilburn Boggs signed the bill into law chartering the Bank of the State of Missouri in February 1837 the Boone's Lick Democrats got the bank they wanted but the bank that St. Louis merchants feared. What Boggs and the hard-money people wanted was a bank that would satisfy everyone, but it should somehow do that with no risk to anyone. The bank, as Boggs told the legislature in November 1836, should increase the amount of specie in circulation and at the same time increase "the facilities of our commerce." While insuring "to the farmer and mechanic a just reward for his labor" the

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<sup>49</sup> Governor John Miller, *Opening Address, Missouri House Journal, Seventh General Assembly, 1<sup>st</sup> Sess., Nov. 20, 1832.* (St. Louis, 1837), p. 14-15; . "The people do not need another experiment." Booneville *Missouri Intelligencer*, Dec. 8, 1832; *Missouri Intelligencer*, Aug. 27, 1822, June 16, 1832; "Roman", July 7, 1832.

bank should also “infuse a healthful vigor into all the larger operations of the commercial community.”<sup>50</sup>

The bank’s charter adopted in February 1837 committed the bank to a conservative operation by maintaining high specie reserves and maintaining a low ratio of banknotes to specie, thus ensuring that its notes would always be convertible on demand. There were substantial penalties imposed if the bank failed to redeem its notes in specie. The bank however was also likely to be underfunded, depending for startup capital on the sale of stock to private investors, state bonds issued to pay for the state’s share of the stock, and several of the state’s revenue pools that had formerly sat idle. The annual Saline Fund derived from leasing salt springs and lead mines, and the School Fund earned from the sale of public lands, were to be invested in the bank for the benefit of the people. Finally, the federal government deposits in the vaults of the Cincinnati Commercial Agency would provide additional specie with which to operate. With limitations of the charter and the goals of the bank’s political masters it was sure to be inadequate to the needs of merchants.<sup>51</sup>

The new bank also corrected what many perceived to be the evils of the branch Bank and the Illinois banks. Recalling Robert Wells’ charge that directors at the branch Bank of the U.S. selectively denied credit in order to loan their own funds at higher interest, state bank directors were prohibited from loaning their personal funds at higher

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<sup>50</sup> Boggs, “*Second Biennial Address*,” Nov. 22, 1836, in Leopard and Shoemaker, *Messages and Proclamations*, p. 314-316; Gov. John Miller, *Opening Address, Missouri House Journal, Seventh General Assembly, 1<sup>st</sup> Sess., Nov. 20, 1832*. (St. Louis, 1837); “*The people do not need another experiment.*” Booneville *Missouri Intelligencer*, Dec. 8, 1832, June 16, 1832; “Roman”, July 7, 1832; “*An Act to Charter the Bank of the State of Missouri, Laws of Missouri, 1<sup>st</sup> Sess. Ninth Gen. Assy. 1836-1837, Laws of Missouri, 1837, (1839)*, p. 11-24.

<sup>51</sup> “*An Act to Charter the Bank of the State of Missouri, Laws of Missouri*, p. 11-24; Boggs, “*Second Biennial Address*,” Nov. 22, 1836, in Leopard and Shoemaker, *Messages and Proclamations*, Vol. II, p. 314-316.

interest rates than the bank's own. No directors could be associated with any other bank, nor could any of the directors be business partners. To build the bank's specie reserves and to protect its reputation for maintaining convertibility, all stock had to be paid for in specie, certificates of deposits or unspecified "reliable banknotes", but the charter prohibited investors from using the bank's own notes in the purchase of stock shares. To ensure compliance the bank was required to provide information to investigating committees empowered by the legislature on request.<sup>52</sup>

At the same time Governor Boggs signed the bank's enabling legislation into law, the legislature also gave the new state bank a monopoly on all banking business. Although Lilburn Boggs phrased his support in terms of protecting the people from the "evils" of banking, another purpose was to protect the new bank from competition for commercial business. All "foreign" banks, even those with government charters, were prohibited from doing business in the state, including such common commercial transactions as buying and selling bills of exchange. Violations were subject to a fine of \$1,000 per day for doing business within the state. The result was to drive the Cincinnati Commercial Agency out of business, thus removing a competitor and also giving the new state bank control of the U.S. government deposits.<sup>53</sup>

The Democratic Party controlled the new bank but the General Assembly's joint session also elected men with experience in banking and commerce to serve on the board of directors. All of the men elected to the directory except one had long experience in the

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<sup>52</sup> "An Act to Charter the Bank of the State of Missouri, *Laws of Missouri*," *Laws of Missouri, 1837*, (1839), p. 11-24.

<sup>53</sup> "An Act to prevent Foreign Banking Companies from setting up Agencies or transacting Banking business within the limits of this State", (Feb. 6, 1837), *Laws of Missouri, 1837*, p.24-26; Gov. Lilburn W. Boggs, *First Biennial Address*, Nov. 22, 1836, in Shoemaker, *Messages and Proclamations*, Vol. II, p. 307-331; "Bank," *St. Louis Missouri Argus*, May 6, 1836.

marketplace. Bank president John Smith, and director John O’Fallon both had experience in banking and commerce. William L. Sublette made his fortune in the Rocky Mountain fur trade, supplying military posts, and was also a partner in a St. Louis mercantile business. Edward Walsh was a miller, lead merchant and partner in an established dry goods business. Only one man, Hugh O’Neil, was not a merchant. O’Neil was a building contractor with profitable ties to the Catholic archdiocese of St. Louis, and boss of the city’s North Ward. O’Neil’s election to the directory reflects the growing importance of the working class in Democratic politics and their increasing ties to the market economy.<sup>54</sup>

The bank was firmly under the control of the Democratic Party but there were two factions within the party that had to be satisfied. St. Louis was the commercial center but the bulk of the population was located in the central counties along the Missouri River. The charter established a branch bank in the Howard County seat of Fayette, the center of the Boone’s Lick region. Those counties were important economic producers therefore it was not only politically expedient but economically feasible to locate a bank there. The branch would have a separate president and board of directors from the main bank in St. Louis, thus it also provided offices to dispense for political patronage. Like the selection process for the main bank’s president, the man to fill the position had been

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<sup>54</sup> *Missouri House Journal*, Ninth General Assembly, 1836-37, p.431-439; *Bank of the State of Missouri, Report to Bank Examining Committee*, Nov. 25, 1840, in John Sappington Papers, f.36, State Historical Society of Missouri Manuscript Collection; St. Louis *Missouri Argus*, Mar. 31, 1837; St. Louis *Missouri Argus*, July 10, 1835, Dec. 23, 1837, Nov. 1, Nov. 16, 1838, July 31, 1839, Mar. 7, 1840; John E. Rybolt, “Kenrick’s First Seminary,” *Missouri Historical Review*, Jan. 1977, p.139-155: p. 143; *Account Book, Sept. 5, 1829-Mar. 31, 1831*, f.115, Clair V. Mann Collection, State Historical Society of Missouri Manuscript Collection; Edwards, *Great West*, p. 489-490; James Neal Primm, “Yankee Merchants in a Border City: A Look at St. Louis Businessmen in the 1850s,” *Missouri Historical Review*, Vol. 78, No. 4, July 1984, 375-386: p.384; William R. Nester, *From Mountain Man to Millionaire: The “Bold and Dashing Life” of Robert Campbell*, (Columbia, MO: Univ. of Missouri Press, 1999), p. 133 ,142-143.

chosen in advance. John J. Lowry, a Howard County physician and chairman of the Democratic Party nominating committee, was elected president with no opposition. The directors were also selected more for their political support of the state's Democratic Party than their banking or business acumen. William H. Duncan, a Boone County physician, was active in Democratic politics and made an unsuccessful bid for the state senate in 1838 with the backing of Senator Thomas Hart Benton. Also selected to the board of directors were Wade M. Jackson, a slave-holding Howard County farmer and attorney, and his brother, future Democratic governor Claiborne Fox Jackson. Only one non-Democratic director was chosen – Abiel Leonard, George Collier's attorney and Whig Party stalwart, served the interests of private investors in the branch bank.<sup>55</sup>

Representative James B. Bowlin, a St. Louis attorney soon to be appointed counsel for the bank, argued that private investors would have adequate control over bank policy, but in fact the charter was designed to limit their influence. The state took half of the fifty thousand shares of stock issued, limiting private investors to no more than fifty-percent stock ownership. The state legislature selected six of the eight seats on the board, with each state director serving a two-year term while directors representing private investors would serve only one year terms. Private directors would displace those elected by the state legislature as their shares of stock increased but not until private stock ownership reached fifteen thousand shares. Sale of the bank's stock remained slow therefore the state legislature was likely to retain control of the bank for the foreseeable future. Private investors faced what they had feared all along, a bank that remained in the hands of a political party that made antipathy to banks a test of party loyalty.<sup>56</sup>

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<sup>55</sup>Shalhope, *Sterling Price*, p. 18-21, 24-25.

<sup>56</sup> Cable, *Bank of the State of Missouri*, p. 134-144.



Political affiliation was important but the St. Louis bank would also be controlled by a different faction within the merchant community. Men formerly associated with the Bank of the U.S. were not frozen out of the state bank's directory but their influence was minimized. Only two of the former branch Bank officers or directors were nominated, and only one of them, John O'Fallon, was elected. William L. Sublette and his partner William Campbell competed with Pierre Chouteau, Jr. for the lucrative contracts to supply Army posts and Indian agencies. O'Fallon was not a Democratic stalwart but equally important, he was socially and commercially allied with the Chouteau family who were Whigs. The fact that O'Fallon was also an agent of the United States Bank of Pennsylvania, Biddle's reincarnation of the defunct Bank of the U.S, surely did not endear him to the anti-bank legislature. His political views and social ties played a role in the relatively low support his nomination received in the legislature. As the last state director elected, O'Fallon would also be the first to lose his seat on the board as private investors bought shares.<sup>57</sup>

The Boon's Lick Democrats could congratulate themselves that they had chartered a bank that would avoid the evils associated with banks and one which they would control. But the Boon's Lick planters seem to have assumed that the bank *was* the market – by controlling that important machine they could restrain its advance and limit its expansion. The St. Louis merchants had a different understanding of the bank. Controlling it was important to the market – their businesses needed its note issue and credit policies. To continue operating, the market needed those important functions, but

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<sup>57</sup> James B. Bowlin, "To the editors of the Argus", Jan. 19, 1837 in St. Louis *Missouri Argus*, Edwards, *Great West*, p. 81; *Missouri House Journal*, Ninth General Assembly, 1836-37, p.431-439.

the market was outside the bank, not within it. The difference for these two competing groups was in the role of the bank – either restraint or continued orderly operation.

The fight to kill the Bank of the United States, and the fight to charter the Bank of Missouri put both the St. Louis merchants and their anti-bank opponents in an unusual position. While the U.S. Bank lived, state Democratic politics echoed Jackson's anti-bank rhetoric. The monster Bank was dangerous to liberty and must be killed. After the Bank's demise, St. Louis merchants led the fight against a new state bank, while trying in vain to entice Nicholas Biddle's Bank of Pennsylvania, and even other state banks to locate in St. Louis. Many of the St. Louis merchants were National Republicans and later Whigs, which left them, and their Democratic opponents, to argue positions that only recently had been anathema to each of them. Urban Whig businessmen became anti-bank, and Democratic planters became supporters of an institution and practice they had only recently decried as dangerous. The issue was less one of banking and its claimed threat to political liberty, than one of control over an important economic machine that represented the market economy. Each side was fighting to establish its own order in the marketplace. But no matter how they saw the bank, all were about to be reminded that their control was at best fleeting and at times even imaginary.

## Chapter Three

“A market is brought near to every man”: St. Louis Merchants and the Panic of 1837

When the new Bank of the State of Missouri came into being in February 1837 the United States was enjoying an unprecedented prosperity. Transportation improvements allowed the market economy to expand more rapidly and the benefits extended to all people, no matter what their occupation or economic status. Local newspapers celebrated the present and the future. “By... steam navigation, and canals, and railroads,” one author wrote, “a market is brought near to every man.” A writer calling himself “Neckar” observed that the bank allowed Missouri to be independent of banks in other states or eastern cities. The St. Louis *Missouri Argus* boasted, “Bank stock is selling well to all classes of people,” and if the bank was well managed “universal prosperity will be the result.” The *Missouri Republican*, representing St. Louis Whig merchants agreed, but also warned that if not managed properly “immigitated [sic] evil” would be the result. All agreed that the new state bank was the key to continuing prosperity and to maintaining order in the marketplace, though for different reasons.<sup>1</sup>

As the economy expanded, banking remained the point at which the St. Louis merchants and their opponents in the legislature struggled for control of the marketplace. The economy crashed again in the spring of 1837, and sank deeper into depression after 1839, bringing the two views of how best to maintain order in the marketplace, into sharper conflict. Political ideology and party politics were important, but each side could

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<sup>1</sup> Lyman Beecher, “Great West”, in St. Louis *Missouri Argus*, Feb. 3, 1837; “Bank Stock”, *Missouri Argus*, Mar. 3, 1837; “The Bank of the State of Missouri”, *Missouri Republican*, Mar. 10, 1837.

also point to recent examples to support their position. Merchants needed the bank's note-issue and credit functions for their businesses to operate. For them, the bank was a means of maintaining control *within* the marketplace. Their hard-money opponents continued to view banks as only a necessary evil and these men believed that an orderly marketplace required restraining the bank and paper money. By controlling the state bank they believed that they had control *of* the marketplace. These two competing factions eventually split the bank in two with St. Louis merchants controlling the main bank, while the Boon's Lick hard-money faction controlled the smaller branch in Fayette. Each side in this contest was trying to establish order in the marketplace according to their view of how the market economy should operate.

There was good reason to celebrate the prosperity in early 1837. Land sales were at a peak and most commodity prices were high. New arrivals in Missouri meant prosperity for everyone whether merchant, mechanic or farmer. In addition to the bank, the legislature issued corporate charters that would carry the market to every man's doorstep. Eighteen railroads would link towns to the major rivers, to each other, and in doing so would tie them more easily to the market economy. Over a dozen new insurance companies based in several market towns along the rivers were set to insure steamboats and their cargoes, as well as make short-term loans to finance the shipments of goods.<sup>2</sup>

There was no vocal opposition to these means of expanding the market economy. The special privileges granted by corporate charters which limited the liability of directors and stockholders in the event of failure caused no controversy as they had in the contest to establish the state bank. Missouri legislators were unwilling to lend public

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<sup>2</sup> *Laws of Missouri, 1836-1837*, p.234-288; James Neal Primm, *Economic Policy of a Western State 1820-1860*, (Cambridge, MA: Harvard Univ. Press, 1954), p.83-85.

funds to internal improvements, and with no state financial contributions or future tax burdens the railroad charters attracted little attention in the press and engendered no debate in the legislature. Once introduced the bills went to committee then quickly to the floor for a vote. Once endowed with the governor's signature and state seal, the companies' organizers could open their books, and if all went well, attract enough investors and capital to begin construction or operation.

In the same spirit of enterprise and future prosperity St. Louis merchants created and expanded organizations that moved toward institutionalizing the market economy. First, city merchants created the St. Louis Exchange to bring buyers and sellers together. The charter described it as a place to "facilitate business" which it did by creating a meeting place away from the busy riverfront landing and the crowded city markets where small vendors sold their wares. Intended to be open daily, the building also included the U.S. Post Office, space for insurance company agents, and the Chamber of Commerce. The Chamber gave merchants an alternative means of resolving differences through Committees of Arbitration and Appeals. Newspapers from other cities and business publications in the reading room allowed members to keep abreast of national and international market conditions. In bringing their idea of order to the marketplace, larger merchants in St. Louis also began to more clearly separate the city's interests from the rural districts, and to separate their interest from those who played smaller roles in the marketplace.<sup>3</sup>

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<sup>3</sup>"An Act to create the St. Louis Exchange," *Laws of Missouri, 1836-1837*, (St. Louis, 1841), p.???. William Hyde and Howard L. Conard, *Encyclopedia of the History of St. Louis*, Vol. I, p. 342; "Petition from Chamber of Commerce," *St. Louis Missouri Argus*, July 4, 1839; Marshall, ed., *Journal of Henry B. Miller*, p.249-250; Lee M. Friedman, "The First Chamber of Commerce in the United States," *Bulletin of the Business Historical Society*, (Nov. 1947), 137-143: p. 137-138; Receipt from St. Louis Reading Room to James Clemens, Jr., July 13, 1831, James Clemens, Jr. Collection, M-024, Mercantile Library, University of Missouri-St. Louis; George Collier to Abiel Leonard, Sept. 9, 1837, f107; Collier to Leonard,

The Chamber also had a political purpose. The organization represented certain ideas about the market economy, and its leadership was devoted to securing legislation to serve their interests, and in affecting state policy toward economic matters. The founding members were all pro-bank Whigs. One was George K. McGunnege, a partner in a St. Louis mercantile house who served several terms in the legislature. McGunnege secured the organization's charter in 1837 and was also instrumental in bringing a bank to St. Louis. McGunnege introduced a bill to charter the privately owned and operated Union Bank of Missouri early in the 1836-37 session and guided it through the legislature until the final compromise when it became the state owned Bank of the State of Missouri.<sup>4</sup>

The founding leadership of the Chamber were Whigs who championed banking, soft-money and government support for the market economy, but the Chamber was founded first as a means of facilitating business. Other merchants who supported the Democratic majority, appeared at anti-bank and pro-Jackson rallies met their counterparts at the Exchange to do business and used the extra-legal dispute resolution process. Whigs and Democrats alike were merchants and owned businesses of other kinds who had some benefit from the Exchange and Chamber. Business took precedence over politics and who a steamboat captain voted for was less important to a merchant than his freight rates, timing of departure, and skill as a pilot. There were surely business alliances based upon politics, family and friendships but in the end the market ruled.

Several of the Chamber's merchants owned stock in the bank, others served as directors but unlike the Bank of the United States they did not have as much control over the bank's coffers because of the Democratic majority. George McGunnege was one of

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Apr. 27, 1839; Collier to Leonard, Aug. 28, 1839, f883, Abiel Leonard Papers, State Historical Society of Missouri Manuscript Collection; "Bank Directors," St. Louis *Missouri Argus*, June 23, 1837.

<sup>4</sup> St. Louis *Missouri Argus*, Nov. 1, 1837, Apr. 21, June 5, 1840.

the first to represent private investors on the state bank's directory and he and the others worked to influence policy to their benefit. However private investors' influence was restricted by their limited number of seats on the board of directors and by the constant oversight by the legislature. Prevailing public attitude was hostile toward banks and the legislators representing them were able to keep pressure on the bank to maintain hard-money policies. The state-appointed directors were the majority therefore control of that important financial machine was in the hands of men with different ideas about banks, paper money, and their own relationship to the marketplace.<sup>5</sup>

Despite their inability to dominate the bank, St. Louis merchants had little choice but to use its services. The new law driving "foreign" banks from the state was due to take effect in June 1837 therefore the Cincinnati Commercial Agency in St. Louis would soon close its doors. Even though the branch bank in Fayette was controlled by hard-money Democrats, St. Louis merchants doing business in the Boone's Lick took advantage of the bank's credit and secure deposit facilities. George Collier used the branch in Fayette, directing his partners to make payments from and deposits to his account. Howard County attorney Abiel Leonard represented George Collier in the Boone's Lick, and was the lone director representing private stockholders in the branch bank. Though their influence was minimized, Leonard, McGunneagle and the other private directors gave St. Louis merchants a voice and an ear inside each of the State Bank's offices. Although not ideal as the soft-money merchants saw it, the new bank was their only source of institutional credit and money issue.<sup>6</sup>

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<sup>5</sup> "Mssrs. Editors," St. Louis *Missouri Republican*, Mar. 12, 1837;

<sup>6</sup> "An Act to prevent Foreign Banking Companies from Setting up Agencies or transacting Banking business within the limits of this state," *Laws of Missouri, 1836-37*, (St. Louis, 1841), p. 24-26; George

Despite the enthusiasm that some showed for the new bank and its benefits, there were signs that the prosperity might not continue as economic activity showed a pattern similar to that preceding the Panic of 1819. Sales of public lands increased, leading to charges of speculation. The number of banks increased along with the amount of paper money in circulation. Commodity prices rose thirty percent and the retail cost of manufactured goods available doubled in a two year period. As the number of corporate charters indicated, more people were entering the marketplace.<sup>7</sup>

There were warnings of the impending crisis as early as the spring of 1836 when *Niles' Register* sounded the alarm suggesting that the nation was building a speculative bubble that would eventually burst, bringing ruin to all who were engaged in the overheated market. For reasons that involved politics, ideology or location in the marketplace nearly everyone found a reason to discount warnings. Having lost his battle to re-charter the Bank of the United States, the arrogant and aristocratic Biddle had no credibility among Jackson's supporters. For their part, Jackson's opponents charged that the Bank Veto and distribution of federal deposits caused the inflation and flooded the economy with unreliable paper money. Others charged that the Specie Circular issued in July 1836 was draining hard money and investment capital from the East where it was needed for international commerce and industrial growth, to the West where it fueled

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Collier to Abiel Leonard, Sept. 9, 1837, f107; Collier to Leonard, Apr. 27, 1839; Collier to Leonard, Aug. 28, 1839, f883, Abiel Leonard Papers, SHS; "The Agencies," St. Louis *Missouri Republican*, Feb. 8, 1837.

<sup>7</sup> Douglass C. North, *The Economic Growth of the United States 1790-1860*, (New York: W.W. Norton, 1966), p. 189-190, 198-200; Peter Temin, *The Jacksonian Economy*, (New York: W.W. Norton, 1969), p.

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69, 96; Major L. Wilson, *The Presidency of Martin Van Buren*, (Lawrence, KS: Univ. Press of Kansas), p.44-

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runaway speculation in land. Western opponents charged that capital flowed to the East where it would be siphoned off by “stock jobbers,” bankers and financial speculators.<sup>8</sup>

Merchants once again found themselves at the mercy of the same market economy they championed and were reminded that order within the marketplace could be upset despite their efforts. There were scapegoats in the United States - Andrew Jackson, Nicholas Biddle, and others - but the origins of the Panic were in fact international as well as domestic. The boom was caused by increased reserves of specie in American banks due to British investment in American internal improvement projects, changing specie flows in British and Chinese trade, Andrew Jackson’s terminating the national debt, and an influx of precious metals from Latin American mines.<sup>9</sup>

The crash was first manifested as a financial crisis in England beginning in late 1836, and it rippled back across the Atlantic in January 1837 when the Bank of England began restricting credit and British creditors pressed American merchant houses for payment they could not meet. Several large merchant firms in New Orleans failed first followed by others in New York, then banks in New York and Philadelphia suspended payments, affecting eastern merchant houses who were forced to pressed over-extended western merchants for payment, which they also had difficulty meeting. The result was a crash in international commercial and financial networks.<sup>10</sup>

Although some may have remembered the boom and bust cycle of the Panic of 1819, the lure of prosperity caused many people to ignore the warnings of what seemed

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<sup>8</sup> Wilson, *Martin Van Buren*, p.43-60; North, *Economic Growth*, p. 189-203; Temin, *Jacksonian Economy*, p.22-27, p.113-147;. McGrane, *The Panic of 1837*, p.1-69; 94-96; “From the *Journal of Commerce*,” “The Pressures of 1819-1825-1833-1837;” “The advocates of the Bank of the United States,” *St. Louis Missouri Argus*, May 19, 1837; “The Better Currency,” *Missouri Republican*, Apr. 27, 1837; *Niles’ Register*, Apr. 14, Apr. 23, 1836, Apr. 8, 1837.

<sup>9</sup> *Ibid.*

<sup>10</sup>Wilson, *Martin Van Buren*, Chapter 3; North, *Economic Growth*, p. 203; McGrane, *Panic of 1837*, p.40-42; Temin, *Jacksonian Economy*, p. 22-27, 172-177.

to be unfolding. The boom and speculation in urban real estate raised St. Louis town lots near the riverfront to gold-rush prices. Selling for ten dollars a front-foot in 1833, the same lots brought ten times that price three years later. The city government subdivided and auctioned off the old common fields for as much as five hundred dollars per acre, most of them bought by speculators who planned to profit from the city's development. In mid-March 1837, Henry B. Miller, a Pennsylvania building tradesman who came to St. Louis seeking work, described steamboat arrivals at the St. Louis riverfront as "brisk" with one of George Collier's boats arriving from New Orleans "loaded to the guards" with passengers and cargo. Miller found ready employment in the city as businessmen and property owners struggled to keep up with the demand for warehouses, temporary accommodations and permanent housing.<sup>11</sup>

Even before Missouri's state bank began operations the bank's management found themselves in a contest for the federal funds held by the Cincinnati Commercial Agency. The reserves were important to the state bank's success but the Agency began shipping specie to the main bank in Cincinnati. The Ohio management resented the legislation expelling them from the state where they had only recently enjoyed a monopoly and the relationship between the Cincinnati Agency and the new Bank of Missouri was less than cordial. Negotiations failed to stop the transfer so Bank of Missouri president John B. Smith traveled to Washington to lobby U.S. Treasury officials in person. Smith managed to preserve only some of the specie but more importantly he won the coveted status as one of the Democratic administration's "pet banks," enabling it to receive future federal deposits. Losing part of the Agency's specie reserves meant that

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<sup>11</sup> Thomas Maitland Marshall, ed., "The Journal of Henry B. Miller," *Missouri Historical Society Collections*, Vol. 6, 1928-1931, Missouri Historical Society, St. Louis, 1931, p.220.

the Bank of Missouri would open with a weaker balance sheet than expected, but Smith's lobbying and the legislature's law driving all other banks from the state had given the state bank a monopoly and secured an important future capital reserve.<sup>12</sup>

The state bank offered only a brief contribution to maintaining order in the marketplace. St. Louis merchants ranged from anxious to almost desperate as the Cincinnati Agency withdrew credit and they awaited the opening of the new state bank. Then in early April 1837 news arrived that made their situation even more difficult. Some eastern banks were suspending specie payments and many feared that the suspension would spread. Eastern and New Orleans merchants were demanding payment and St. Louis merchants were hard pressed to maintain their credit. "Our businessmen have sustained themselves manfully against the pressure for money," the *Republican* wrote, but the city's credit depended on the bank. Fortunately, the bank opened on May 8<sup>th</sup>, allowing city merchants to temporarily satisfy their creditors. But then came word that some New York banks had suspended on May 10<sup>th</sup> and the Panic of 1837 had begun.<sup>13</sup>

Despite their political differences or occupation all men were affected by disorder in the marketplace. Farmers in the Boon's Lick were as dependent on the market economy as urban merchants. Benjamin Reeves and son-in-law Abiel Leonard are examples of the ambivalence that many people felt toward banks and the market economy. Both men were attorneys and slave-owning commercial farmers who espoused

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<sup>12</sup> John Ray Cable, *The Bank of the State of Missouri*, (New York: Columbia Univ. 1923), p. 135; "The Bank of the State of Missouri", *Missouri Republican*, Mar. 10, 1837; "The Bank", Mar. 12, 1837; "For the Republican," Mar. 13, 1837; "Messrs. Editors," Mar. 14, 1837; "For the Republican," "Notice of the St. Louis Market," Mar. 15, 1837; "By the arrangements...", Apr. 14, 1837; *Niles' Register*, "Items about the currency &c.," June 24, 1837.

<sup>13</sup> "The state bank commenced operations on Monday...", *Missouri Republican*, May 11, 1837; "Items about the currency &c.," *Niles National Register*, June 10, 1837; "The Bank of Bridgeport, Connecticut..." *Missouri Republican*, Apr. 14, 1837; "It is not yet decided..." *Missouri Republican*, Apr. 27, 1837; Temin, *Jacksonian Economy*, p. 113.

Whig ideas of society and politics. Reeves loathed both Andrew Jackson and the Democratic Party and Leonard was the leading Whig in the Boon's Lick region. Reeves had only reluctantly supported the Bank of Missouri, in part because of its tight restrictions on currency issue, but he was rethinking his support for banks. Reeves and Leonard lamented the drop in tobacco prices and the sudden scarcity of money. "The currency is horribly deranged," wrote Reeves from Kentucky. "The state banks are paying specie as required by their charter but are not issuing their own notes." Instead they used "southern or Tennessee funds, which generally is at a discount of 5 or 10 percent – so much for local banks – how it will end I know not."<sup>14</sup>

Urban workmen were also affected by the downturn and either thrown out of work or, if they kept their jobs often had to work for reduced wages. Henry Miller, who found work in St. Louis as a mason, arrived at work one day in late April 1838 to find his wages cut. "Times are middling dull here..." he wrote. "Wages are coming down...and those who were thinking themselves in a fair way...find it to be only Moonshine..." Miller soon departed, searching for work in the river towns and the lead mines to the north. Finding none, he was back in St. Louis before the end of summer and managed to find work as a plasterer. Miller and other tradesmen began to organize unions, demanding higher wages. Some were successful for a time but more builders and merchants viewed the onset of hard times as an opportunity to destroy workmen's associations, blaming them for disrupting the natural rise and fall of the marketplace.<sup>15</sup>

As Missouri's hard-money faction soon learned, the new bank was not independent of the larger economy and controlling the bank gave them precious little

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<sup>14</sup> Benjamin H. Reeves to Abiel Leonard, Jan. 10, 1837, f63, Abiel Leonard Papers, SHSM; F. A. Culmer, "Benjamin H. Reeves," *Missouri Historical Review*, (July 1931), 556-562.; p. 558-561.

<sup>15</sup> *Journal of Henry B. Miller*, p.223-226; "Trade Unions," *Missouri Republican*, Apr. 27, 1837.

control over the marketplace. The bank's charter required that it maintain convertibility to specie. However, the stipulation applied to the bank's own notes, not those issued by other institutions, which all banks accumulated in the course of business. Thus to continue in business, avoid penalties and protect its own specie reserves the bank stopped issuing its own notes. In the first few months after the nationwide suspension of specie payments, the Bank of Missouri maintained specie payments for its notes as dictated by its charter, but in doing so it jeopardized its specie reserves. As one of the only banks in the west that still redeemed its notes, it would have been ruinous to continue issuing banknotes that would soon return. When banks resumed specie redemption late in 1837 the state bank did as well, but issued very little of its own currency. The logic of the market therefore forced the bank's managers to retreat from one of the basic principles of the hard-money position – banks must always maintain specie payments.<sup>16</sup>

Boon's Lick Democrats used the bank's financial difficulties to buttress their control over the bank. State bonds issued to finance the stock purchase were slow to sell on the New York and international financial markets, in part because of economic conditions, but also due to technical oversights in the bonds and bank charter. As a result the bank was slow to attract investment capital. Following recommendations from the House Banking Committee, which the Boon's Lick faction controlled, the legislature altered the charter and the bonds, correcting the deficiencies, but also provided that the state government must purchase all remaining shares of stock which it would pay for by issuing more bonds. Even in a depressed financial market state government bonds, which were more secure, would be more attractive to investors than stock in a bank which could

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<sup>16</sup>John Ray Cable, *The Bank of the State of Missouri*, (New York: Columbia Univ. Press, 1923), p.170-172; "The Memorial as Amended and Adopted by the St. Louis Merchants," *Missouri Argus*, Aug. 15, 1837; Temin, *Jacksonian Economy*, p. 114-115.

fail. But stock ownership also determined the ratio of state-elected directors to those privately appointed, therefore the changes served to fix the ratio of state to private directors. The anti-bank Democratic majority in the legislature would continue to control the bank by choosing officers and a majority of its directors. Given the financial and political importance of the state's only bank, the change also guaranteed that elections for directors would remain some of the most hotly contested political offices in the state.<sup>17</sup>

The hard-money faction based their opposition to banks on experiences with paper money, but also on what they believed to be republican principles. They were in some ways Jeffersonian republicans, at times espousing beliefs in an agrarian social and economic order. Andrew Jackson's veto message resonated with them and banks were "monied monopolies" with the potential to corrupt the political process by virtue of their financial power. Gold and silver were the coin of the U.S. Constitution and therefore the only money with true value. In their minds, all people in the marketplace, but especially farmers, mechanics and laborers, had to be protected from the evils of paper money, which fluctuated in value, and was subject to manipulation by designing men.<sup>18</sup>

Opposition to banking after Jackson's veto transferred to the states and animated the formation of political parties. In the heated partisanship of party formation in the states it became the litmus test for membership in the Democratic Party. Anti-banking was therefore a political construction, but there were also practical reasons for distrusting banks. Bankers did overextend their lending, banks did fail and people truly were

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<sup>17</sup> Gov. Lilburn W. Boggs, "Annual Message to General Assembly", Nov. 1838; "Report of the Committee on the Sale of State Bonds, *Missouri House Journal, 10<sup>th</sup> General Assembly, 1838-1839*, p. 119 - 120; "An Act amendatory of an act entitled "an act to charter the Bank of the State of Missouri, approved, February 2, 1837," *Laws of Missouri, 1<sup>st</sup> Sess., 10<sup>th</sup> General Assembly, 1838-1839*, (St. Louis, 1841), p.10-12.

<sup>18</sup> Gov. Thomas Reynolds, "First Biennial Address", Nov. 22, 1842, in Leopard and Shoemaker, *Messages and Proclamations*, Vol. II, p. 461-465.

harmful if they held the devalued or worthless paper notes. Paper money normally traded at a discount below its face value the farther it traveled from the issuing bank.

Convertibility to specie was the test of reliability for the bank and its notes therefore maintaining convertibility was important to the bank's overall position in the marketplace. Small denomination notes used in everyday consumer transactions remained in circulation and were the least likely to be returned to the bank for conversion to specie. Because of this they were the most useful, though for the hard money advocates the least desirable, of the paper money in circulation. It was commonly believed that if these small value notes were banned from the market, specie in the form of gold and silver coin would be drawn into the vacuum, thus providing a more secure form of currency that would not fluctuate in value. When John Miller, Daniel Dunklin and Lilburn Boggs spoke of protecting the people from the evils of paper money, this is what they had in mind.

Their ideas were not exclusive to the Boon's Lick region or to rural Missouri. Even some St. Louis merchants believed that order in the marketplace depended on driving paper banknotes from circulation. Robert Campbell and William Sublette are two examples of this way of thinking. The two men were partners in a fur trading business and supplied other merchants in outlying towns along the Missouri River with their wares. Their letters reveal that both Campbell and Sublette favored driving all paper money from the state, relying only on specie to transact business. Both men believed that the bank should promote the hard-money ideology by putting gold and silver into circulation rather than holding it permanently in its vaults. In their minds, the state bank – all banks – should serve as repositories where gold and silver was stockpiled until

needed, and then it would be put into circulation. Paper money should be issued only in limited quantities and only in large denominations so that it would not be used in everyday business transactions. It was an economic order that no longer existed, but Sublette, Campbell and the men who controlled the legislature believed passionately that it could be recreated in the state of Missouri and throughout the United States.<sup>19</sup>

In late 1839, the economy crashed again and all American banks once again suspended specie payments. The general suspension only served to increase the hostility between the St. Louis merchants and the Boon's Lick. The state bank had been chartered in part to establish control over the paper money circulating in the state. Given the large number of banks issuing paper money in the United States that goal was understandable, but questionable even in the best of times. The depression caused the state bank to be even more cautious in its operation and it maintained only limited circulation of its own banknotes. There was however, not enough hard money in circulation, and St. Louis merchants had no choice but to use notes issued by banks in other states if they wanted to continue operating.<sup>20</sup>

The Missouri bank's directors acted to protect their specie reserves and on November 12 decided to accept on deposit only the bank's own notes, and those of any specie paying bank. Since no banks were then converting to specie the practical result was that all banknotes but its own were excluded. Because the state bank had been so conservative in issuing its own notes, other paper money filled local merchants' coffers

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<sup>19</sup> Temin, *The Jacksonian Economy*, p.148-155; North, *Economic Growth of the United States*, p. 201-203; William R. Nester, *From Mountain Man to Millionaire: The Bold and Dashing Life of Robert Campbell*, (Columbia, MO: Univ. of Missouri Press, 1999), p. 59-80; William L. Sublette Papers, Missouri Historical Society, St. Louis. Both Campbell and Sublette served as directors for the main bank in St. Louis. Their letters reveal that both held firmly to this hard money view of banking, believing that gold and silver were the solution to the economic problems of the depression after the Panic of 1837.

<sup>20</sup> L.A. Benoist & Co., list of banknote exchange rates, *Missouri Argus*, Feb. 16, 1838; Edwards, *Great West*, p.367-368.



and the decision meant that they could no longer do business at the state bank. It also meant that merchants faced ruin if they could no longer use the devalued currency in their business affairs.<sup>21</sup>

Political leaders predisposed against banking had only to look east across the Mississippi River to find what they disliked most in banks, publicly funded improvements, and their relationship with state government. While Missouri's legislators and many of their constituents resisted calls for state-funded internal improvements and paper money, Illinois' policies toward both of those components of the expanding market economy were affecting Missouri. The Bank of the State of Illinois was as much a political tool as Missouri's state bank except that the controlling faction in state government used it to finance ambitious internal improvement schemes. Even after the general bank suspension in 1839, Illinois state government continued issuing bonds and forced loans from its own bank for internal improvements. Government also forced the two privately owned banks at Cairo and Shawneetown to loan the state money for internal improvements. The combination of political influence, financial mismanagement, and economic depression marked the end of the banks in Illinois.<sup>22</sup>

The Bank of the State of Missouri had been founded to protect the state from paper money issued by other state banks, and bank policy and state currency laws were designed to protect small producers and consumers. But the Missouri bank's decision to stop receiving those notes only devalued them even further and hurt the people the hard-

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<sup>21</sup> *Missouri Republican*; "Public meeting of businessmen..." Nov. 13, 1839; *Missouri Argus*, "the firm of Collier and Pettus," Nov. 20, Nov. 22, 1839.

<sup>22</sup> F. Cyril James, *The Growth of Chicago Banks*, (New York: Harper and Bros., 1938), p.117- 160, Chapter IV, "The Legacy of Public Improvements 1837-1843," explores the often corrupt machinations of Illinois' state government with relation to its banks and internal improvements, and legislation aimed at retaliating against all banks in the state.

money policies were designed to protect. Tradesmen, mechanics and laborers in St. Louis, such as Henry Miller, relied on the paper notes as they received them as wages, and for that reason they faced an even greater problem than the large-scale merchants. With fewer financial resources to fall back on they also faced ruin, but even more immediate and palpable. Unless they owned a home, they and their families could be thrown out into the street if they were unable to pay rent. If unable to pay their debts, they could still be thrown into debtor's prison.

The bank which was created to lend stability to the marketplace was in fact doing the opposite and was destroying the emerging order. Despite the increasing institutionalization of the market, one's reputation and personal relationships were still important in the marketplace. Merchants, mechanics and craftsmen all protested the bank's decision to no longer accept Illinois banknotes, and in one such meeting at the St. Louis courthouse, a group of merchants threatened to default on their loans at the bank despite the damage it would do to their reputation among others in business. Ten of the top merchants in the city publicly pledged their fortunes to support the Illinois currency and indemnify the bank if Smith would reverse the bank's policy but he and the directors were unwilling to reverse their decision.<sup>23</sup>

By 1840 the split between St. Louis and the Boon's Lick was even wider as the political and business leaders in each region organized around differences over banking policy. Bank president John Smith was a hard-money advocate who saw the bank's role

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<sup>23</sup>*Missouri Republican*, Nov. 13, 1839; "John Smith", "To Wayman Crow...", *Missouri Argus*, Nov. 14, 1839; James Kennerly Diary entry, Nov. 14, 1839, Missouri Historical Society, St. Louis, MO; *Missouri Republican*, Jan. 14, 1824, May 11, 1826, Aug. 9, 1827, May 13, 1828; *Missouri Intelligencer*, Jan. 29, 1830, Apr. 18, 1835; *Missouri Argus*, Dec. 14, 1840; Jefferson City *Peoples' Tribune*, Dec. 8, 1880; Edwards, *Great West*, p. 367. Merchants leading the protests and pledging their fortunes were George Collier, Pierre Chouteau, Jr., John O'Fallon, John Walsh, John Kerr, Edward Tracy, George K. McGunnege, William Glasgow, Henry Von Phul and Wayman Crow.

as protecting the state from the ills of paper money rather than expanding commerce. In a letter to Lt. Governor Meredith M. Marmaduke, one of the Boon's Lick political leaders, Smith differentiated between "the Citizens of the Interior" and the "Citizens of this City (St. Louis)." Smith wrote that he knew the directors were at best "lukewarm" to his management and he appealed to Marmaduke for support of his money policies. The bank's first duty, he wrote, should be to maintain a sound currency for the entire state rather than set policies for the benefit of "one district." Smith made no apology for Democrat's political control of the bank and believed the bank should be controlled by "the Democracy" rather than by the bank directors who were not directly accountable to the voters.<sup>24</sup>

The hard-money faction saw its purpose as restraint and protection while the merchants understood that an orderly marketplace depended on continued operation even with imperfect paper currency. The state-elected directors were Democrats chosen by the legislature, but Smith's extreme hard-money ideas and interference in bank management by out-state politicians began to alienate the St. Louis directors, many of whom held less extreme views on paper money. Even though they might have been wary of the paper banknotes originating in Illinois and other states, many of the directors understood that the economy was too advanced to rely only on specie in circulation. When Smith tried in January 1840 to have the bank refuse all paper money but its own the directors balked and by spring they were openly against him and working to force him out of the bank.<sup>25</sup>

The Bank of Missouri's decision could be justified given the condition of Illinois banks and the unsound decisions made in that state's legislature. The banks were known

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<sup>24</sup> John Smith to Meredith M. Marmaduke, Jan. 10, 1840, Mar. 12, 1840, Sappington Papers, MHS; Shalhope, *Sterling Price*, p.30-35.

<sup>25</sup> *Ibid.*

to be in poor financial condition and many regarded their failure as inevitable. Although harmful to St. Louis merchants and others holding the notes, rejecting the Illinois currency was understandable. To continue accepting currency that was rapidly losing its value jeopardized the Missouri bank's survival, but by saving the institution the hard-money advocates put many St. Louis businessmen and others holding the notes in danger of failure. Unless the Bank of Missouri reversed its decision the best that merchants could hope for was to delay the inevitable reckoning when Illinois' banks failed.

Requiring more liberal credit and monetary issue many St. Louis merchants and businesses turned to other means when it became evident that the state bank was unwilling to change its policies. Businessmen began to withdraw their funds from the state bank and within a few months its deposits declined from \$1.75 million to less than \$350,000, with half of that belonging to the federal government. These federal deposits came with restrictions on their use, and as merchants turned elsewhere the bank came close to breaking.<sup>26</sup>

Merchants turned instead to private banks and exchange dealers that operated without benefit of a state issued charter. George Collier and his partner William G. Pettus opened a private bank in St. Louis which offered short-term loans, and dealt in commercial bills of exchange and offered exchange on various banknotes, taking a small fee from the face value of each note. The only service which Collier's bank did not do was issue banknotes but given the availability of banknotes from other institutions that was not a restriction.<sup>27</sup>

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<sup>26</sup> "the firm of Collier and Pettus..."; "Petition from St. Louis Businessmen," St. Louis *Missouri Argus*, Nov. 13, Nov. 20, Nov. 22, 1839; Cable, *Bank of the State of Missouri*, p. 184-185.

<sup>27</sup> *Missouri Argus*, Nov. 20, 1839; "Collier and Pettus..." Nov. 22, 1839; Nov. 27, 1839; Primm, *Lion of the Valley*, p. 142.

Merchants also turned to several state chartered companies in St. Louis which took on the function of banking. They typically had large cash reserves which were put to use facilitating commerce. At least three insurance companies and the Gaslight Company began acting as commercial banks in late 1839 with more liberal credit than the state bank. Many of the insurance companies chartered in the 1836-37 legislative session operated under charters that allowed them to accept deposits, and loan money at interest and deal in commercial bills of exchange in addition to their normal business of selling policies.<sup>28</sup>

The St. Louis Gaslight Company and its deviation from its original purpose illustrate how large scale St. Louis businessmen used state and local politics to achieve their ends. In its original configuration the Gaslight was founded by several local men who were all socially and politically connected. They included attorney and future mayor John D. Daggett and Meriwether Lewis Clark, son of the famous explorer and Territorial Governor, but none of the original directors were prominent in business. Founded to light the city's streets, like the other private corporations founded during the boom, the company never fulfilled its original purpose due to the crash that followed soon after. In 1839, new directors took over the company and secured an amendment to its charter which allowed it to act as an internal improvements company for the City of St. Louis, with the city government authorized to purchase stock in the company. The original charter specifically prohibited banking operations, but the amended charter gave the Gaslight many of the same rights and privileges as the insurance companies, and allowed

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<sup>28</sup> Primm, *Lion of the Valley*, p. 142-144.

it to receive and loan funds temporarily at the discretion of its directors, which was to act in the capacity of a commercial bank.<sup>29</sup>

The Gaslight Company was perhaps a well-conceived but ill-timed venture that failed in part because the company's creators lacked investment capital to get it off the ground. But with the amended charter new directors took over the company and increased its capitalization by six fold. One of the directors was James H. Lucas, one of the wealthiest men in the city. Lucas was the surviving son of French émigré John B. C. Lucas, who came to Missouri as a Territorial Judge and whose land speculation paid off handsomely as the state's population grew. The younger Lucas spent time in Arkansas as a planter and merchant but by the late 1830s Lucas was back in St. Louis and limited his business to managing land speculation ventures and other investments. He was not a merchant or businessman, but a capitalist seeking profit wherever it could be found. Hard money ideologue John Smith and his political masters gave Lucas and other men like him an opportunity to seek out new sources of profit.<sup>30</sup>

Private companies filled the credit void left by the state bank and although they operated without state sanction they were not immune from coercion by the legislature. The Boon's Lick Democrats began attacking extra-legal banking in November of 1840. Outgoing Governor Lilburn Boggs, who had signed the state bank's charter into law, urged an investigation into the banking operations of insurance companies, citing their competition with the state bank. Inaugural Governor Thomas Reynolds called on the

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<sup>29</sup> "An Act to incorporate the St. Louis Gas Light Company," *Laws of Missouri, 9<sup>th</sup> Gen. Assy., 1<sup>st</sup> Sess., 1836-37*, (St. Louis, 1841), p.173-179; "An Act to amend the charter of the St. Louis Gas Light Company," *Laws of Missouri, 10<sup>th</sup> Gen. Assy., 1<sup>st</sup> Sess., 1838-1839*, (Jefferson City, 1841), p. 242-244.

<sup>30</sup> Primm, *Lion of the Valley*, 78, 80-86, 190-191, 200, 217.; "An Act to incorporate the St. Louis Gas Light Company," *Laws of Missouri, 9<sup>th</sup> Gen. Assy., 1<sup>st</sup> Sess., 1836-37*, (St. Louis, 1841), p.173-179; "An Act to amend the charter of the St. Louis Gas Light Company," *Laws of Missouri, 10<sup>th</sup> Gen. Assy., 1<sup>st</sup> Sess., 1838-1839*, (Jefferson City, 1841), p. 242-244.

legislature to revoke their charters, and railed against paper money, especially small-denomination notes that were rarely exchanged for specie. The small notes circulated freely in the marketplace despite state law prohibiting their use. Urban workmen received the notes in their wages, merchants received them in consumer transactions and all used them to pay debts. Despite their prohibition they could not be dispensed with and local officials turned a blind eye to the practice. Reynolds promised the “zealous cooperation of the Executive” in driving this paper money from the state.<sup>31</sup>

Reynolds argued that the people’s representatives in the legislature should set the limits and the pace of market expansion. Like other hard-money supporters, Reynolds was ambivalent about the expanding market economy. An attorney from Kentucky who spent over a decade in Illinois where he held several state offices including Speaker of the House of Representatives, Attorney General and Chief Justice of the state Supreme Court, Reynolds moved to Missouri after Illinois adopted an anti-slavery constitution in 1825. Settling his family and several slaves in the Boon’s Lick country, Reynolds practiced law in Fayette. He entered Missouri politics supporting Andrew Jackson’s anti-bank policies in the pages of the *Missouri Democrat* before his election to the legislature. Reynolds acknowledged the benefit of state-issued corporate charters to encourage industry, but opposed limited liability in the charters, and monied corporations, he

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<sup>31</sup> Governor Lilburn W. Boggs, Biannual Address, Nov. 17, 1840, *House Journal, Eleventh General Assembly, 1840-41*; Governor Thomas Reynolds, Inaugural Address, Nov. 18, 1840, in Leopard and Shoemaker, eds., *Messages and Proclamations of the Governors of the State of Missouri*, (Columbia, MO: State Historical Society of Missouri, 1922), p. 448-460: p. 452-456.; John V. Mering, *The Whig Party in Missouri*, University of Missouri Studies, Vol. XLI, (Columbia, MO: Univ. of Missouri Press, 1967), p.106,

believed, corrupted republican principles. The constitutional limit of one bank and laws excluding certain paper currency protected the people from their evils.<sup>32</sup>

The House Banking Committee led by Dr. Joshua Redman of Howard County in the Boone's Lick region took up Reynolds' charge and began an investigation of several insurance companies and the St. Louis Gas Light Company. A staunch supporter of Andrew Jackson and Thomas Hart Benton, Redman had supported the bank's charter, but preferred provisions for state ownership that would have allowed private investors the least influence possible to attract their capital. Politically ambitious, Redman's business dealings and his rise through the state Democratic Party put him in contact with other prominent men in state politics. Redman held the chairmanship of this important committee because of his hard-money views and his personal associations.<sup>33</sup>

The Banking Committee investigation of the insurance companies is further evidence that banking and currency issues split Missouri's Democratic Party between St. Louis and the Boon's Lick. The committee found what was already common knowledge -- that the Marine Insurance Company and the Perpetual Insurance Company were engaged in banking under the direction of several soft-money Democrats. Abel R. Corbin was the editor of the *Missouri Argus*, the newspaper of record for soft-money Democrats. Hugh O'Neil was the St. Louis builder who had introduced the bank's charter bill in 1836 and served briefly as one of its first directors. In addition to banking, the Marine and Perpetual Insurance Companies were also in competition with the

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<sup>32</sup> Leopard and Shoemaker, eds., Biographical Sketch of Governor Thomas Reynolds, *Messages and Proclamations*, Vol. III, p. 441-447.

<sup>33</sup> *Missouri Intelligencer*, July 9, 1825; Apr. 21, 1826; J.P. Owen to Abiel Leonard, Apr. 5, 1828; J.W. Redman to Abiel Leonard, Jan. 7, 1829, f.44, 47, Box 2, Abiel Leonard Collection, C1013, Abiel Leonard Collection, SHSM; "Members of the Howard-Jackson Committee of Vigilance and Correspondence," *Missouri Intelligencer*, July 14, 1832;



Glasgow Insurance Company located in the town of the same name. Several of the Glasgow Company's directors were also political leaders in the Boon's Lick faction, including Lt. Governor Meredith M. Marmaduke, Claiborne F. Jackson, Sterling Price and Dr. John Lowry. All of the men were hard-money supporters, and sometimes directors of the state bank branch at Fayette who worked to establish their own vision of order in the marketplace.<sup>34</sup>

Louis V. Bogy is representative of the importance of banking as the most divisive issue in the Missouri politics before the 1850s. Born to a French Creole mother and a Scots merchant father during the years of Spanish rule, Bogy practiced law in St. Louis but also had other business interests, including mining ventures in the mineral region southeast of St. Louis. Bogy was a soft-money Democrat who had financial interests in seeing paper money in wide use. He served as director for at least one insurance company, was also a director in a short-lived commercial exchange business, and later was a partner in a St. Louis bank and majority owner of a railroad.<sup>35</sup>

First elected to the legislature in 1840, Bogy was appointed to the Banking Committee where Joshua Redman directed the attacks against the insurance companies. Bogy represented merchants' interests but was unable to stop Redman's investigation. Instead Bogy tried unsuccessfully to arrange an exchange of bank stock for interest bearing state bonds. When Redman issued his final report advocating that the companies

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<sup>34</sup> Primm, *Lion of the Valley*, 78, 80-86, 190-191, 200, 217.

<sup>35</sup> Edwards, *Great West*, p.110-113; L.U. Reavis, *St. Louis: The Future Great City of the World* (1870); Allan Johnson, ed., *Dictionary of American Biographies*, Vol. II, p.410-411; W.V.N. Bay, *Reminiscences of Bench and Bar of Missouri with an appendix*, (St. Louis, 1878), p.577-580; Hyde and Conard, *Encyclopedia of St. Louis*, Vol. I, p. 190.

forfeit their charters, Bogy refused to go along and issued his own report defending the use of paper money.<sup>36</sup>

By late 1842 the continuing attacks on soft-money began to split the bank effectively into two entities with the main bank in St. Louis controlled by a soft-money faction, and the branch bank in Fayette controlled by the Boone's Lick faction and managed on hard money principles. Other factors contributed to that final split – national politics, bank failures in neighboring Illinois, and the poor judgment of bank president John Smith. British investors were well aware of the Whig Party's position on economic matters and letters between John Smith and the London financial house trying to sell Missouri State bonds observed that more Whigs in office would make American state bonds more attractive. When the letters became public, Democrats seized on the supposed foreign influence in American politics to attack the Whigs, tarnishing Smith in the process. He managed to survive and was re-elected to his post, but soon after submitted almost \$30,000 in expenses and professional fees for his services in selling the bonds in New York and London. In the midst of hard times, it was too much for the legislature, where hard-money Democrats had recently lost seats, and the soft-money Democrats and Whigs were long tired of Smith's management. He was forced to resign in 1842 and was replaced by Ferdinand Kennett, a St. Louis merchant and soft-money Democrat.<sup>37</sup>

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<sup>36</sup> Edwards, *Great West*, p.110-113; L.U. Reavis, *St. Louis: The Future Great City of the World* (1870); Allan Johnson, ed., *Dictionary of American Biographies*, Vol. II, p.410-411; W.V.N. Bay, *Reminiscences of Bench and Bar of Missouri with an appendix*, (St. Louis, 1878), p.577-580; Hyde and Conard, *Encyclopedia of St. Louis*, Vol. I, p. 190; Thomas H. Harvey to Meredith M. Marmaduke, Jan. 31, 1839, Sappington Papers, Missouri Historical Society; St. Louis *Missouri Argus* June 7, 1839.

<sup>37</sup> "Speech of Mr. English", St. Louis *Missouri Argus*, Dec. 19, 1840; Cable, *The Bank of the State of Missouri*, p.188-189.

No matter what their position was on banks and currency, St. Louis merchants and the Boon's Lick faction were all inextricably tied to the financial problems of their neighbors in Illinois. The aggressive internal improvement schemes enacted by the Illinois legislators bankrupted the state government but the legislators continued to make demands on the Illinois state bank as if both entities were independent of the wider market economy. Bank managers were forced to honor Illinois state debt instruments at face value even though they were nearly worthless on financial markets. When some eastern banks coordinated a resumption of specie payments in January 1841, the legislature forced the bank to participate, making it the only western bank paying specie for its notes. The result was a sudden depletion of specie reserves which should have forced the bank to cease operations. Instead the bank's managers embarked on a program of liberal lending, building new facilities, and bought a half finished railroad, taking on the obligation to finish construction but still somehow expecting to turn a profit.<sup>38</sup>

Illinois' two independent banks did not escape the vagaries of the market economy or the attention of state legislators. Operating independently of the state legislature these banks were not inclined to participate in the state's ill-conceived internal improvement projects but were not immune from coercion. Unable to repay a loan made to build a new capitol building, state legislators forced the Bank of Illinois at Shawneetown to accept devalued state warrants at face value in repayment. Contributing to the bank's problems, the directors loaned heavily on real estate which lost value in the depressed economy. All of these factors contributed to the bank's failure in the summer of 1842. After the state bank debacle new legislators vented the people's collective ire on

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<sup>38</sup> James, *Growth of Chicago Banks*, p.142-43, 157-60.

the Bank of Cairo and in a misdirected frenzy of retaliation forced it out of business in February 1842.<sup>39</sup>

By the summer of 1842, all three Illinois banks had failed or been forced out of business. Letters between Robert Campbell and William L. Sublette show that St. Louis merchants were heavily invested in the Illinois banknotes and lost when they ceased operation. A delegation of St. Louis merchants, including representatives from the Perpetual Insurance Company and led by Bank of Missouri cashier Henry Shurlds, journeyed to the ailing bank at Shawneetown in a fruitless attempt to salvage their money. The bank was too far gone and by the end of June, Shawneetown bank notes were no longer accepted in either business or private transactions in St. Louis.<sup>40</sup>

When the Illinois banks failed the Boone's Lick political leaders divided on the best means of eliminating paper money. Despite the failure of currency laws to rid the state of devalued paper money, some wanted to double the efforts. Governor Thomas Reynolds claimed that paper money "rested, like an incubus" upon the state and called for more restrictive currency laws. Others began to question the efficacy of those laws and Judge William B. Napton warned Reynolds that their efforts to exclude paper money from the state might fail. In that event, Napton wrote, "We [the Boon's Lick region] must either have a bank of our own...and rely on hard money solely – or a Bank of the United States must come."<sup>41</sup>

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<sup>39</sup> Ibid.

<sup>40</sup> Robert Campbell to William L. Sublette, June 10, June 11, June 21, June 24, June 29, 1842, Sublette Papers, Missouri Historical Society, St. Louis; James, *Growth of Chicago Banks*, p.142-43, 157-60.

<sup>41</sup> William B. Napton to Gov. Thomas Reynolds, Oct. 6, 1842, Reynolds Papers, Missouri Historical Society, St. Louis, MO; Governor Thomas Reynolds, "First Biennial Address," Nov. 22, 1842, Shoemaker, *Messages and Proclamations of the Governors*, Vol. III, p. 461-465.

Private exchange brokers became the scapegoats for the Illinois banks and for the devalued paper money. St. Louis exchange brokers would accept their notes only at steep discounts, taking a small profit from “shaving” each note. After broker Louis A. Benoist devalued the Illinois notes even further in early June, a mob formed outside his office one night. Although there was no violence, Robert Campbell noted “mobs do good and a little fright might be of service” to their hard-money cause. Hard money advocates also disliked exchange brokers because they demonstrated the West’s colonial relationship with eastern financial institutions. Benoist acted as an agent for eastern banks and private capitalists as he purchased banknotes and in the process sent specie to the East. Campbell wrote, “it is...better that gold should be paid out to our own citizens than...be sent off to eastern cities.”<sup>42</sup>

As Campbell’s letter indicates, not all men engaged in the marketplace were wealthy merchants and planters, nor did they all have his political influence. Common people – craftsmen and laborers such as Henry Miller - were affected by changes in a marketplace over which they had little control. Often they showed only resignation, moving from town to town along the river seeking work, as Miller did. In the 1830s and 1840s they also vented their frustration in a rowdy political process that sometimes included mob violence. Some men feared that reaction, but others like Robert Campbell understood that it could serve a political purpose and did nothing to discourage the disorder.<sup>43</sup>

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<sup>42</sup> Robert Campbell to William Sublette, June 4, 1842, Campbell to Sublette, via Steamboat *Satan*, June 11, 1842, Sublette Papers, Missouri Historical Society; Robert Campbell to John J. Lowry, Mar. 27, 1844 in Nester, *From Mountain Man to Millionaire*, p. 148; “...\$60,000 in specie...”, St. Louis *Missouri Argus*, May 25, 1840.

<sup>43</sup> Robert Campbell to William Sublette, June 4, 1842, Campbell to Sublette, via Steamboat *Satan*, June 11, 1842 Sublette Papers, Missouri Historical Society.

William B. Napton was a Saline County attorney and circuit court judge who later served on the State Supreme Court. As a wealthy planter with considerable land holdings worked by slaves, Napton was engaged in commercial agriculture and tied to the market economy. However, he set himself and his fellow planters apart from the urban merchants. Although both groups were engaged in the marketplace, Napton differentiated between the rural planters and the urban merchants, who were different from “those of us whose entire property consists of large bodies of land and considerable numbers of slaves,” he wrote.<sup>44</sup>

The struggle to control the state bank emphasized the economic and political differences between urban, mercantile St. Louis controlled by Whigs and soft-money Democrats, and the outlying counties of the Boon’s Lick region, controlled by the hard-money Democrats. In the 1840-41 session of the General Assembly the St. Louis legislators secured a modification of the city charter to expand the boundaries. The amendment also removed a tax qualification for voting which brought more working class Democrats to the polls. St. Louis Democrats sent more legislators to the Assembly in the following election but they were soft-money rather than hard-money men and they confounded attempts to enact more restrictive currency laws. Napton observed that when St. Louis sent Democrats to the General Assembly, “confusion follows.”<sup>45</sup>

By the spring of 1844 the contest over control of the bank and its policies had split the bank into two separate entities. The Boon’s Lick faction always controlled the branch bank in Fayette, their political center. Because St. Louis was the state’s economic

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<sup>44</sup> William B. Napton to Claiborne F. Jackson, Oct. 3, 1857, Miscellaneous Manuscripts Collection, Western Historical Manuscript Collection, Columbia, MO.

<sup>45</sup> “An Act to amend “An Act to incorporate the City of St. Louis,” *Laws of Missouri, 1840-41*, (Jefferson City, Missouri, 1841), p. 129-39; “...confusion follows.” – David Rice Atchison to Gov. Thomas Reynolds, Apr. 6, 1843, Reynolds Papers, Missouri Historical Society, St. Louis.

center, the main bank located there was always the prize. City merchants were able to exercise nominal control over the board of directors. However because of their political weakness in the state legislature, hard-money merchants such as Robert Campbell and William Sublette, and the bank's restrictive charter, the bank was never managed to meet all of their business needs in terms of credit and money issue. St. Louis merchants were able to briefly reverse the bank's policy of refusing Illinois banknotes but that lasted less than a year. Ferdinand Kennett, elected with the support of St. Louis merchants in 1842 to replace John Smith, proved to be almost as conservative in his policies as Smith. Several leading merchants, including George Collier, backed Kennett, expecting him to be easily manipulated however he proved to be independent. Under Kennett's leadership the St. Louis bank stopped dealing in any banknotes but its own, something that provoked revolt among the directors under John Smith.<sup>46</sup>

Despite the continuing efforts to exclude small denomination and non-convertible banknotes the hard-money Democrats were not successful. The 1837 law prohibiting foreign banking penalized individuals with heavy fines for banking and passing small bills into circulation. An unsuccessful attempt to enact legislation in 1840 would have penalized individuals for accepting paper banknotes in any transactions. In February 1843 new legislation again prohibited small denomination banknotes and included all notes that were not convertible to specie. The new law was however directed at corporations rather than individuals, causing them to forfeit their charters and levying fines for each offense. All provisions of corporate charters that had permitted banking operations, such as taking money on deposit, discounting notes, loaning money at interest, or dealing in

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<sup>46</sup> Cable, *Bank of the State of Missouri*, p.186, 188-89; Mering, *The Whig Party in Missouri*, p. 202; Robert Campbell to William Sublette, Nov. 24, 1844, William Sublette Papers, Missouri Historical Society, St. Louis.

commercial bills of exchange were revoked. The 1843 law also voided any contracts which involved the receipt, payment or loan of such notes.<sup>47</sup>

Dubbed by opponents the “bill of pains and penalties,” the law was evidence that it was impossible for the legislature to prohibit the use of small denomination notes. Because there was a succession of laws designed to stop the continuing circulation of small value notes it is evident that they were in demand and in circulation. By making it a crime to for the state bank and exchange dealers to receive the notes, with penalties of one thousand dollars for each offense, the law made it impossible to ever convert the notes to specie. Instead of driving the notes from circulation, it was more likely that the notes would stay in circulation indefinitely.<sup>48</sup>

Despite the restrictive currency laws prosecutions for violations seem to have been few. In 1836 Francis Downing and Elisha Conant, agents of the Illinois Savings Bank, were convicted in St. Louis County of introducing foreign banknotes into circulation. In 1852 two private bankers in St. Louis, Daniel D. Page and Henry D. Bacon, were indicted for counterfeiting, stemming from their bank’s issuing its own small denomination banknotes. In both cases the convictions were later overturned on appeal to the Missouri State Supreme Court, however the prosecutions had their desired effect. Downing and Conant shut down their banking agency and Page and Bacon ceased issuing small notes. However neither case had the wider effect intended. Bank notes

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<sup>47</sup>Gov. Lilburn W. Boggs, ”Message to the General Assembly, Nov. 17, 1840, Missouri Gen. Assy. 1<sup>st</sup> Sess, 1840-1841; “An Act to suppress illegal banking, and to suppress the circulation of small bank notes, and other depreciated currency within the limits of this State,” *Laws of Missouri, 12<sup>th</sup> Gen. Assy., 1843-44*, (Jefferson City, Missouri, 1843), p. 20-21; “The Bill of Pains and Penalties,” St. Louis *Millboy*, Mar. 23, 1844.

<sup>48</sup> “An Act to suppress illegal banking, and to suppress the circulation of small bank notes, and other depreciated currency within the limits of this State,” *Laws of Missouri, 12<sup>th</sup> Gen. Assy., 1843-44*, (Jefferson City, Missouri, 1843), p. 20-21; “The Bill of Pains and Penalties,” St. Louis *Millboy*, Mar. 23, 1844.



from other states, and small denomination notes continued to circulate in the local and state economy.<sup>49</sup>

The most authoritative history of the state bank argued in 1923 that the bank became irrelevant because the management rejected what most others considered acceptable risks in commercial lending. Contemporary sources support this analysis. Merchants often commented that the State Bank was not discounting (lending) and they had to find other sources of credit to maintain their business operations. The bank lost its financial importance as merchants shifted capital to other institutions such as insurance companies and private bankers and looked to eastern credit sources. The hard-money faction always tried to control the marketplace by forcing out paper money, but the Bank of the State of Missouri was only one of many, and with so many banks issuing paper money the privilege lost its importance and even became unnecessary. St. Louis merchants abandoned the bank, leaving it to the political arena and skirted the currency laws.<sup>50</sup>

The main bank in St. Louis became a contest for political offices, between hard-money Democrats like William L. Sublette and Robert Campbell, and their soft-money political opponents. In January 1842, Campbell and Sublette dissolved their long-standing business partnership, and erected a wall in their building to separate their respective portions of the business. The dissolution was due to financial problems, but it allowed the pair to skirt the provision of the bank's charter that prohibited business partners from serving simultaneously on the board of directors. Hard-money Democrats

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<sup>49</sup> "Office of the Illinois Savings Bank," Sept. 2, 1836; Letter by Henry S. Geyer, Dec. 9, 1836, St. Louis *Missouri Argus*; *Francis C. Downing v. State of Missouri*, folder 14, Box 154, Supreme Court Records; *State of Missouri v. Daniel D. Page and Henry D. Bacon*, Box 326, folder 3, Supreme Court Records, Missouri State Archives, Jefferson City, Missouri.

<sup>50</sup> Cable, *The Bank of the State of Missouri*, p. 227-231.

also took advantage of rising nativism and resistance to the Whigs' moralizing to affect bank policies. Campbell advised Sublette that they would do well to include someone from the German community in St. Louis. Campbell wrote, "the Germans are becoming an important part of the community and [Ernst Angelrodt] would make a good director."

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The branch bank in Fayette on the other hand was always controlled by hard-money men who with the support of like-minded merchants such as Robert Campbell and William Sublette in St. Louis, tried to turn back the economic clock and issue gold and silver coin in place of paper money. In late 1842, Campbell wrote to Dr. John Lowry, president of the branch bank in Fayette, that there was over \$1.1 million in gold and other specie in the St. Louis bank's vaults which he wanted to see put into circulation rather than remain in the bank's vault. It is clear that Campbell was not acting out of self interest. In his letter to Lowry and in other letters to his partner, William Sublette, he was explicit in his concern that farmers, laborers, and mechanics should not be harmed by the evils of paper money. Statements made by Campbell and his allies among the Boon's Lick Democrats show that they understood that everyone was engaged in the marketplace but they still believed it was something from which people must be protected.<sup>52</sup>

The fight to establish a stable currency proved beyond the capacity of one state bank while so many other banks continued to issue paper banknotes and they found their way into circulation. Hard and soft-money Democrats in St. Louis continued to fight for

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<sup>51</sup> Nester, *From Mountain Man to Millionaire*, p. 136, 142; Campbell to Sublette letter (May 22, 1842), Sublette Papers, Missouri Historical Society; Louis. Henry Boernstein, *Memoirs of a Nobody: The Missouri Years of an Austrian Radical, 1849-1866*, translated and edited by Steven Rowan, (St. Louis: Missouri Historical Society Press, 1997), p124-125, 159, n9, Angelrodt was a German immigrant, merchant and entrepreneur in St. Louis; Shalhope, *Sterling Price*, p. 40-42; Primm, *Lion of the Valley*, p. 165-167.

<sup>52</sup> Robert Campbell to William L. Sublette, Nov. 22, 1842, Sublette Papers, MHS.

control of the state bank until the charter expired in 1857, with neither faction completely controlling the bank. A free banking law allowed other banks to operate legally provided they met minimum financial requirements. The hard-money faction was never successful at driving either devalued or small denomination paper money from the state despite restrictive legislation. As long as other banks issued banknotes there were means of bringing them it into local circulation.<sup>53</sup>

The return of prosperity finally marginalized the struggle to control the bank. As war with Mexico began in 1846 many St. Louis merchants prospered by outfitting nearby Jefferson Barracks and other army units for their journey to the Southwest. After the war, westward migration increased and city merchants, planters, as well as small farmers and merchants in the Boon's Lick all prospered. New arrivals, many from eastern cities, brought private capital and credit searching for profit in the West.<sup>54</sup>

Opposition to paper money often focused on the harm done when banks failed or the market devalued their banknotes. As the fight over control of the state bank and currency showed, the hard-money faction continued to see the market economy as something from which people must be protected. Robert Campbell's statements regarding his desire to protect farmers, workmen and mechanics from the evils of small denomination paper money were surely genuine. Even though not everyone was completely dependent upon it, everyone participated in the market economy to some degree. Reactions to the Panic of 1819 focused on the loss of republican virtue, and many believed that the nation was losing something of great moral value. By 1837, as

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<sup>53</sup> Cable, *The Bank of the State of Missouri*, p.249; "List of banks seeking charter in Missouri", *Jefferson City Inquirer*, Feb. 7, 1857. "New Banks opened in St. Louis," *Liberty Weekly Tribune*, May 15, 1857, "More banks chartered by the General Assembly...", , Mar. 4, 1859.

<sup>54</sup> Cable, p.190-91, 195; Jeffrey S. Adler, *Yankee Merchants and the Making of the Urban West: The Rise and Fall of Antebellum St. Louis*, (New York: Cambridge Univ. Press, 1991).

the writer observed, the market had come to everyman's doorstep. In the years after the Panic of 1837 there was no debate about whether one should engage the market economy. Rather it was about how to maintain order in the marketplace that every man entered when he stepped through his door.

## Chapter Four

### *“to produce more harmonious actions in our business..: Commercial Organizations in Antebellum St. Louis*

In early January 1855 a rumor began to spread among the St. Louis business community that the banking house of Page, Bacon and Company was in financial trouble. The rumors started when the Belcher brothers defaulted on short-term bonds issued to finance the expansion of their sugar refinery. Page and Bacon, their principal creditors, guaranteed the bonds but due to their own financial problems were unable to meet their obligations to their clients. On Saturday, January 13, the bank did not open for business as it should have and the public response was near panic as anyone with deposits in a bank raced to save their money. To restore calm in the marketplace, eight of the city's leading merchant-bankers publicly pledged their fortunes to guarantee deposits. Henry Bacon, the managing partner, closed the doors, and began working to save the bank. He secured loans in New York, and called in outstanding loans to local businessmen. In addition he began liquidating the bank's holdings in commercial real estate, and let it be known that he would honor the bank's other financial commitments, with interest. Despite Bacon's work over the next two months the bank was too far gone and closed its doors for good by the end of April 1855.<sup>1</sup>

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<sup>1</sup>John Hogan, *Thoughts About the City of St. Louis, Her Commerce and Manufactures, Railroads, etc.*, (St. Louis, 1854), p. 17; General William T. Sherman, *Recollections of California, 1846-1861*, Reprint: Oakland, CA: Bio Books, 1945, p.93; Richard Edwards and M. Hopewell, M.D., *Great West and Her Commercial Metropolis, Embracing a General View of the West, and a Complete History of St. Louis, (St. Louis, 1860)* p.132-135; J. Thomas Scharf, *History of St. Louis City and County*, Vol. II, (St. Louis, 1883) p. 1244, 1375; Walter B. Stevens, *St. Louis: The Fourth City, 1764-1909*, (St. Louis, 1909), p.302-305; Wyatt Winton Belcher, *The Economic Rivalry Between St. Louis and Chicago, 1850-1880*, Reprint, AMS Press Inc., 1968, (New York: Columbia Univ. Press Inc., 1947) p.121; James Neal Primm, *Lion of the Valley: St. Louis, Missouri*, (Boulder, CO: Pruett Publishing Co., 1981), p. 202, 208; Dwight L. Clarke,

The failure of Page and Bacon illustrates the challenges confronting St. Louis merchants in the 1850s. The end of the Mexican War brought a wave of migration and prosperity. The telegraph and railroads promised to connect the city to distant markets faster than ever before. Prosperity also brought increased competition as new men and money arrived from the East, and the city of Chicago rose up to challenge St. Louis for the commerce of the Great West. But prosperity could still be interrupted by bank failures and events in distant cities affected everyone in the marketplace faster than ever before. St. Louis merchants and bankers used organizations to rationalize and lend stability to the market economy. The organizations took over some of the functions previously left to government and established an alternate governing structure. Despite the modernization and greater organization however, merchants were reminded that, like their opponents in the Boon's Lick, they were also unable to control the marketplace.<sup>2</sup>

One unexpected impetus for the consolidation of commercial organizations in St. Louis was a massive fire in May 1849 that devastated the warehouses along the riverfront. A fire broke out aboard a steamboat tied up along the levee, spread to the wooden buildings and warehouses on the other side, and eventually destroyed twenty-three steamboats, and fifteen city blocks that included most of the city's commercial district. Displaced by the disaster, several merchants in the Chamber of Commerce began meeting in the loft above a dry goods and drug store. The loft gave them room to bring commodity samples and gather for monthly meetings, but as membership grew the space became over crowded. At one meeting, George K. McGunnege suggested that the

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*William Tecumseh Sherman: Gold Rush Banker*, (San Francisco: California Historical Society, 1969) p. 107-114.

<sup>2</sup> Jeffrey Adler, *Yankee Merchants in the Urban West: The Rise and Fall of Antebellum St. Louis*, (New York: Cambridge Univ. Press, 1991), p. 77-81, 117-118, 140-142; William Cronon, *Nature's Metropolis: Chicago and the Great West*, (New York: W. W. Norton, 1991), p. 60-74.

organization find a more suitable and permanent location, and the Merchants Exchange as a permanent, separate place to conduct business was born.<sup>3</sup>

Rebuilding after the fire served to consolidate existing commercial organizations. The Chamber of Commerce existed informally since the early 1820s and received a formal charter in 1837. The St. Louis Exchange, created in 1836 seems to have had no permanent location and saw little business activity before 1849. The Miller's Exchange, organized in 1848, brought St. Louis flour millers together in one place to buy and sell grain and flour, and to collect samples of all flour sold in the City of St. Louis for inspection as required by city ordinance. After the great fire the three organizations all merged into one, calling itself the St. Louis Merchants Exchange, which was now open for business daily. By 1858 the Merchants Exchange had over six hundred members with the number increasing annually. Most of the members were in partnerships although the organization also included chartered corporations, such as insurance companies, flour mills, and steamboat companies. At least two members were builders and lumber dealers who employed craftsmen, tradesmen and laborers. Others served the merchant community such as attorneys, bankers and exchange dealers.<sup>4</sup>

The Exchange was similar to the city-owned and controlled marketplaces where merchants and small-scale vendors of all types met to sell their wares and produce

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<sup>3</sup> Columbia *Missouri Statesman*, May 25, 1849, July 20, 1849, *Liberty Weekly Tribune*, May 25, 1849, June 22, 1849; Hogan, *Thoughts About the City of St. Louis*, p. 28-29.

<sup>4</sup> Charles Keemle, *St. Louis Directory for the Years 1840-41*, (St. Louis, 1840); William Hyde and Howard L. Conard, *Encyclopedia of the City of St. Louis*, (New York: The Southern History Company, 1899), Vol. II, p. 1453; Keemle's directory shows a Merchants Exchange in a drawing of the city in 1840-41, but the building is absent in other years. Advertisements for a stage coach office in the *Missouri Republican* in the late 1830s give the location as the "old Merchants Exchange building." The Exchange elected new officers only twice from 1836 to 1849 unlike other organizations which rotated officers annually; St. Louis Chamber of Commerce, *Rules and By-Laws of the St. Louis Chamber of Commerce, with the Act of Incorporation; To Which are Affixed the Rules and Regulations for the Government of the Merchants Exchange and Reading Room*, (St. Louis, 1851), p. 5-13; List of Subscribers to the St. Louis Merchants Exchange, 1857-1858, St. Louis Merchants Exchange Papers, Missouri Historical Society; Hyde and Conard, Vol. II, p.1447-1454; Scharf, *History of St. Louis*, Vol. I, p.1231-1232.

directly to consumers. The Exchange differed only in that it was a place for larger scale merchants rather than small shopkeepers. The schedule of rates and commissions adopted in the 1850 Rules show that those doing business at the Exchange were engaged in the wholesale rather than small retail business. The Tariff of Charges which set maximum rates on insurance policies steamboats and their cargoes was established for merchants dealing in commodities and large quantities of goods rather than small shopkeepers.<sup>5</sup>

Organization in local banking appeared in 1852 when a group of private bankers created the St. Louis Bankers and Exchange Dealers Association, which was designed to regulate and stabilize the local financial marketplace, something the hard money advocates in the General Assembly had been unable to achieve by legislation. First the Association tried to end the cutthroat competition in local banking by setting commission rates on financial instruments. Second, where state currency laws had been ineffective at keeping devalued banknotes out of circulation, bankers established their own means of ridding the marketplace of worthless paper money. Third, in a growing city and expanding market economy they established a rating system to determine who was worthy of extending credit. The solutions to these problems would be of benefit to all merchants in the marketplace, not just bankers.<sup>6</sup>

Business organizations gained greater importance in the local marketplace after 1850. The pattern of rotation in executive offices of the Merchants Exchange and Chamber of Commerce indicate that the organizations were beginning to take on a greater utility and that merchants took a greater interest in their leadership. Both

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<sup>5</sup> Chamber of Commerce, *Rules and By-Laws, 1850*, p. 21-25, 29-30.

<sup>6</sup>*Record of Organization, Constitution and By-Laws of the Bankers and Exchange Dealers of the City of St. Louis*, July 23, 1852; Minute Book, St. Louis Bankers and Exchange Dealers Association, 1852-1853, Records of the St. Louis Bankers and Exchange Dealers Association, 1852-1854, St. Louis Mercantile Library, University of Missouri-St. Louis.



organizations received their charters during the boom years before the crash in 1837. The increased rotation in office coincided with the economic recovery in the late 1840s. From 1836 to 1840, the same three men served as executive officers, followed by five more who each served for eight years in their respective offices. Prior to 1850, those men elected to executive offices in the Merchants Exchange tended to stay in one or more of those offices for several years at a time. There was a turnover in 1850 after adopting more formal rules, then again in 1855 after the brief panic caused when Page and Bacon failed. Then by 1860 the Chamber's constitution limited the president to only two consecutive one-year terms, and other executive officers, although not term-limited, served for only one or two years in their respective offices.<sup>7</sup>

The organizations were also a means of directing competition with eastern newcomers and against the greater northern rival, Chicago. During the 1840s and 1850s Eastern merchant houses sent representatives to open branches which were then in competition with established businesses. Yet none of these men were elected to offices in the Chamber of Commerce or the Merchants Exchange. Men elected to officers in these organizations were instead long-time residents and established merchants in St. Louis. They were almost always men who had arrived during or soon after the War of 1812. As these Americans established a permanent presence, their social status grew with the city. Many of the wealthy Creoles faded into the background, forming a social elite while their American-born sons-in-law used their fortunes to fight for position in the marketplace. After the Mexican War new men arrived who directly challenged them for the commerce

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<sup>7</sup> St. Louis Chamber of Commerce, *Rules and By-Laws, 1851, 1859*; Charles Keemle, *The St. Louis Directory for the Years 1836-37*, (St. Louis, 1836); Chamber of Commerce election results, Jan. 4, 1860, Jan. 2, 1861, Jan. 15, 1862, Merchants Exchange Papers, Box 1, Missouri Historical Society, St. Louis. Hyde and Conard, *Encyclopedia of St. Louis*, Vol. III, p. 1453-1454.

of the West. There was no way to stop this influx of challengers, but the organizations, by controlling membership might somehow limit the increasing competition.<sup>8</sup>

Two early officers of the Merchants Exchange are examples of this pattern. Edward Tracy, the first president of the Exchange, was a former director of the Bank of U.S. and Bank of the State of Missouri. Tracy was in St. Louis by 1818, engaged in the mercantile trade with interests in steamboats and acted as agent for eastern insurance companies. In the mid 1830s Tracy, along with other St. Louis businessmen and financiers was an early promoter of railroads. Tracy was similar to other businessmen of his rank who were also civic leaders. He served as a trustee in his church, and sat on the board of Kemper College. Tracy also involved himself in local politics. He was a Whig who supported John Quincy Adams and Henry Clay for president. Although never elected to state office, Tracy ran for city alderman once in 1839 and was elected to serve as St. Louis City Auditor in 1851. By 1850, Edward Tracy had made his fortune and his status in the marketplace secured his social position.<sup>9</sup>

Henry Von Phul held several offices of the Chamber of Commerce and Merchants Exchange from their inception. He arrived in St. Louis from Maryland via Kentucky in 1811 and married into the Creole family of Dr. Antoine Saugrain. Von Phul managed the doctor's estate and established a mercantile business with ties to the Chouteau family's extensive trading networks. During the War of 1812, Von Phul led a company of rangers

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<sup>8</sup> Adler, *Yankee Merchants*, Chapters 4 and 5 cover the arrival of Eastern merchants and the cultural divisions between them and the longer term St. Louis residents.

<sup>9</sup> St. Louis *Missouri Gazette*, Sept. 25, 1818, "Tracy and Wahrendorff", *Missouri Gazette*, May 3, 1820; "Farmers Fire Insurance and Loan Company," St. Louis *Missouri Republican*," Apr. 16, 1823; "Circular endorsing John Quincy Adams," Oct. 25, 1824; "Directors of the Bank of the United States," St. Louis *Missouri Intelligencer*, Jan. 16, 1829; Columbia, *Missouri Statesman*, Apr. 12, 1850; St. Louis *Missouri Argus*, May 17, 1838, Apr. 5, 1839, Dec. 14, 1840; Liberty, *Weekly Tribune*, Mar. 28, 1851; Lewis E. Atherton, "James and Robert Aull – A Frontier Missouri Mercantile Firm," *Missouri Historical Review*, (Oct. 1935) 3-27: p. 4, 20, 21, 24-26. .

on the frontier and was in at least one large engagement near Prairie du Chien. Von Phul extended his commercial ties into the Boon's Lick, investing in steamboats and insurance companies. His business failed during the depression of the 1840s but he recovered, found new partners and continued in business. Documents related to Henry Von Phul's business affairs show that he worked hard to establish his business, and by the 1850s was a respected member among the St. Louis business community.<sup>10</sup>

From the 1850s on, the leadership of the Chamber and Merchants Exchange reflected the growth of economy but also that there was a stratification underway in the marketplace. Leadership roles in the Chamber of Commerce and the Merchants Exchange conveyed commercial as well as social status within the merchant community. Top merchants were civic leaders but fewer of them were also political leaders. There was no compensation for offices except the Secretary, and service was a matter of noblesse oblige which fell to those who had the time and resources to devote to an organization away from their business. James Yeatman who served for a time in the executive function of the Chamber of Commerce was the leader in founding the St. Louis Mercantile Library. George K. McGunnege, who introduced the Chamber's charter bill in 1837, was one of the founders of the Chamber and Exchange, and served several terms in the state

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<sup>10</sup> "Account with Thomas Forsyth," Mar. 5, 1810, Mar. 20, 1815, Tesson Collection, Missouri Historical Society, St. Louis; John W. Johnson to Theodore Hunt, July 6, 1816, Lucas Collection, MHS; Receipts and bills, Feb. 6, 1815 to July 10, 1822, Auguste Chouteau Papers, MHS; Personal Account Book of Auguste Chouteau, 1822 to Nov. 1827, Chouteau Collection, MHS; "John Mullanphy vs. Henry Von Phul and Rosella M. Saugrain, Hamilton R. Gamble Papers, MHS; "Von Phul and McGill to Jacob U. Payne, Columbia, Missouri", Dec. 16, 1828, St. Louis Business Papers, MHS;"Von Phul and McGill Account with American Fur Company," Aug. 3 to Aug. 13, 1827, Pierre Chouteau Maffitt Collection, MHS; William Carr Lane, St. Louis to Mary E. Lane, Vincennes, Aug. 18, Sept. 26, 1842, William Carr Lane Papers, MHS; Paul Beckwith. *Creoles of St. Louis*. (St. Louis, 1893) p. 114-116. Lawrence O. Christensen, William E. Foley, et. al. *Dictionary of Missouri Biography*. Columbia, MO: Univ. of Missouri Press, 1999. p.778-779.

legislature. After 1850 fewer men who served as leaders in the merchant community can be identified as having held office in state or city politics.<sup>11</sup>

When merchants merged the Chamber of Commerce, St. Louis Exchange and the Millers Exchange the newly formed larger organization represented an important development in the ordering of the marketplace. The permanent advent of the Merchants Exchange, opening in January 1850, was a critical structural separation in the local marketplace. Separating the Chamber within the Merchants Exchange created a two-tiered marketplace where one level was political and the other solely for conducting business. The politics of business became separate from the conduct of business as the Chamber of Commerce took on a new function as the governing body of the Exchange. Membership in the Exchange was open to any businessman in the city and officers were selected democratically. Any office was open to the membership provided they found enough support in the organization.<sup>12</sup>

Membership in the Exchange conveyed the privilege of doing business on the trading floor but governance and leadership were restricted to members of the Chamber. Officers, the Committee of Appeals, and the Flour Inspectors were all chosen by annual ballot however voting in the organization was limited to members of the Chamber of Commerce. The Rules and Bylaws did not establish guidelines on who could join the Chamber but all new members were admitted only after finding a sponsor, then subject to a vote of the full Chamber. By 1858 there were over six hundred members in the Exchange and by 1860 there were over two hundred members in the Chamber. In the

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<sup>11</sup> Chamber of Commerce, *Rules and By-Laws, 1851*, p.4-13; Charles Keemle, *The St. Louis Directory for the Years 1836-37*, (St. Louis, 1836); *St. Louis Directory for the Years 1838-39*; Chamber of Commerce election results, Jan. 4, 1860, Jan. 2, 1861, Jan. 15, 1862, Merchants Exchange Papers, Box 1, Missouri Historical Society, St. Louis. Hyde and Conard, *Encyclopedia of St. Louis*, Vol. III, p. 1453-1454.

<sup>12</sup> Chamber of Commerce, *Rules and By-Laws, 1850*, p. 21-25, 29-30.

1860 elections for officers, forty-five men ran for seats on the Committee of Appeals and nearly a third of the Exchange members were able to participate in the government of the Exchange. In this way, the success of the organization and its acceptance as the place to conduct business made control of the organization by limiting membership impossible.<sup>13</sup>

The 1850 Constitution with Rules and By-Laws, created a formal structure to govern the organization and to regulate members' conduct. The rules created an executive function consisting of a president, two vice-presidents in descending rank, a secretary, and a treasurer, all elected annually. An Appeals Committee of twelve members was also elected annually, and was tasked with dispute resolution, but had a second function. Along with the president and two vice-presidents, the Committee was charged with overseeing "the general affairs of the Chamber." Only three members constituted a quorum for conducting business and the Committee was also empowered to fill any vacancies without resorting to a vote of the general membership. What power there was in the Chamber of Commerce, lay in the Committee of Appeals.<sup>14</sup>

The 1850 Rules also created an arbitration process to resolve disputes between members, exclusively for merchants' use, that was separate from the state court system. The 1850 Rules created a standing Committee of Arbitration consisting of thirteen members, chosen by election and replaced every quarter. Any three members constituted a quorum, which made the duties less of a burden, and allowed the committee to resolve issues quickly without waiting for a plenary meeting. Just as when litigating a dispute in state courts the contending parties were bound to abide by the committee's decision.

Unlike in the state courts, merchants submitting a matter for mediation had considerable

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<sup>13</sup> List of Subscribers, 1857-1858; Election of Officers, St. Louis Chamber of Commerce, Jan. 4, 1860; Box 1, folder 6, St. Louis Merchants Exchange Papers, Missouri Historical Society.

<sup>14</sup> Chamber of Commerce, *Rules and By-Laws, 1851*, p. 13, 16.

leeway to choose who would hear their case. Fellow businessmen heard the case and reached a decision, rather than a randomly selected jury drawn from the community at large. If for some reason either party found the standing Committee of Arbitration unacceptable, both parties could agree to submit their case to a temporary committee of their choosing. They could ask that the Appeals Committee review the decision, also for a fee, but agreed at the outset to forego appeal through the court system.<sup>15</sup>

The Chamber's arbitration and appeals process was separate from, and parallel to the civil legal system, but did not preclude merchants resorting to litigation. When one or both parties were unwilling to submit to arbitration by their peers, they could still resort to the legal process and take their chances in court. St. Louis attorneys, among them Henry S. Geyer, maintained membership in the Chamber of Commerce, most likely to maintain contact with potentially lucrative clients. Letters from Howard County attorney Abiel Leonard's legal papers show that he and his colleagues at the bar in the Boon's Lick did not lack for clients among the St. Louis merchant community.<sup>16</sup>

Merchants were unable to control access to the marketplace but as the Exchange became more widely accepted as the place to do business, the power to expel a merchant gained some strength. The 1850 Rules allowed members to collectively judge their fellow merchants and to expel members who acted outside the bounds of appropriate behavior. Any merchant accused of violating the provisions of a contract between two members was subject to be called before the Appeals Committee for examination. Upon finding cause, the merchant was subject to expulsion, but subject to a majority vote of the entire

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<sup>15</sup> Chamber of Commerce, *Rules and By-Laws, 1850*, p. 15-16, 20.

<sup>16</sup> Chamber of Commerce, *Rules and By-Laws, 1851*, p.4-13; Charles Keemle, *The St. Louis Directory for the Years 1836-37*, (St. Louis, 1836); *St. Louis Directory for the Years 1838-39*; Chamber of Commerce election results, Jan. 4, 1860, Jan. 2, 1861, Jan. 15, 1862, Merchants Exchange Papers, Box 1, MHS. Louis. Hyde and Conard, *Encyclopedia of St. Louis*, Vol. III, p. 1453-1454.

Chamber. The final provision for policing its members was the clause that allowed anyone to be expelled for “any conduct unbecoming a merchant.” The definition of inappropriate behavior was not defined, but by doing so it left the definition to the members. In leaving the definition to members the Rules let them adapt to changing practices in the marketplace and also let merchants decide with whom they would associate in the marketplace.<sup>17</sup>

Despite the increasing rotation in office and increased interest in the organization’s leadership one surviving account of the politics within the Chamber and the Exchange indicates that it seems to have been a place of relative amity among the member merchants. The organization functioned to the benefit of its members. Competition in the marketplace was a given, but consider that one purpose of the Chamber was to resolve disputes among merchants. Surviving records are sparse, and there are none from the Committee of Arbitration, however, a list of arbitration fees, and the parties involved show that some merchants used the Appeals Committee repeatedly to resolve disputes arising in business. Unlike the city’s bankers merchants were willing to abide by the arbitration process created within their organization. The changing pattern among executive offices also seems to suggest that control of the organizations rotated every few years among certain cliques within the merchant community. By rotating the responsibility for dispute mediation among the membership, anyone submitting a case could be assured of a fair hearing, and it also prevented any one person or group from taking power over that function.<sup>18</sup>

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<sup>17</sup> Chamber of Commerce, Rules and By-Laws, 1851, p. 18.

<sup>18</sup> *List of Arbitration Fees, 1857-1858*, Merchants Exchange Papers, Missouri Historical Society, St. Louis; Chamber of Commerce, *Rules and By-Laws, 1851*, p.4-13; Charles Keemle, *The St. Louis Directory for the Years 1836-37*, (St. Louis, 1836); *St. Louis Directory for the Years 1838-39*; Chamber of Commerce

Merchants themselves secured formal charters for the organizations, drafted constitutions, and elected officers from their ranks for regular terms, to positions of leadership. Permanent committees routinely performed functions that had previously been left to government or to the state court system. They were self-created organizations designed to bring order to the marketplace which was by nature often a place of disorder. The process of organization and consolidation brought a sort of order to the local marketplace. By establishing regular times of operation, regular fiscal year and through information, these and other features of the organizations served to rationalize, and demonstrated that the wider society accepted the market economy.

The Merchants Exchange helped to rationalize the marketplace beginning in the 1850s in part by establishing regular hours of operation. Open daily operation from 7:00 AM to 8:00 PM, with the hour between 11:00 AM and noon to be set aside each day for the members to meet and conduct business. Those who were members could enter anytime to conduct business. The “commercial year” was to run from September to the end of August annually. In that way, businessmen were synchronized daily in their hours of operation, and annually by adjusting their accounts with other merchants to meet the beginning and end of the non-calendar year.

Technology made more information, specifically for merchants, available in the 1850s than ever before. Compared to the modern, marketplace information was relatively limited but technology such as the steam driven press, steam transportation and the telegraph made it increasingly easy to come by. Publications such as *De Bow's Commercial Review*, published in New Orleans, *Hunt's Merchant's Magazine*, published

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election results, Jan. 4, 1860, Jan. 2, 1861, Jan. 15, 1862, Merchants Exchange Papers, Box 1, Missouri Historical Society, St. Louis. Hyde and Conard, *Encyclopedia of St. Louis*, Vol. III, p. 1453-1454.



in New York, along with journals devoted to banking, were national in scope and included articles on events in St. Louis. Regular accounts of market conditions in New York, New Orleans and London were useful but merchants also needed information on local and regional developments which the Exchange could provide.<sup>19</sup>

The Exchange became an important source of information and by virtue of its increasing membership brought people there. The secretary also invited those people in the business community who could disseminate information themselves. The commercial life of St. Louis depended on river traffic therefore steamboat captains and clerks were admitted without formal membership where they could find cargoes, financing or insurance. Editors and reporters from city newspapers were admitted, thus ensuring them a source of information, and regular publication on events in the market.<sup>20</sup>

The Merchants Exchange collected and disseminated up to date information to and about the marketplace by two means. First, the secretary of the Exchange was charged with collecting and posting information daily on “important commercial transactions” in the local and distant markets. Steamboat manifests provided information on the quantity and value of goods passing through the St. Louis riverfront which the secretary collected daily and posted weekly for members. Merchants could also advertise their own businesses, post information about , and find the same about others. All of this information was available to members of the Exchange. Second, the Exchange became

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<sup>19</sup> St. Louis *Price Current*, Apr. 26, 1845, June 17, 1854, Oct. 27, 1859; John A. Brownlee to Chamber of Commerce President William M. Morrison, January 1852 in, *Report of the Committee Appointed by the St. Louis Chamber of Commerce upon the Trade, Commerce and Manufactures of St. Louis*, (St. Louis, 1852); Chamber of Commerce to St. Louis Post Office, Feb. 6, 1862, Box 1, Merchants Exchange Papers, Missouri Historical Society, St. Louis; Scharf, *History of St. Louis*, Vol. II, p.1425. Hyde and. Conard, *Encyclopedia of St. Louis*, Vol. III, 1447-48; Jeffrey S. Adler, *Yankee Merchants and the Making of the Urban West: The Rise and Fall of Antebellum St. Louis*, (New York: Cambridge Univ. Press, 1991), 65.

<sup>20</sup> Chamber of Commerce, Rules and By-Laws, 1851, p. 29-30.

the source for publicly available information about the marketplace by publishing the *Price Current*. Unlike the *Missouri Republican*, which still included merchant ads but took on more political reporting and commentary, the *Current* limited its publication exclusively to market information such as commodity prices and financial data from various banks, both local and distant. By 1859 city merchants were apprised daily of financial markets by means of telegraph and local publications. Merchants and shopkeepers could read of banking conditions in other states and decide whether to accept their notes in payment. Information on market conditions in the east – New York and Philadelphia- and also in London – was regularly available. St. Louis functioned as a connecting point for several trade networks, but was itself subject to decisions made in distant cities.<sup>21</sup>

Merchants created an alternate governing structure for the marketplace, but they did not see the market economy as separate from the larger society as did their political opponents in the Boon's Lick. Annual reports published by the Chamber of Commerce show that rather than something from which the people should be protected, merchants saw their role in the marketplace as integral to the whole of society. What was good for business, as the introduction to an 1852 Chamber of Commerce report argued, was good for the city. Their goal was not only personal profit but the “growth, wealth, and permanent prosperity of our city.” Written by John A. Brownlee, a St. Louis merchant-banker who served as a director in the State Bank of Missouri as well as private banks, the report lauded the information available at the Merchants Exchange. Annual statistical

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<sup>21</sup> St. Louis *Price Current*, Apr. 26, 1845, June 17, 1854, Oct. 27, 1859, Chamber of Commerce to St. Louis Post Office, Feb. 6, 1862, Box 1, Merchants Exchange Papers, Missouri Historical Society, St. Louis; Scharf, *History of St. Louis*, Vol. II, p.1425. Hyde and Conard, *Encyclopedia of St. Louis*. Vol. III, 1447-48; Adler, *Yankee Merchants*, 65.

data from and about the marketplace, collected and published in addition to that available in the press, was important to merchants in making business decisions, but also important to every “intelligent citizen engaged in an active pursuit of life.” Trade, commerce and manufacturing were so “intricately interwoven” that it was impossible to separate them from the larger society. Information, Brownlee argued, improved the operation of the marketplace on which everyone was dependent.<sup>22</sup>

A third strata appeared in 1856 when a separate group of merchants and bankers led by George R. Taylor chartered a private corporation to erect and manage a new building which they named the Merchants Exchange Company. Rather than buying or selling, the new company was designed to lease commercial space within the building to businessmen. Their first client was the Chamber of Commerce, which rented offices and established a reading room on the second floor. The Merchants Exchange took over most of the first floor to conduct commodity exchange, with smaller businesses arranged in small booths around the floor. Privately owned, the company was capitalized at \$100,000, with stock shares valued at one hundred dollars each which limited its stockholders to men at the upper level of St. Louis business.<sup>23</sup>

Taylor and the others formed the new company to take advantage of the Chamber’s need for offices, but also to take advantage of a boom in urban commercial real estate. Located on half a city block at the intersection of Main and Commercial Streets, the new building provided modern accommodations and easy access to the

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<sup>22</sup> John A. Brownlee to Chamber of Commerce President William M. Morrison, January 1852 in, *Report of the Committee Appointed by the St. Louis Chamber of Commerce upon the Trade, Commerce and Manufactures of St. Louis*, (St. Louis, 1852); Jefferson City *Inquirer*, Apr. 18, 1857, Liberty Weekly *Tribune*, Jan. 26, 1855, Jan. 11, 1856, May 1, 1857, Oct. 18, 1861.

<sup>23</sup> M. Alexander, Deposition, Jan. 13, 1864, F1607, Union Provost Marshall Records, Missouri State Archives; Minute Book, 1856-1952, St. Louis Merchants Exchange Company, p. 1-2, [n.d.], 1856, Merchants Exchange Papers, Missouri Historical Society, St. Louis; Hyde and Conard, *Encyclopedia of St. Louis*, Vol. III, p. 1447.

modern marketplace. Opening in early 1856, the Exchange Company leased prime office space for up to \$3,600 per year, with smaller offices renting for \$2,000 to \$2,500 annually. The first floor was a large open trading floor where members of the Exchange did business, with small stalls along the sides for traders and insurance agents. Taylor and the Company rented offices on the second floor to the Chamber of Commerce, and opened a reading room and space for other businesses. The two top floors were filled with smaller offices that rented for \$1,200 to \$1,500 per year.<sup>24</sup>

George Richards Taylor, elected by stockholders to serve as President of the Exchange Company, unlike his colleagues in the company started at the top rather than work his way up from humble beginnings. Taylor arrived late in St. Louis compared to many of his fellow directors at the Merchants Exchange Company. Born in Virginia, Taylor came to St. Louis from Virginia in 1841 and joined a law partnership that put him in contact with many of the wealthy French Creoles in the city. In 1846 Taylor married into the wealthy Chouteau family when he took Therese Paul, the granddaughter of city patriarch Auguste Chouteau, for a bride. Therese was one of the wealthiest and most sought after young women in St. Louis and brought a large dowry to the marriage. With his social position and fortune set, Taylor invested in urban real estate, hotels, city railroads, insurance companies, expanding telegraph lines, and in slaves which he leased as laborers on the riverfront. Taylor was elected to the City Council and used his position there for his financial benefit but also for the advancement of his adopted city.<sup>25</sup>

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<sup>24</sup> Minutebook, Merchants Exchange Company, Merchants Exchange Papers, 1852-1956, MHS. Minutes for the company contain numerous references to leases for office space in the building. s

<sup>25</sup> Registry of Baptism (copy), May 31, 1829; G.R. Taylor to Brother, Feb. 19, 1842; Prenuptial agreement between Therese Paul and George R. Taylor, Aug. 9, 1846; Stock Certificate, Dec. 6, 1852; Stock Certificate No. 40, date uncertain (186-); Letter and plat identifying Taylor's hotel property, St. Louis, May 8, 1854; Deed of Trust, G.R. Taylor to George R. Jacobs and George G. Wright, May 2, 1854; Lease agreement between G. R. Taylor and Theron Barnum and Josiah Fogg for Barnum's St. Louis Hotel, Sept.

All of the stockholders and directors of the Merchants Exchange Company were at the top of the city's business community. They were conservative men who shared a common interest in defending their city's position in the marketplace. Some of the men with interests in the company were merchants but could be classified as financiers and capitalists. In addition to buying, selling and transporting goods they made a profit from those who did. Like the Merchants Exchange the new company's small group of directors and stockholders included men of different political beliefs who held different views of the market economy. Taylor's political affiliations are uncertain but company stockholders included Democrats such as hard-money advocate Robert Campbell, and German immigrant Adolphus Meier. They also included Whigs such as financier James H. Lucas, and *Missouri Republican* publisher Adam B. Chambers. Although they were men of different political beliefs, they set politics aside in order to do business and were united in defense of their city against northern and eastern rivals.<sup>26</sup>

George R. Taylor and the men in the Merchants Exchange Company were at the top of the marketplace but their degree of control is questionable. Their wealth and social position were evidence of stratification in the marketplace but they were also subject to the forces of the marketplace. The Merchants Exchange Company was a commercial real estate company which was in competition with other property owners. They also had the advantage of considerable investment capital but that did not give them a monopoly.

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1, 1854Box 1-3. George R. Taylor Collection, MHS, St. Louis; *A Review of the Trade and Commerce of St. Louis, for the year 1849, as compiled and published in the Missouri Republican*. St. Louis: Chambers & Knapp, 1850, p.13; Edwards, *Great West*, p. 117-120; J. Thomas Scharf, *History of St. Louis*, Vol. II, p. 1207; Mary B. Cunningham and Jeanne C. Blythe, *The Founding Family of St. Louis*. (St. Louis: Midwest Technical Publications, 1977), 12.

<sup>26</sup> Minutebook, 1856-1952, St. Louis Merchants Exchange Company, [n.d], 1856, p.2-6, , Merchants Exchange Papers, Missouri Historical Society, St. Louis.

Instead, Taylor and the company were able to provide new and modern space with the advantages that made conducting business easier. The Merchants Exchange became the center of St. Louis business life by virtue of its modern construction, location, space available, and use of technology that made conducting business easier. Those factors drew businessmen to the Exchange, not political influence or market stratification.

The real power which Taylor and the others exercised was through his position on the City Council, which gave him and his business fellows influence over city government, which they used to profit, personally and as a company. Taylor first sold a parcel of land to the City of St. Louis which was to be the location of the new city hall. After the Great Fire of 1849, Taylor took advantage of the destruction and persuaded the St. Louis city council to sell him half of the property back, and then sold it to the Exchange Company at cost for the site of their new building. Taylor attempted to buy a section of a city street that ran parallel to the river, through the devastated warehouse district in order to widen the street and improve access to the riverfront. Taylor would have gained valuable commercial property but also have improved city merchants' access to the river which bore their commerce.<sup>27</sup>

Taylor's influence and that of the merchant community was not only to serve personal interests, but those of the city. Through the use of political influence, merchants were able to manipulate city government to aid them in their efforts to improve and defend their position in the marketplace. In the race to be first across the Mississippi River, a northern railroad built the first bridge across the river north of the city, at Rock Island, Illinois in 1856. The bridge not only gave the City of Chicago an advantage for western trade, but it presented an obstruction in the river, interfering with steamboat

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<sup>27</sup> Scharf, Vol. II, p. 689-690.

traffic. The Chamber of Commerce led the ultimately losing legal battle to have the bridge removed and the city government contributed funds to the case.<sup>28</sup>

Organization helped to rationalize the marketplace and to make the market economy function more smoothly. The Merchants Exchange was the place for buyers and sellers to meet, find a steamboat, or arrange insurance for either. Location, information, and acceptance as the place to do business drew people to “the Exchange,” as it came to be known. But no matter which people or what information was available, business still needed one essential thing to continue operating – the credit and money issue of banks over which the Boon’s Lick Democrats exercised control, or thought they did.

As state banking and currency laws became more restrictive, merchant-bankers in St. Louis adapted to the state’s anti-banking environment and the long standing hostility to paper money. Because of the restrictions enacted by the hard money Democrats, money and banking were problematic for merchants. The state bank remained the only institution empowered to issue paper money, and did so only conservatively, leaving a currency vacuum in the local economy. Local private bankers skirted the law and filled the void by two means. First, they issued financial instruments known as “promises to pay,” in effect, checks drawn on their specie reserves which circulated regionally. These marginally legal notes were an open secret in the business community and state authorities turned a blind eye to the practice until 1852, and then only to drive small denomination notes from the marketplace. Second, merchant-bankers invested in banks located in neighboring Illinois which were empowered to issue paper money. The proximity to these Illinois banks, and the consequent local knowledge of their principals,

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<sup>28</sup> “To the subscribers to the \$8,000 bail bond for L.M. Bissell,” Jan. 20, 1860, Merchants Exchange Papers, Box 1, Missouri Historical Society, St. Louis; Cronon, *Nature’s Metropolis*, p. 299.

gave their notes currency in the marketplace. As long as they remained convertible to specie, they were legal tender and Missouri's legislature had no power to regulate or limit their circulation. That fact left private bankers relatively free to conduct business, and kept the marketplace operating, but this freedom to trade and issue currency brought its own problems.<sup>29</sup>

St. Louis bankers attempted to bring stability to the local financial market by self-regulation in the Bankers and Exchange Dealers Association. The capital business was ruthlessly competitive as local bankers raided each others' specie reserves by collecting competitors' outstanding banknotes and presenting them for payment. Despite popular perceptions, exchange dealers were able to charge only small commissions for shaving banknotes and often undercut each other. Profit margins on bills of exchange and other financial transactions were typically less than one percent and sometimes as low as one quarter. Buying and selling gold meant dealing in large sums but it was sometimes only a break-even business. William Tecumseh Sherman, the managing partner in the San Francisco branch of James H. Lucas' banking firm, observed that a typical three percent commission on gold was almost entirely consumed by the cost of packing, insuring and shipping the specie to New York.<sup>30</sup>

The combination of domestic legislative hostility, out-of-state banking, and fierce competition created a financial system that was both inadequate and unstable. The Boon's Lick Democrats prided themselves on the state bank's conservative operation and

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<sup>29</sup> Liberty, Missouri, *Weekly Tribune*, "The firms of Page and Bacon and Lucas and Simonds...", Jan. 7, 1853; "A Merchant", Feb. 4, 1853; John Ray Cable, *The Bank of the State of Missouri*. Cable's chapters 14 and 15 cover private banking in Missouri; *State of Missouri v. Daniel D. Page and Henry D. Bacon*, St. Louis County Circuit Court, Sept. 1852, Folder 3, Box 326, Missouri Supreme Court Case Files, Missouri State Archives, Jefferson City, Missouri.

<sup>30</sup> Sherman, *Recollections of California*, p.88.



stable specie reserves that, as they believed, protected everyone engaged in the marketplace. However, by 1850 the economy was too far advanced to depend on hard money alone. And more importantly new developments in transportation technology required greater pools of capital than steamboats or canals ever had. For St. Louis to protect its economic position among the other cities in the west it would have to become the railroad hub of the Mississippi Valley. In order for that to happen the city required more than an ad hoc financial system.<sup>31</sup>

In June 1852 a group of exchange dealers and private bankers formed the St. Louis Board of Bankers and Exchange Dealers to bring order to their corner of the marketplace. The organization was intended to promote “harmonious action” among the dealers, which was to establish standard exchange and interest rates in the city. Limiting or stopping specie raids was not included in the association’s articles, but it was likely that goal may have been the primary reason for the group’s creation. The Board was representative of the players in the St. Louis financial market in that it included men of different origins, political beliefs and date of arrival in the city. There were Whigs and Democrats, French-Creoles, first generation Americans from the early wave of settlement, and later arriving representatives from eastern investors. It did not include the State Bank of Missouri as that organization was not a major participant in the economic expansion of the decade.<sup>32</sup>

The Board was first suggested by Daniel D. Page who was one of the first generation Americans to arrive soon after the war. Originally from Maine, Page worked

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<sup>31</sup> Hogan, *Thoughts About the City of St. Louis*,; Minute Book, St. Louis Bankers and Exchange Dealers Association, June 23, 1852; Cable, *Bank of Missouri*, Ch. 14, 15 cover private banking in St. Louis and the need for capital for economic development in the 1850s.

<sup>32</sup> Minute Book, St. Louis Bankers and Exchange Dealers Association, June 23, 1852; Cable, *Bank of Missouri*, Ch. 14, 15.

as a baker in Boston before coming to St. Louis in 1818. In 1833 he established the first steam driven flour mill in St. Louis and often boasted that he earned one dollar from each puff of steam emanating from his mill's smokestack. After establishing his fortune in milling and real estate, Page went into banking with his son-in-law Henry D. Bacon in 1848. The partners established a branch in San Francisco in 1850, and with the wealth flowing from the California gold fields, became by 1852 the "most powerful and conspicuous" of the city's private banks. By 1850 Daniel Page was sixty-one years old, had spent most of his adult life in St. Louis and like other men in the merchant trade, devoted his life to advancing his place and that of his city. Page applied his strength and talent, as well as his accumulated fortune to the success and prosperity of both, but he knew little about banking and left that to his son-in-law's best judgment.<sup>33</sup>

Henry Bacon was the son of a Massachusetts farmer, who worked briefly in a Connecticut mercantile business before arriving in St. Louis in 1835. Bacon tried his hand in the dry goods business, as an iron monger, and at flour milling before marrying Daniel Page's daughter in 1844. Henry Bacon seems to have had only moderate success in business while on his own, but married into money, and when he took over management of his father-in-law's banking venture, had no experience in large scale banking. Bacon joined civic organizations, contributed lavishly to his church, and was well liked and popular among the new urban elite. By all accounts, Bacon was well regarded as a man of good character. In that, Henry Bacon's background and experience

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<sup>33</sup> Minutebook, St. Louis Bankers and Exchange Dealers Association, June 23, 1852; St. Louis Mercantile Library, University of Missouri-St. Louis; Edwards and Hopewell, *Great West*, p. 132-135; Hyde and Conard, *Encyclopedia of St. Louis*, Vol. I, III, p.78-79, 1688; Sherman, *Recollections of California*, p. 93; Maximilian Reichard, "Urban Politics in Jacksonian St. Louis: Traditional Values in Change and Conflict," *Missouri Historical Review*, Apr. 1976, 259-271: p. 260-262; John Ray Cable, "Some Early Missouri Bankers," *Missouri Historical Review*, (Jan. 1932), 117-125: p.124-25.

were not much different from a good many of the up and coming businessmen, merchants and merchant-bankers seeking their fortune in St. Louis. Bacon was lucky enough to find his, and had greater capital and perhaps greater opportunities than many of his contemporaries. Despite his good fortune, he faced many of the same challenges in business as other men of his day.<sup>34</sup>

Bacon, installed as president of the Board of Bankers and Exchange Dealers Association, and the other bankers, attempted to solve the problem of unreliable currency. Rather than use the power of the state, bankers relied on the logic of the market to determine safe currency. The state bank rejected all paper money but its own, and currency laws prohibited small notes and any that were not convertible to specie, but laws did not specify which banks were unacceptable. The availability of information made it possible to know which banks were in distress and whose notes were unreliable. Rather than reject all paper money, the bankers listed only those banks which were suspended, and all members agreed to universally reject their notes. Merchants, shopkeepers and employers would be forced to follow suit, eventually driving the notes from the marketplace. In protecting themselves from the worthless notes, the members protected everyone engaged in the marketplace, and all who were subject to the market economy.<sup>35</sup>

Bankers and merchants faced a similar problem of reliability in selecting those with whom they did business. From 1840 to 1850, the population of St. Louis grew from only sixteen thousand inhabitants to over seventy-seven thousand. In 1850, over half of the city's residents had arrived after 1848. The long-time merchants were, according to

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<sup>34</sup> Deed of Conveyance, Henry D. Bacon to Joshua H. Alexander, July 20, 1846, Edward Chase Papers, Missouri Historical Society, St. Louis; Edwards and Hopewell, *Great West*, p.132-135; Sherman, *Recollections of California*, p.93; Stevens, *St. Louis: The Fourth City*, p.305-307.

<sup>35</sup> Minutebook, St. Louis Bankers and Exchange Dealers Association, Feb. 5, 1853.

the *Missouri Republican*, “surrounded by thousands of strangers,” and nearly all were unfamiliar with “what [the newcomers’] character may be.”<sup>36</sup> In an expanding city, where so many new people arrived to seek their fortune how did a banker or merchant judge a person’s creditworthiness? Early credit reporting agencies began compiling information on businessmen in the early 1840s but it took years for them to be widely accepted as protectors of businessmen. Instead merchants relied on what they knew. One means of assessing risk was to rely on family and kin networks when granting credit or forming or expanding a business. However that was not always reliable. James H. Lucas induced William T. Sherman to leave the army and manage his bank branch in San Francisco entirely on the word of a mutual acquaintance. Sherman proved to be worth his salt, but when Daniel Page sent his son Frank to manage the branch bank there, the young man proved to be a weak and indecisive leader. The elder Page selected two local men to look over his son’s shoulder. Both were prominent men of good standing in the city, and reputedly of good character, but conspired against their titular superior at the bank. The pair also proved to be overly fond of drink and Sherman described one as “too fond of lager beer to be trusted with so large a business.” In the absence of objectively gathered data many still relied, for better or worse, on personal acquaintance or the subjective judgment of prominent businessmen in distant cities.<sup>37</sup>

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<sup>36</sup> *Missouri Republican*, Sept. 24, 1848; “The Trade and Commerce of St. Louis in 1850,” *Hunt’s Merchants’ Magazine and Commercial Review*, Vol. 24, No. 3, Mar. 1851, p.298-316.

<sup>37</sup> Naomi Lamoreaux, *Insider Lending: Banks, Personal Connections and Economic Development in Industrial New England*. (New York: Cambridge Univ. Press, 1994). Lamoreaux argues that the absence of reliable credit reporting and lack of wide experience in industrial development made it difficult to determine the creditworthiness of a prospective debtor and the feasibility of a given project. Rather than corruption, favoring family and kin in lending was a means of protecting the bank’s investment.; James D. Norris, *R.G. Dun & Co., 1841-1900*, (Westport, CT: Greenwood Press, 1978), Norris covers the rise of an organized credit rating system from Arthur Tappan’s first successful Mercantile Agency in 1841. It took Tappan and others years to gain acceptance, and the agencies were often denounced for being secretive and able to unfairly influence business; Mary B. Rose, *Firms, Networks and Business Values: the British and*

Kinship and personal acquaintance were not guarantees of sound decision making or of success in business. When having difficulty collecting from a debtor whom his nephew had vouched for in January 1839, Peter Camden described him “as great a dog as those who recommended him to our house.” Referring to another merchant in neighboring Belleville, Illinois who had not paid “the first cent”, Camden warned his partners, both his wife’s brothers, if they did not “learn to choose their business associates better,” then he preferred to dissolve their partnership. George Collier came close to failing twice when two of his business partners, one of them a family member, became insolvent. William G. Pettus failed in 1842, nearly dragging Collier under with him because he had endorsed over \$30,000 worth of his partner’s notes. In 1846 Collier’s nephew, James T. Sweringen failed, owing his uncle and backer \$12,000. Collier recovered both times with his credit and reputation intact but only because of his considerable financial resources. Other merchants and businessmen with fewer resources or less forgiving creditors were not so lucky.<sup>38</sup>

Merchants used the press to help establish both their character and their credit. When merchants opened for business in a new community, they could with the right connections, immediately establish their reputation. In 1852 Graham L. Hughes and John J. Mudd opened a branch of their dry goods and grocery business in Liberty to take advantage of the western immigration. Their advertisements cited references from

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*American Cotton Industries Since 1750*, (New York: Cambridge Univ. Press, 2000). Rose compares the British and American cotton industries, including their use of kinship networks to minimize risk. Rose also looks at kinship networks in early private banking which traded in bills of exchange, which were subject to abuse and fraud; Dwight L. Clarke, *William Tecumseh Sherman: Gold Rush Banker*, (San Francisco: California Historical Society, 1969), p.420-422; Sherman, *Recollections of California*, 78-79, 93-94.

<sup>38</sup> Peter G. Camden, St. Louis to Marbel Camden, Manchester, MS, Jan. 24, 1839, Case Family Papers, Missouri Historical Society, St. Louis; William Carr Lane to Mary E. Lane, June 24, July 4, 1842, William Carr Lane Collection, Missouri Historical Society, St. Louis, MO; George Collier to James T. Sweringen, Aug. 3, 1846; Sweringen to Collier, Aug. 4, 1846, Sweringen Papers, MHS.

leading St. Louis merchants, and also from one of the larger private banks, Lucas, Simonds and Company. Dropping the names of several other merchant firms served to show that they were in good standing in the business community, had access to a wholesale supplier, and including a bank showed that they had access to short-term credit.<sup>39</sup>

The Bankers Association established their own rating system to determine who among the merchant community was worthy of credit. There were six different classes using mostly subjective, but also some objective criteria to determine what amounted to credit rating. The highest class was reserved for men of wealth whose credit and character were “undoubted,” descending to good, fair, and the lowest, “doubtful.” The amount of capital a merchant had available was included in the classification system, however character was worth more. Even with little or no capital, a merchant could still receive credit from one of the member banks. Only those of the lowest category, “doubtful” character, would be excluded.<sup>40</sup>

The banker’s association, like the Chamber of Commerce, tried to bring order to the marketplace in part by establishing commission rates and a process for disciplining its members. However, unlike the Chamber the bankers were not successful at adhering to their own rate structure. At its first meeting, the Board set rates on bills of exchange, discount (interest on personal notes), and bank note exchange. There was extensive debate over what the minimum rates should be, and whether controlling bank note exchange should be included in the Board’s regulatory power. It is evident that when

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<sup>39</sup> *Liberty Tribune*, Feb. 6, Mar. 12, 1852, Feb. 10, Mar. 17, 1854, , Apr. 4, May 16, 1856, Mar. 20, 1857, May 6, 1859, Feb. 10, 1860.

<sup>40</sup> Minute Book, St. Louis Bankers and Exchange Dealers Association, Aug. 10, Aug. 11, 1852, St. Louis Mercantile Library, University of Missouri-St. Louis.

Henry Bacon and the others established a governing body made up of the largest St. Louis bankers, they were trying to set the rate on financial instruments higher than the going market rate. Profits in the exchange business were low, and it was a volume business, so increasing the established rate for a bill of exchange from one quarter to one half percent could significantly increase the amount earned from selling exchange. Once the Board members agreed on a rate structure, the member bankers almost immediately began to undercut each other. Within six weeks the bankers, including Henry Bacon, were already dealing in bills of exchange at below the newly set commission rates. As president, Bacon had the power to levy fines, which could be rescinded by a two-thirds majority vote. In the Board's short existence, only one firm paid a fine, and the inability to adhere to their own rate structure eventually doomed the Board. The members voted to lower the commission rates, and also allowed members more freedom in disposing of less desirable securities, but the minutes indicate considerable conflict within the association over members' unwillingness to accept the restrictions on their business.<sup>41</sup>

The Bankers and Exchange Dealers Association was short lived, lasting less than a year. In August 1852, only two months after its inception, Henry Bacon withdrew his bank from the Association citing disagreements over a lowered structure of commission rates on financial instruments. Bacon's letter cited only those reasons, claiming that the new lower rate structure interfered with his bank's ability to do business. It is most likely that the lowered rates made Bacon's attempt to establish the group's control over the financial marketplace unsuccessful. Once that happened, given the competitive nature of the business, there were not enough incentives to remain in the group. The Board

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<sup>41</sup> Minute Book, St. Louis Bankers and Exchange Dealers Association, Aug. 5, Aug. 14, Aug. 20, 1852, St. Louis Mercantile Library, University of Missouri-St. Louis.

continued for several more months, meeting sporadically, but without the city's largest bank the organization was even less effective and finally disbanded in February 1853.<sup>42</sup>

Not only did the bankers fail to reduce competition among themselves but they were no more successful at controlling the marketplace through banking than the hard money Democrats. The eleven members of the Association tried to control entry into the group, making any new members subject to a vote of the board. However, there is no record that any banker or exchange dealer ever applied for membership after the Association was founded, and there was no rule of exclusivity between members. Disputes over rate cutting were resolved, but the bankers' attempt to bring order through organization failed. With access to other sources of commercial credit, and the freedom from restrictive state currency laws, there was no need for anyone to limit themselves to a few bankers in the city, or the bankers in any one city. Thus St. Louis bankers and exchange dealers were trying to control the city's capital market at a time when the market economy was expanding beyond the control of a regional commercial city.<sup>43</sup>

Other developments contributed to the failure of the Bankers' association, some were beyond control, but others Henry Bacon brought on himself. Henry Bacon and Daniel Page were not forthcoming about their reasons for withdrawal. The timing precedes their announcement of taking a contract to build a section of the Ohio and Mississippi Railroad, extending from St. Louis to Cincinnati. Bacon was the leader in a group of St. Louis investors engaged in building a short railroad from Illinois town, located across the Mississippi River from St. Louis, to Belleville, Illinois, some 20 miles

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<sup>42</sup> Minute Book, St. Louis Bankers and Exchange Dealers Association, Aug. 21-26, 1852, Feb. 5, 1853, St. Louis Mercantile Library, University of Missouri-St. Louis.

<sup>43</sup> Minute Book, St. Louis Bankers and Exchange Dealers Association, June 23, 1852- Feb. 5, 1853; July 21, Aug. 4, 5, 10, 14, 1852, St. Louis Mercantile Library, St. Louis; Adler, *Yankee Merchants*, p.88-90; Cronon, *Nature's Metropolis*, p. 299-305.



away. In September 1852, Henry Bacon took on the additional burden of extending the railroad across Illinois to join the Ohio and Mississippi at Vincennes, Indiana. The contract stipulated that the project must be completed in no more than one year, which proved to be their undoing. Page, Bacon and Company were the largest backers at the western end and required substantial cash flow to begin and continue construction. In taking the contract to extend the new railroad across the state, Bacon over extended his bank. Minutes from the Bankers Association indicate that he was beginning to experience financial problems as early as July 1852, two and a half years before his bank finally went under. Bacon seems to have done all he could to stay afloat, including offering depositors higher interest rates than his competitors and issuing large amounts of small denomination notes, which brought prosecution for violating state currency laws. The evidence indicates that Henry Bacon was doing all he could to maintain high cash flows while his specie reserves, which should have remained in the vault, ultimately went into the railroad.<sup>44</sup>

With the demise of the Bankers and Exchange Dealers Association, the cutthroat competition and currency war among St. Louis bankers resumed. Page and Bacon, recently the city's leading bank, were in trouble and their competitors took advantage of their weakness. Competing banks were like wolves surrounding a wounded animal. Henry Chouteau and Louis A. Benoist opened a bank with only \$40,000 in the vault, and proceeded to buy up all the Page and Bacon notes they could get their hands on at a discount. The upstarts then sent \$70,000 worth to Henry Bacon for redemption at face

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<sup>44</sup> "Railroads," Jefferson City *Inquirer*, Sept. 4, 1852; Henry Papin, St. Louis to Sen. John F. Darby, Washington, D.C, Jan. 12, 1853, Darby Papers, Missouri Historical Society, St. Louis; *State of Missouri v. Daniel D. Page and Henry D. Bacon*, Box 326, folder 3, Supreme Court Records, Missouri State Archives, Jefferson City, Missouri. .

value in one day, leaving Bacon and his father-in-law “within an ace of being blown sky high.”<sup>45</sup>

The failure of Page and Bacon took many outside the banking and exchange business by surprise. The partners were the largest private bank in the West, with a branch in San Francisco that averaged deposits of \$2 million daily. Like other banks in San Francisco, Page and Bacon bought raw gold to ship east, after taking a cut, financed trade by buying and selling bills of exchange, and loaned money at interest. Under Bacon’s management the bank also invested in urban real estate in St. Louis and San Francisco, and like many others invested in the growing business of the decade, railroad construction. In short, Henry Bacon, and his father-in-law and partner Daniel D. Page, were seemingly successful businessmen, who did what others of their time and financial position were doing. If anyone could have predicted failure among St. Louis banks at the time, Page and Bacon would seem like the last of the great financial houses to go under.<sup>46</sup>

Henry Bacon’s financial problems had as much to do with his own mismanagement and unwise speculation as the competitive nature of the business. Since opening in 1848, Bacon had been very liberal in setting his bank’s loan policies. The bank loaned money in urban real estate for private home construction, a practice unusual for the time. Bacon also loaned money to St. Louis city and county governments so that each could meet interest payments on their bonds, some of which had been issued for the purpose of investing in railroad projects in which his bank was also invested. Bacon thus

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<sup>45</sup> Nathan Paschall, St. Louis to Sen. John F. Darby, Washington, D.C., Feb. 5, 1853; Henry Papin to Darby, Washington, Feb. 12, 1855; Darby Papers, Missouri Historical Society, St. Louis;

<sup>46</sup> Luther Kennett to Ferdinand Kennett, Jan. 18, 1855, Kennett Family Papers; L. Bissell to Major John Dougherty, Feb. 12, 1855, Dougherty Papers, Missouri Historical Society, St. Louis; Louis Bissel, St. Louis, to Major John Dougherty, Feb. 12, 1855, Dougherty Papers, Missouri Historical Society, St. Louis; Sherman, *Recollections of California*, p.93; Edwards and Hopewell, *Great West* p.132-135; Scharf, *History of St. Louis*, Vol. II, p.1375; Belcher, *Economic Rivalry*, p.121.

engaged in a circular system of capital flowing through his bank. As a private businessman, Daniel Page took one of the three largest shares of stock in the newly chartered Pacific Railroad, putting his interest there in competition with his own bank for available investment capital. Page, Bacon and Company were the principal investors in the St. Louis and Belleville Railroad which was like most early railroads where construction costs far exceeded estimates. Construction on the St. Louis and Belleville railroad commenced in February 1852 and by the time Henry Bacon and Daniel Page announced their contract in September to extend it across the state to Vincennes, Indiana, their bank was already badly over extended.<sup>47</sup>

The Bankers and Exchange Dealers' Association failed in their attempt to establish control of the local financial market, but they tried to preserve what order already existed, even though it might be short lived. First, when the bankers established a list of the banknotes that they would not accept, they understood that the list included notes issued by Henry Bacon's bank at Quincy, Illinois, from where he issued notes for the St. Louis market. Second, the Association forced Henry Bacon to agree that he would honor his bank's notes at face value even if he went under. Seeing Bacon's demise as imminent, the bankers tried to save themselves from the greatest financial harm and secured a promise that he would honor his pledges "special for the bankers," or with the general public. The implication was that if Bacon failed to indemnify his fellow bankers, they would publicize his distress, which would lead to his immediate failure. The other bankers did not publicize Page and Bacon's financial problems, and the pair survived the

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<sup>47</sup> St. Louis *Missouri Republican*, "Pacific Railroad," Jan. 29, Feb. 5, 1850, Sherman, *Recollections of California*, p.93-94; Scharf, *History of St. Louis*, Vol. I, p. 1149-1150; Stevens, *St. Louis: The Fourth City*, p. 302-306, 476-477. John W. Million, *State Aid to Railways in Missouri*, (Chicago: Univ. of Chicago Press, 1896), p.88-89; George R. Taylor, *The Transportation Revolution, 1815-1860*, (New York: Rinehart & Co., 1958), p.85, 346-47.

travails of 1853 without a run on their bank, therefore the private bankers chose their collective self-preservation over the general public good. But in this case, those were one and the same. When Page, Bacon and Company finally went under two years later, they nearly drug the entire city down with them. In securing a promise from Bacon to honor his notes in circulation, St. Louis bankers and exchange dealers managed to continue order in the marketplace for a while longer.<sup>48</sup>

Bacon's problems were local affairs but they were manifest and made worse by events in other cities. Because of his many obligations, Bacon constantly pressed his branch in San Francisco to send gold to his bank in New York. Deposits there allowed Bacon to maintain credit and "gave him a good name," but it was a circular system of money transfer from the California gold fields to the New York financial capital, then to St. Louis. From there Bacon paid the contractors on the railroad, until they went bankrupt and he had to buy materials and pay the workers directly to continue the progress. A collapse in the San Francisco speculative bubble caused by large-scale fraud committed by a city businessman weakened his western branch bank. By late 1854 Bacon's desperate need for capital was a barely kept secret among St. Louis bankers. James H. Lucas warned William T. Sherman in San Francisco to curtail his lending because Page and Bacon were in trouble. When the collapse came in January 1855, Sherman observed that they had all finally reached "the Niagara [Falls]" that no one had foreseen when he entered the banking business two years prior.<sup>49</sup>

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<sup>48</sup> Minute Book, Bankers and Exchange Dealers Records, Oct. 21, 1852, Feb. 5, 1853, Mercantile Library, Univ. of Missouri-St. Louis; Liberty, Missouri, *Weekly Tribune*, "The firms of Page and Bacon and Lucas and Simonds...", Jan. 7, 1853.

<sup>49</sup> Sherman, *Recollections of California*, p 88-98; Clarke, *William Tecumseh Sherman: Gold Rush Banker*, p. 107, p.380, note 2.

The failure of Page and Bacon in 1855 was proof that the market economy, despite increasing rationalization, was still a network of relationships, but also that the market economy functioned on different levels. Bacon's position as the leading banker meant that others were dependent on him to continue their own businesses. Merchants who relied on his bank for short term credit had to repay loans rather than extend them, as was commonly done. Mechanics and tradesmen lost work and if paid in their banknotes, lost whatever wages they were owed. In this case they were lucky that Bacon agreed to honor his notes, but people were still in a panic. As William T. Sherman observed in San Francisco, "the most noisy and clamorous were men and women who held small certificates [of deposit]" in his bank. The improved information, transportation, and organization in the marketplace made it function more rapidly, but also bound everyone in the marketplace more tightly together. Organizations helped to establish order for those who were engaged in the marketplace, but they could not calm a restless crowd of people who feared losing everything they had because of events over which they had no control.<sup>50</sup>

Routine, day-to-day transactions in the marketplace were increasingly impersonal and familiarity with others in the marketplace was less common, but reputation was at times still important. Eight men pledged their fortunes, but it was more than money that calmed the crowd. All of the men were longtime residents whose fortunes had grown with the city, served in political office, and in civic organizations. In order for their pledge to be effective, they had to be familiar to the city. Everyone in the city was not personally acquainted with John O'Fallon, James H. Lucas or any of the leading bankers, and given the demographics of the population few people were, but if they had been in

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<sup>50</sup> Sherman, *Recollections of California*, p.98.

the city for any length of time, they or someone they knew, were aware of their status and reputation. The public pledge of financial safety worked once in St. Louis, but as William T. Sherman observed, the same thing failed in San Francisco. People who came to Sherman's bank after the news of Page and Bacon's failure circulated wanted to touch their money to be sure it was safe. Perhaps comparing the experiences of the two cities reflects on the volatility of the marketplace. The gold rush environment of San Francisco might have made any assurances impossible, while St. Louis was more settled in terms of its market relations, therefore people were willing to be reassured.<sup>51</sup>

Why did some business organizations succeed and others fail? The Chamber of Commerce and The Bankers and Exchange Dealers' Association had similar methods – membership in a group, set certain rates and penalties for violations. The Chamber set commissions on insurance, and some shipping rates just as the Bankers' Association set exchange rates. However there are no surviving records to tell us whether merchants at the Exchange ever violated those provisions of membership or whether the Appeals Committee ever had to discipline its members. Surviving records of the Chamber of Commerce indicate that members were willing to follow the findings of the Arbitration and Appeals Committees while the Bankers' Association minutes show that from the beginning, member bankers violated the rules setting exchange rates. There was no incentive to go along with the organization's rules when non-members could undercut their competitors.

It may come down to the size of the organization. By 1860 the Chamber of Commerce had over two hundred members, and the Merchants Exchange had over six hundred separate businesses. The Bankers' Association never had more than eleven and

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<sup>51</sup> Sherman, *Recollections of California*, p. p.93-100;

they operated in a regional commercial center. Such a small group could not successfully bring order to their level of the marketplace when there were many more in the banking business who were willing to undercut their attempts at control. Given that the marketplace expanded by virtue of increasing population and the number of merchants of all types increased along with it, then how much control could an organization really exercise over the marketplace? Probably there was little control in terms of a local market. They could ostracize a merchant who they believed to be acting outside the bounds of proper business practices, and perhaps deny credit but even that would have been difficult given that there were so many places where someone in business could obtain credit.

The Merchants Exchange provided familiarity in the impersonal marketplace. First, the Exchange came to be the place to conduct business for merchants operating on the middle level in the marketplace. Those who did business there regularly came to know others who also attended the auctions, bought and sold shipments of goods and commodities, arranged steamboat transportation or any of the myriad functions merchants performed. Membership was open only to merchants who had been approved by others in the organization. Only members could trade at the Exchange so in that way they established their bona fides to be there and to conduct business. Finally, the rules of the Chamber stipulated that any merchant who acted outside the bounds of acceptable behavior would be expelled. In that way, the Exchange provided a means of ascertaining character. It was an imperfect system, but in that way the St. Louis Chamber of Commerce and Merchants Exchange helped to establish order in the marketplace of one

city. When connected to similar organizations in other cities, they began to establish order in the wider marketplace.

Success or failure also depended on the separation into different levels in the marketplace. The middle level represented by the Merchants Exchange was the most stable because the market economy had expanded so far. If a merchant failed, the repercussions were relatively mild. Certainly an individual merchant or partnership was part of a network involving others, but if one failed, the entire marketplace did not cease to function. There were other places to buy dry goods, hardware or any of the products or services a merchant could provide. However the upper tier – capital - represented by the Bankers and Exchange Dealers Association, became concentrated in New York throughout the 1850s, making it impossible for a local organization to exercise control. By the 1850s banking was such an important function in the marketplace that when one bank failed, as happened to Page, Bacon and Company, it could bring down other banks and others connected to them, whether or not they had direct financial ties. As the local panics that beset St. Louis and San Francisco in 1855 showed, both involving Page and Bacon, bank failures had a far greater impact and the public responded accordingly. Disruptions in the upper level of the marketplace had ramifications in distant cities. The emerging capitalists were at the top of the marketplace but their product, capital, was at the bottom, supporting everything else.<sup>52</sup>

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<sup>52</sup> Alfred Chandler, *The Visible Hand: The Managerial Revolution in American Business*, (Cambridge: Harvard Univ. Press, 1977), p.89-94.



## Chapter Five

*“These artificial means of communication are introducing a revolution in the Commerce of the West”*: St. Louis Merchants and the Railroad Boom of the 1850s.

In early June 1857, the city of St. Louis prepared for a jubilee to celebrate the completion of the Ohio and Mississippi Railroad. The list of invited guests included President James Buchanan, his cabinet, and Supreme Court Justice Roger B. Taney. There were also governors and lesser officers from several states, minor officials and business leaders from New York City to St. Louis. Not everyone accepted, but their letters begging off were gracious and noted the importance of the event. The nation had a second rail link from the east coast to the Mississippi River, approximately following the route of the old National Road. As the western terminus, and the central connecting point for a trans-national network of rails and river transportation, boosters believed that St. Louis stood to become the pre-eminent commercial city of the American west.<sup>1</sup>

Celebrations started in Baltimore on Monday June 1<sup>st</sup> as guests, company officers and dignitaries boarded a train and progressed westward, pausing for festivities in towns and cities along the route. George R. Taylor, President of the St. Louis Board of Aldermen and the Merchants Exchange Company, led the city’s delegation to Cincinnati for a day of fetes on Wednesday, and by midnight on Thursday the train was back at Illinoistown, across the Mississippi River from St. Louis. The next day steamboats carried everyone across the river where fire and militia companies escorted them to the

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<sup>1</sup> William Prescott Smith, *The Book of the Great Celebrations of 1857*, (New York, 1858); “By the National Line,” *Jefferson City Inquirer*, June 6, 1857.

fairgrounds for another round of speeches and celebration. Speakers boasted of a new era of prosperity for the city, the state of Missouri, and the nation. Henry D. Bacon was there on the dais but did not speak, although he did receive rounds of applause for his work bringing the railroad to the city. Speakers elected not to mention the financial panic of January 1855, caused when Page, Bacon and Company failed, bringing commercial activity in St. Louis and San Francisco to a halt. They also did not mention the allegations of fraud in the railroad's financial affairs. Nor did anyone mention that the railroad was owned and controlled by a group of eastern capitalists, and that all company officers and directors were from New York rather than St. Louis. The Ohio and Mississippi Railroad was the city's first rail connection with the east coast, and Henry Bacon's efforts had much to do with making that happen. <sup>2</sup>

Among the many American railroads constructed in the 1850s, three chartered between 1847 and 1849 were most important to St. Louis merchants. The first was the Hannibal and St. Joseph Railroad, chartered in 1847, which extended across northern Missouri between the two named terminal cities. Once completed the railroad would bypass the Missouri River trade routes established by St. Louis merchants. Of greater significance, it would connect Chicago by rail to the western country. Second, the Ohio and Mississippi Railroad, chartered in 1848, connected Cincinnati to St. Louis but more importantly, when completed would connect St. Louis by rail to the east coast at Baltimore. Third, the Pacific Railroad, would extend from St. Louis to the state's western border, and its boosters hoped, eventually extend to San Francisco. The latter two

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<sup>2</sup> Jefferson City *Inquirer*, June 6, 1857, "By the National Line"; "A Spectacle," *Liberty Weekly Tribune*, June, 19, 1857; Smith, *Great Railway Celebrations of 1857*, p.196, 237-251. Speakers chose to overlook the fact that there was no bridge across the Mississippi River at St. Louis, in part because railroads, going east and west, were intended to complement the river traffic rather than completely supplant the use of steamboats.

railroads together would span the continent, crossing the Mississippi River at St. Louis. The transcontinental railroad, the city's location in the center of the continent near the confluence of three great rivers meant that St. Louis was poised to become the greatest commercial city of the West.<sup>3</sup>

A series of essays in the *Missouri Republican* beginning in January 1854 argued for St. Louis as the central connecting point for the transcontinental railroad everyone knew was coming. The city was no longer a rough-hewn frontier outpost but a budding metropolis where steamboats lined the levee and factory smokestacks poured profits onto a grateful city below. Steam-driven locomotives would bring moral improvement as far as the river where Missouri's railroads, already under construction, would exchange it for the commerce of the west. "Natural advantages" (rivers) gave the city's merchants a superior position in the western marketplace, but new "artificial means of communication" threatened the city's commercial dominance. Railroads from the East reached the Mississippi River via Chicago in 1854 and before long it would be possible to travel to New York in little more than a day. Already northern trade networks were falling away as fast as steam driven locomotives moved over iron rails. Railroads were bringing a "revolution in the Commerce of the West" and if St. Louis was to maintain its position in the marketplace, it was imperative the city become the central rail hub for the nation.<sup>4</sup>

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<sup>3</sup> Smith, *Great Railway Celebrations of 1857*; John A. Million, *State Aid to Railways in Missouri*; Arthur M. Johnson and Barry E. Supple, *Boston Capitalists and Western Railroads: A Study in the Nineteenth-Century Investment Process*, (Cambridge: Harvard Univ. Press, 1967), p.162-170.

<sup>4</sup> John Hogan, *Thoughts about the City of St. Louis, Her Commerce and Manufactures, Railroads, etc.*, (St. Louis, 1855); William Hyde and Howard L. Conard, *Encyclopedia of the History of St. Louis*, Vol. II, p. 1035-1036.; William J. Petersen, "The Rock Island Railroad Excursion of 1854," *Minnesota History*, Vol. 15, No. 4, (Dec. 1920),p. 405-420; Johnson and Supple, *Boston Capitalists and Western Railroads*, p.162-170; John Lauritz Larson, *Bonds of Enterprise: John Murray Forbes and Western Development in America's Railway Age*, (Cambridge: Harvard Univ. Press, 1984); *Reports of the President, Land and*

St. Louis rose to commercial prominence in no small part because of its position on and near the rivers, but the revolution in commerce brought by the railroad boom of the 1850s threatened this established order in the marketplace. At the same time, Chicago was threatening St. Louis' dominant position in the western trade. As a result, St. Louis railroad boosters began making their case for a realignment of the city's commerce from north-south via New Orleans, to east-west via a railroad through the Ohio River Valley to Baltimore and Philadelphia.<sup>5</sup>

Transportation improvements presented new challenges to merchants as they attempted to reroute trade away from the Mississippi River. The Illinois and Michigan Canal opened in 1848 allowing water transportation to Chicago, and by 1851 freight rates by water were low enough that it was as cheap to transport goods from the Illinois River Valley to "the lake" (Chicago), as it was to send them to St. Louis. And it was as cheap to transport those same goods from Chicago via water and rail to New York as it was to send them there from New Orleans. Therefore the cost of freight added between St. Louis and New Orleans worked to the detriment of the river city's merchants and gave Chicago an advantage over its southern rival. If St. Louis was to keep its position in western commerce and develop new trade networks then the city must connect to the "points...from which our commerce has received its support," meaning Philadelphia. If the city was going to maintain its position in the western marketplace, St. Louis must

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*Fiscal Agents and Chief Engineer of the Hannibal and St. Joseph Railroad Company.* (St. Louis, 1854); St. Louis Chamber of Commerce, *Report of the Committee Appointed by the Chamber of Commerce upon the Trade, Commerce and Manufactures of St. Louis, Embracing a Period of Several Years*, (St. Louis, 1852); "The Trade and Commerce of St. Louis in 1852," *Hunt's Merchants' Magazine*, Vol. XVIII, No. IV, (Apr. 1853), p.421; "Trade and Growth of Chicago in 1852," *Hunt's Merchants' Magazine*, Vol. XVIII, No. V, (May 1853), p.561.

<sup>5</sup> Hogan, *Thoughts about the City of St. Louis*.

have a railroad that would connect it to the West, but it must also have a direct rail connection with the East.<sup>6</sup>

Although St. Louis merchants were coming to realize the necessity of bringing railroads to the city, Missouri's first viable railroad charter did not originate in St. Louis, but in St. Joseph, which was the jumping off point for overland emigration to the Nebraska Territory, Oregon and California. Named the Hannibal and St. Joseph Railroad, when completed, two hundred seven miles of rails would connect Hannibal on the Mississippi River, located ninety miles above St. Louis, to St. Joseph on the state's western border. The road's champion in the state legislature was Senator Robert M. Stewart of St. Joseph, who was also the corporation's president. Stewart obtained a charter for the railroad in 1847 but had no funding, leaving the railroad to languish for several years with only an initial survey of the route and some grading to show for progress. The company did not even organize a directory and appoint other company officers until 1851.<sup>7</sup>

Originally from New York State, Stewart arrived as a teenager with his family in 1838, and came of age in western Missouri. He stayed to open a law practice in St. Joseph, and speculated in land on both sides of the Missouri River. Stewart's financial interests were in bringing settlers and clients for his law practice to the west, and in developing closer commercial ties to eastern cities, bypassing St. Louis commission merchants who acted as middlemen. As western migration resumed in the late 1840s, the western counties on the Missouri River, including the town of St. Joseph, gained

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<sup>6</sup> "The Trade and Commerce of St. Louis in 1852," *Hunt's Merchants' Magazine*, (Apr. 1853), p.421; "Trade and Growth of Chicago in 1852," *Hunt's Merchants' Magazine*, (May 1853), p.561.

<sup>7</sup> *Reports of the President, Land and Fiscal Agents and Chief Engineer of the Hannibal and St. Joseph Railroad Company*, (St. Louis, 1853, 1854).

population and economic importance. St. Louis merchants, steamboat owners and insurance companies stood to profit from this growth by their established trade via the Missouri River. Railroads undercut their position by reducing travel time from St. Joseph to St. Louis. Making the trip by steamboat took from three to six days, and Stewart's railroad when completed would reach Hannibal in only twelve hours. Once there, freight or passengers could reach St. Louis by river in another twelve hours, or cross the river for rail connections to the east through Chicago.<sup>8</sup>

While Stewart worked to build the railroad across the state north of the Missouri River, St. Louis merchants, civic leaders and railroad boosters were pursuing their own rail connections with the east. Merchants and interested investors worked with like-minded men in Cincinnati and Vincennes, Indiana to bring the iron horse to the banks of the Mississippi. In June 1848, former St. Louis mayor Dr. William Carr Lane, and Chamber of Commerce President George K. McGunnege each received a map showing one of the proposed routes across Illinois for the Ohio and Mississippi Railroad. "Please use them advantageously," he wrote, "by showing...others interested in the work."<sup>9</sup> St. Louis merchants and bankers became enthusiastic backers of the new railroad connecting them with their former rival city on the Ohio River. William Lane and George McGunnege brought three more St. Louis men onto the company's directory, and by 1851, local supporters included the city's leading bankers Daniel D. Page, his son-in-law Henry D. Bacon, John O'Fallon and James H. Lucas. William H. Belcher also joined,

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<sup>8</sup> "Biographical sketch of Robert M. Stewart," in Buel Leopard and Floyd C. Shoemaker, *The Messages and Proclamations of the Governors of the State of Missouri*, Vol. III, p.53-58.; John Murray Forbes to Paul Forbes, Dec. 22, 1857, and Forbes to William H. Swift, June, 17, 1858, John Murray Forbes Manuscript Collection, Baker Library, Harvard Business School.

<sup>9</sup> John Law, Vincennes, IN to Dr. William Carr Lane, St. Louis, June 4, 1848, William Carr Lane Collection, Missouri Historical Society, St. Louis.

seeing the possibility of connecting to other railroads as a more reliable means of supplying his sugar refinery with coal from mines in Illinois.<sup>10</sup>

The Ohio and Mississippi Railroad was ambitious, and complicated in its business organization. A group of Cincinnati businessmen first conceived the railroad as an east-west trunk line through the center of the United States extending from the East Coast to the developing West. Cincinnati would connect directly to the East Coast by rail via the Baltimore and Ohio Railroad, and then through existing railroads, give access to New York City and other eastern ports. The western half of the road from Cincinnati to St. Louis via Vincennes, Indiana would complete the link and when connected to Missouri's own railroads, the Ohio and Mississippi would challenge the expanding northern rail routes along the Great Lakes for control of western commerce. The whole railroad was made of several different corporations, each with its own set of directors. Along with the directors from the principal cities, the Indiana charter required at least one director from each county along the proposed route. The three different corporations involved at least twenty-four directors from the Ohio and Mississippi Railroad Company (Illinois-chartered), ten more from the St. Louis and Vincennes Railroad Company (Illinois-chartered), in addition to the directors from the Ohio-chartered company in Cincinnati. With three different corporate charters, each with its own directory, no single business entity or person would control the entire railroad.<sup>11</sup>

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<sup>10</sup> Scharf, *History of St. Louis*, Vol. III, p.1179-1181.

<sup>11</sup> Smith, *Great Railway Celebrations of 1857*, p.94-96; *An Act to authorize the City of St. Louis to subscribe stock in the Ohio and Mississippi Railroad Company*, *Laws of the State of Missouri, Fifteenth General Assembly*, (1849), p.159-161; Scharf, *History of St. Louis*, Vol. II, p.1179-1183; Walter B. Stevens, *St. Louis: The Fourth City, 1764-1909*, (St. Louis, 1911), p. 476; Albert Fishlow, *American Railroads and the Transformation of the Ante-Bellum Economy*, (Cambridge, MA: Harvard Univ. Press, 1965), p.170.

The railroad was also complicated in its necessary political support. The project needed charters from each of the three states through which it would pass in order to complete construction. Because of experiences in the late 1830s many current legislators and the people who elected them were wary of costly internal improvement projects. The western half of the Ohio and Mississippi was chartered in Indiana in February 1848, by a group of merchants and investors in Vincennes, with the support of the St. Louis group. Even more difficult, the two principal cities on the western route, St. Louis and Vincennes, were not in Illinois, whose government must issue a charter for the railroad to begin construction. Because it was a “through road” which would focus on long distance transportation rather than local development, the Illinois legislature was reluctant to grant a charter. Company directors enlisted Illinois Supreme Court Justice Sidney Breese as general counsel and as one of the railroad’s directors, to lobby the Illinois legislature. Even with Breese’s assistance, the legislature did not grant the needed charter until February 1851. Construction was required to begin within one year, and the project must be completed by the end of 1855.<sup>12</sup>

The project turned out to be far more costly than anyone imagined, partly due to mismanagement, but also due to inexperience. Construction costs of early railroads were, like early canal projects, almost universally subject to underestimates, while revenues were wildly exaggerated. The railroad’s boosters made much of the fact that the chief engineer, O. M. Mitchell, was an engineering professor trained at West Point which at that time produced the best trained civil engineers. Mitchell commissioned a survey of the route between Cincinnati and St. Louis and reported that because the terrain presented no steep grades or great natural obstacles, he estimated a total cost of six million dollars

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<sup>12</sup> Smith, *Great Railway Celebrations of 1857*, p. 94-97; Fishlow, *American Railroads*, p.174.



to build the road. Mitchell later revised the cost down to only five million, but the New York contracting firm hired to build the entire line, estimated the total cost at almost ten million dollars. The railroad's directors were shocked by the contractor's estimate and kept it secret for fear of chasing away potential investors. The final cost when the road opened was almost twenty million dollars.<sup>13</sup>

All of this, however, was in the future. When first organized the railroad's promoters intended the Ohio and Mississippi Railroad to form the eastern half of a great east-west rail link to rival existing northern transportation routes. Once Missouri's railroads were completed, there would be a trans-national rail link intersecting the Mississippi River far enough south to serve the commercial interests of the middle of the whole nation. By offering rail connections to the west and to New York City via established eastern railroads, boosters claimed that Baltimore and Philadelphia would regain their prominence among eastern seaports. Cincinnati, they claimed, would regain lost trade and collect the agricultural surplus of the Ohio Valley. St. Louis would command the western trade via its own rail connections as well as its existing dominance of the Missouri River Valley. And its location on the Mississippi River would make the city the crossroads of the two principal transportation axes – North/South via the river, and East/West via rail – becoming the nation's greatest commercial city.<sup>14</sup>

Mitchell's study lent support to the boosters' claims. Building a railroad into a developing area meant that rail traffic and profits would be delayed. Because the Ohio

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<sup>13</sup> Smith, *Great Railway Celebrations of 1857*, p. 100-101; Alfred Chandler, *The Visible Hand: The Managerial Revolution in American Business*, (Cambridge, Mass: Belknap/Harvard Univ. Press, 1977), p.95.

<sup>14</sup> Smith, *Great Railway Celebrations*, p. 102-103; *Geographical, Geological and Statistical Relations of the Ohio and Mississippi Railroad*, (no publisher, no date), p. 17-18; Richard C. Overton, *Burlington West: A Colonization History of the Burlington Railroad*, (Cambridge, MA: Harvard Univ. Press, 1941), 43-44.

and Mississippi would pass through developed areas already producing for the market there would, so the boosters claimed, be no delay in bringing the road up to its full potential. The terminal cities with trade networks of their own were growing rapidly, all of which virtually guaranteed a good business. The railroad was close enough to the Ohio River, Mitchell claimed, that it would capture the transportation business presently going to steamboats. The Ohio and Mississippi also had the advantage of a shorter route to the center because the distance from Baltimore to the Mississippi River through the Ohio Valley was less than the northern route from New York City, up the Hudson River, and skirting the southern edge of the Great Lakes. The shorter route, Mitchell believed, would give faster transport and travel times. Some of the claims were exaggerated but establishing a rival east-west rail network was as possible as any of the transnational railroad routes proposed in the early 1850s. The road's revenues seemed certain.<sup>15</sup>

These commercial possibilities for the railroad made it relatively easy to raise capital in the beginning despite the lack of state funding or federal government aid. Missouri's legislature was constitutionally limited to internal improvements within its borders, as were the Indiana and Illinois State governments. In addition, both of the eastern states were unwilling to finance internal improvements within their own borders because of their experiences in the early 1840s, when both defaulted on their state debts incurred during the internal improvements frenzy that ended with the Panic of 1837. In 1853, Mitchell traveled to London where he sold \$2 million dollars in bonds at par, an unusual practice, and raised another \$750,000 in stock subscriptions. Another \$800,000 in corporate bonds issued shortly after his return, along with local subscriptions, brought

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<sup>15</sup> Smith, *Great Railway Celebrations*, p. 102-103; *Geographical, Geological and Statistical Relations of the Ohio and Mississippi Railroad*, (no publisher, no date), p. 17-18; Overton, *Burlington West*, p.58.

the company's financial pool up to forty percent of the contractor's projected cost. With a high proportion of construction costs secured, and expected revenues, the railroad's prospects were promising.<sup>16</sup>

Commercial and civic leaders understood that railroads were the key to the city's continued prosperity but financing internal improvements had long been problematic for Missouri merchants. Internal improvements enjoyed rhetorical support in Missouri, provided they were funded by federal or private capital. Before the late 1840s, internal improvements were limited to local roads, and removing obstacles to navigation in the state's rivers. In 1836 a convention of urban and rural merchants proposed two railroads, extending west from St. Louis and financed by a combination of private investment, and state credit, and aided by federal land grants. Although never brought to fruition due to technical limitations and the depression following the Panic of 1837, this proposal, with the exception of state ownership, foreshadowed the means of funding many of the nation's railroads through the rest of the nineteenth century.<sup>17</sup>

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<sup>16</sup> *Geographical, Geological and Statistical Relations of the Ohio and Mississippi Railroad*, (no publisher, no date), p. 3-4; "Commercial Chronicle and Review", *Hunt's Merchants' Magazine*, (May 1853), p.599; *Missouri Constitution*, (1821); John Dennis Haeger, *The Investment Frontier: New York Businessmen and the Economic Development of the Old Northwest*, (Albany: State Univ. of New York Press, 1981), p.202-204; Reginald Charles McGrane, *The Panic of 1837: Some Financial Problems of the Jacksonian Era*, (New York: Russell and Russell, 1965), p. 19-42; B. U. Ratchford, *American State Debts*, (Durham, NC: Duke Univ. Press, 1941) p.98-100; George Rogers Taylor, *The Transportation Revolution 1815-1860*, Reprint 1968. (New York: Harper Torchbooks, 1951), p. 144-46, 48-53.

<sup>17</sup> James Neal Primm, *Economic Policy of a Western State: Missouri, 1820-1860*, (Cambridge, MA: Harvard Univ. Press, 1854), p. 73-75, 85-86. In chapters five and six, Primm shows that improving transportation via roads and rivers enjoyed support from all corners of the state but it was largely in terms of obtaining federal funding, which was often slow to materialize. *Proceedings of the Chamber of Commerce, in relation to the Improvement of the Navigation of the Mississippi River, and its Principal Tributaries and the St. Louis Harbor, with a Statement Submitted by A.B. Chambers to the Chamber*. (St. Louis, 1842); *Reports of the President, Land and Fiscal Agents and Chief Engineer of the Hannibal and St. Joseph Railroad*, (St. Louis, 1854, 1855); Robert E. Riegel, "Trans-Mississippi Railroads During the Fifties," *Mississippi Valley Historical Review*, (Sept. 1923) 153-172; 154-156; *Proceedings of a Convention of Delegates for the Promotion of Internal Improvements within the State of Missouri Held at the City of St. Louis on the Twentieth Day of April, 1836*, (St. Louis, 1836); Ralph S. Cotterill, "National Railroad Convention in St. Louis, 1849," *Missouri Historical Review*, (July 1918), p.203-215; R. Douglas

By the late 1840s, the necessity to connect California and the rest of the Mexican Cession increased the nation's interest in a transcontinental railroad. A national railroad convention in St. Louis in October 1849 attracted delegates from several states. Of principal interest were the location of the route through the center of the continent and the selection of a city as a central terminus from which other railroads would radiate outward. St. Louis, Memphis and Chicago were the most likely connecting points and delegates from each city competed fiercely for the railroad and its expected economic growth. Senators Thomas Hart Benton and Stephen Douglas attended and both men were determined to locate both the route and connecting point in their state. Neither senator nor any of the city delegations were willing to surrender this important development to their rivals. Unable to agree on a route the convention ended only with a resolution to seek federal funding for the project.<sup>18</sup>

One barrier to bringing railroads to Missouri was the state government which remained under the control of the Boone's Lick Democrats who were resistant to funding any such schemes for fear of taking on excessive state debts as several other states had done.<sup>19</sup> In 1843, future governor Claiborne Fox Jackson, stumping for re-election as representative for Howard County, boasted that a visitor to Missouri would find no "...monuments of decay in railroads and half-finished canals..." anywhere in the state. In 1844, Governor John C. Edwards, from centrally located Cole County, charged that

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Hurt, *Agriculture and Slavery in Missouri's Little Dixie*, (Columbia, MO: Univ. of Missouri Press, 1992), p.171-181.

<sup>18</sup> *Proceedings of a Convention of Delegates for the Promotion of Internal Improvements within the State of Missouri Held at the City of St. Louis on the Twentieth Day of April, 1836*, (St. Louis, 1836); Robert Edgar Riegel, *The Story of the Western Railroads*, (New York: MacMillan Co., 1926), p. 17-20; Hurt, *Agriculture and Slavery*, p.171-181.

<sup>19</sup> Reginald McGrane in *The Panic of 1837*, includes the problem of states defaulting on their debts and John D. Haeger, *The Investment Frontier*, includes Illinois and its problems with internal improvement debts, with which Missouri political and business leaders were familiar.

the state should minimize its public expenditures because government could never spend wisely. Funding a project as large and expensive as a railroad, Edwards claimed, would only compound the errors.<sup>20</sup>

Edwards' official remarks do not display a fear of the market economy, but rather a mistrust of the new structure of the market economy. Corporations were necessary in a changing economy that required ever greater pools of investment capital and Edwards observed that they were becoming more common. Edwards acknowledged the need for, and benefit of corporations, but called for the repeal of laws shielding their directors and stockholders from liability. Provisions of limited liability, Edwards argued, were unfair and resulted in a more unequal distribution of wealth. Neither Governor John Edwards, nor anyone else in the Boone's Lick was completely opposed to the market economy, and no one begrudged an individual's success. The market was subject to natural selection, rewarding the "industrious and frugal" while punishing the "idle and wasteful." The limited liability in corporate charters was unfair, Edwards charged, and interfered with that natural order and government's first role was to guarantee fairness in the marketplace, not to promote the newest form of business development.<sup>21</sup>

The small-proprietor marketplace that John Edwards envisioned was not completely displaced, but the immense amounts of capital required by railroads meant that small proprietors would have to co-exist with the corporations which Edwards

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<sup>20</sup> Reginald McGrane in *The Panic of 1837*, includes the problem of states defaulting on their debts and John D. Haeger, *The Investment Frontier*, includes Illinois and its problems with internal improvement debts, with which Missouri political and business leaders were familiar; Claiborne Fox Jackson of Howard County quoted in Christopher Phillips, *Missouri's Confederate: Claiborne Fox Jackson and the Creation of Southern Identity in the Border West*, (Columbia, MO: Univ. of Missouri Press, 2000), p147; Gov. John C. Edwards, *Inaugural Address*, Nov. 20, 1844, in Leopard and Shoemaker, *Messages and Proclamations of the Governors*, Vol. II, p. 48-49.

<sup>21</sup> Gov. John C. Edwards, *Inaugural Address*, Nov. 20, 1844, *First Biennial Address*, Nov. 16, 1846, *Second Biennial Address*, Dec. 16, 1848, in Leopard and Shoemaker, *Messages and Proclamations of the Governors*, Vol. II, p. 48-49, p.75, p.108-113.

feared. Partnerships with local proprietors known to the community and requiring no external capital were still viable in merchant firms, steamboats, and small scale manufacturing, but railroads exposed the limits of that business form. Building and operating a steamboat could be done by a small group of merchants, often for less than \$50,000. When George Collier and a group of St. Louis merchants contracted to buy a steamboat in 1831 it cost them only \$35,000 to have the boat built from the keel up and put it into the water. Annual operating expenses for a steamboat on the western rivers were typically twice the original cost, which in Collier's case were shared by five other merchants. The earliest railroads proposed in Missouri were not the extensive system of rails and steam driven locomotives but instead were technically simple – strap iron rails on wooden beams, with cars pulled by draft animals. They extended only far enough to connect a community to the county seat or the nearest navigable river. They were locally conceived and locally funded ventures whose promoters and directors were unable to secure even the relatively small amounts of capital required for their short runs and simple technology.<sup>22</sup>

Modern railroad construction costs and their cost per mile varied considerably, even within the same region. Railroads built in Missouri between 1850 and 1870 cost between four and six million dollars each. From 1850 to 1867 there were nine hundred fourteen miles of railroad track laid in Missouri at an average cost of \$36, 562. Railroads in Missouri built before and immediately after the Civil War varied from \$25,600 to over \$45,000 per mile. Two railroads in northern Illinois, the Chicago and Northwestern

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<sup>22</sup> “Agreement of George Collier and others to build a steamboat for the Missouri River”, Hamilton R. Gamble Papers, Missouri Historical Society, St. Louis; Ratchford, *American State Debts*, p. 124-125; Louis C. Hunter, *Steamboats on the Western Rivers: An Economic and Technological History*, (Cambridge, MA: Harvard Univ. Press, 1949), p.361-363; Chandler, *The Visible Hand*, p.90-92.

Railroad and the Chicago, Burlington and Quincy cost \$70, 000 and \$35, 000 per mile respectively to construct. The cost of George Collier's steamboat would build approximately one mile of a modern railroad in the 1850s.<sup>23</sup>

Modern railroads increased the speed of transportation and the pace of the market economy. In doing so they also changed the structure of the market economy. Advances in technology and the greater scope of a commercially viable railroad required far more financing than any single community could raise on its own therefore supporters had to seek other funding. Local supporters sought financial backing in eastern and international financial markets and from state and federal governments. Because of their massed capital, much of it obtained from eastern and foreign capitalists, railroads engendered the same fear of monied corporations that animated the anti-banking debates of the 1830s. Railroads, even if they were built with state financial aid, were privately owned corporations subject only to the will of their directors and stockholders who were often located outside the community. Railroads were promising, but as Governor John Edwards indicated, for some they also indicated that the marketplace was no longer a place where every man could find the same opportunity.<sup>24</sup>

While William Lane, George McGunnege and their financial backers worked to bring the Ohio and Mississippi Railroad to the east bank of the river, some of the same St. Louis men worked to extend the city's rail connections to the west. In 1849 Thomas Allen, a St. Louis entrepreneur, secured a charter for the Pacific Railroad, which was to run south of the Missouri River to the state's western border. A second branch of the

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<sup>23</sup> Richard C. Overton, *Burlington Route: A History of the Burlington Lines*, (New York: Knopf, 1965), p. 74; Million, *State Aid to Railways in Missouri*, p. 111-112.

<sup>24</sup> Chandler, *The Visible Hand*, p. 90-91; Taylor, *The Transportation Revolution*, p. 48-49; Larson, *Bonds of Enterprise*, p.34, 50-51, 80.

Pacific Railroad would run from St. Louis southwest toward Springfield. Boosters expected these two branches of the Pacific Railroad would each be profitable in their own right and also believed the two branches would give the city a greater possibility of becoming the hub for any future transnational railroad. Originally from Massachusetts, Allen studied law but started his business career in publishing in New York City before moving to Washington, where he published a political journal. Arriving in St. Louis in 1842, Allen married into a wealthy family with sizeable land holdings in the city and spent much of his time developing his urban properties. Allen was also a vigorous city booster and advocate of St. Louis as the nation's central railroad hub. Elected to the State Senate in 1849, Allen worked to secure public funding for all of the state's railroads, but particularly for the Pacific, of which he was president.<sup>25</sup>

Railroad directors solicited community support and financing through public meetings in towns along their routes. Communities sometimes engaged in competition with each other to locate the route through their town, however, their financial support was often more rhetorical than real. Railroad promoters approached communities seeking bonds issued by local government and for pledges from individuals for subscriptions to buy shares of company stock. Pledges however were not money. After receiving the charter for the Hannibal and St. Joseph Railroad in 1847, Robert M. Stewart traveled the route in order to drum up support. By November 1853, Stewart held pledges for over \$446,000 in stock and community bonds, but when he tried to collect, found that many people had moved away and others found excuses to renege on their promises. Further complicating local support, when towns and counties issued the promised bonds, they

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<sup>25</sup> Lawrence O. Christensen, William E. Foley, et al, eds., *Dictionary of Missouri Biography*, (Columbia, MO: Univ. of Missouri Press, 1999), p. 7-9.



often neglected to add provisions for paying interest or retiring the bonds. The bonds then proved impossible to sell on the New York financial market, where investors preferred public bonds backed with the security of taxation.<sup>26</sup>

As the state's commercial center and with a larger population, St. Louis was a more promising source of contributions than any county seat or rural market town. Importantly, Whigs and pro-business Democrats dominated the city and county governments, and railroad company directors turned to the city's merchants and political leaders for financial support. The first to seek support from St. Louis city government were the Ohio and Mississippi Railroad directors. William Lane lobbied James H. Lucas, then serving a term representing St. Louis in the State Senate, for a bill allowing the city to invest in the railroad. Lane's appeal came too late in the 1847 session, but the next year the bill passed through the legislature in a perfunctory manner, without amendment or even floor debate. Since there was no issue of state government funding there was no opposition in the legislature to the city lending its credit up to \$500,000 to the project as long as voters gave their approval. In March of 1849, St. Louis political leaders publicly pledged the city's credit up to that amount to the railroad. A similar measure and election in the county later contributed another \$200,000 in county government bonds. In the elections, railroad directors and boosters served on vigilance committees in each city ward and worked the polling places to persuade voters that their prosperity was tied to the success of the railroad.<sup>27</sup>

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<sup>26</sup> *Reports of the President, Land and Fiscal Agents and Chief Engineer of the Hannibal and St. Joseph Railroad*, (St. Louis, 1854), p.10-13; Pierre Chouteau, Jr., New York, to Charles Chouteau, St. Louis, Nov. 17, 1853, Chouteau-Papin Collection, Missouri Historical Society, St. Louis; Jefferson City, *Inquirer*, Jan. 15, 1851, "Railroad Jubilee", Feb. 16, 1856.

<sup>27</sup> William Carr Lane to James H. Lucas, Jan. 20, 1847, Lucas Collection, Missouri Historical Society, St. Louis; *An Act to authorize the City of St. Louis to subscribe stock in the Ohio and Mississippi Railroad Company*, *Laws of the State of Missouri, Fifteenth General Assembly*, (1849), p.159-161; Missouri Senate

The Pacific Railroad's organizers also tapped private and public resources in St. Louis. In May of 1849, only two months after the Ohio and Mississippi directors opened the city's financial taps, another public meeting at the courthouse assembled the city's leading businessmen, who pledged \$350,000 in their personal funds towards beginning construction. In 1850, Thomas Allen guided legislation through the General Assembly that would allow the City of St. Louis to contribute \$500,000 in bonds to his railroad, although subject to voters' approval. City voters in all wards but one accepted the bond issue, but when Allen tried for another \$100,000 in city bonds the next year, voters rejected the measure when opponents warned of the increased taxes needed to repay the loans. Failing in his second attempt to secure funding in the city, Allen submitted the question to county voters who approved another \$100,000 in bonds for the railroad. All of the political work was done publicly, and voters gave their approval, but railroad supporters were skillful in selecting the venue for securing public support. Communities that expected to see the benefit from railroads contributed publicly and privately, but their resources even in a commercial center like St. Louis were limited, and the smaller the community the less the return for the efforts.<sup>28</sup>

St. Louis merchants and city government contributed more funds than could be obtained from smaller communities, but state funding was the great prize sought by the railroad builders. The legislature could potentially contribute millions through use of state credit, and also controlled the dispensation of federal land grants. Federal aid came in the

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Journal, Fifteenth General Assembly, 1848-49, p. 88, 95, 98-100, 288, 294. Scharf, *History of St. Louis*, Vol. II, p.1180; Primm, *Economic Policy of a Western State*, Chapter 6 on internal improvements.

<sup>28</sup> St. Louis *Missouri Republican*, Feb. 2, 1850; Scharf, *History of St. Louis*, Vol. II, p.1142-44; 1149-50, 1155.

form of alternate sections of land on either side of the route, but the state legislature had final say over the disposition of the 2.6 million acres awarded by Congress in 1852.<sup>29</sup>

In 1851 the Missouri Legislature began the first of its contributions to the state's railroads. Before the session, boosters organized public meetings in communities around the state to make their case for public financing of railroads. Thomas Allen and others traveled the state speaking at public gatherings and argued in newspapers for state financial aid, reminding all of the economic benefits railroads would bring to the state, but also reminded readers that they were engaged in a competition with other railroads under construction in Iowa. Although Allen was from St. Louis, and President of the Pacific Railroad, he was careful to avoid any mention of competition between his own and Stewart's Hannibal and St. Joseph Railroad. The goal was public funding for all of the state's railroads. The entire state would benefit, boosters argued, and every community stood to lose if they failed to persuade their representatives to get on board.<sup>30</sup>

There was at least a conflict of interest in having political representatives serving as President and Directors of railroads. However, there was no secret about their positions in business and that they were working for state and city financial aid to the railroads. Robert M. Stewart was serving in the State Senate when he introduced legislation chartering the Hannibal and St. Joseph Railroad, as did Thomas Allen two years later when he introduced the charter for the Pacific Railroad. George R. Taylor, who was the President of the Merchants Exchange Company, and a Director of the

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<sup>29</sup> Senator Thomas Hart Benton to [no first name] Gano, in "Hannibal and St. Joseph Railroad", *Columbia Missouri Statesman*, July 5, 1850 ; "An Act granting the Right of Way to the State of Missouri, and a Portion of the Public Lands, to aid in the Construction of certain Railroads in said State", June 10, 1852, *U.S. Statutes at Large*, Vol. 10, p. 8-10; Million, *State Aid to Railways*, p. 73-75; The first federal land grant directly to a railroad corporation was awarded to the Illinois Central Railroad in 1854.

<sup>30</sup> Primm, *Economic Policy*, p. 99-101.

Pacific Railroad, was also President of the St. Louis Board of Aldermen. But none of those things were a secret to the voters. Allen ran for office on a platform of securing state aid for railroads. All of the men participated in public meetings, and some published opinion pieces in newspapers building support for state aid to their respective railroads. Their private profit motive was left unsaid. Instead they couched their efforts in prosperity for the city and for the state. Their efforts were public as they appealed to the people and won their support at the polls. Because of that there was a certain honesty in their actions that kept them above the level of corruption.<sup>31</sup>

While Stewart, Allen and other railroad boosters built public support, there was no “articulate philosophical opposition” to state support for railroads in Missouri. Despite earlier hesitation expressed by state executive officers throughout the 1850s, public opinion favored state aid to railroads. By 1850, the Boone’s Lick Democrats had adopted support for internal improvements and in the process took a political issue away from their Whig opponents. Once the Boone’s Lick political leaders came around, opposition to state funding was limited to those parts of Missouri where railroads would not have an immediate benefit – the southeast and far southwest, as well as counties close to the proposed routes but which the railroad would bypass. Even then, their elected representatives did not vote against funding when it came time to decide on how much the state should contribute.<sup>32</sup>

During the 1850-51 session state legislators debated only about how much to contribute to each railroad, and not whether the state should contribute. Most of this debate took place in the Senate where Allen and Stewart first introduced a joint bill to

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<sup>31</sup> St. Louis *Missouri Republican*, Mar. 25, 1848; Scharf, *History of St. Louis*, Vol. II, p. 1179-1180.

<sup>32</sup> Primm, *Economic Policy*, p. 99-101, 113.

grant state aid to railroads, which was later separated into a funding bill for each of their respective railroads. There was one attempt in the session to limit the total state financial aid, but legislators spent more time deciding how much each of the railroads should receive and on the timing of state aid. One amendment successfully postponed funding until the state had taken possession of its federal lands, and another attempt at reducing the total amount awarded to each railroad failed by three to one. There was only one attempt in the House to amend the funding bill when the representative from far southern Benton County tried to relocate the route of the Pacific Railroad farther south so that it passed closer to his county.<sup>33</sup>

Opposition to internal improvements had been based in part on the fear of accumulating a large public debt, with the possibility that the improvements would remain unfinished.<sup>34</sup> The state did not share ownership as it did in the state bank, therefore legislators retained what they believed was control over allocation of state funds to the railroad. State bonds issued in \$50,000 allotments bearing six percent interest were to be released only when each company certified that it had expended a like amount on construction. The one-for-one arrangement where the state invested one dollar for every dollar expended by the railroad company was intended to ensure completion. The state would have the first lien, with the provision that the state would take possession in the event of failure. This arrangement was supposed to guarantee the people's investment, but in fact, once invested the state took on all the liability. If the railroad failed, the state would take possession of an incomplete railroad, with the responsibility for its

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<sup>33</sup>*Missouri Senate Journal*, 1850-1851; p.197, 204, 211, 233; *Missouri House Journal*, 1850-1851, p. 370-372; Scharf, *History of St. Louis*, Vol. II, p.1156.

<sup>34</sup> Gov. Austin A. King, *Inaugural Address*, Dec. 27, 1848, in Leopard and Shoemaker, *Messages and Proclamations of the Governors*, Vol. II, p.276-279.

completion. It seems to have escaped the legislators that once the state contributed its credit then the people were as tightly bound to the enterprise as the men who were seeking their financial support.<sup>35</sup>

Railroad leaders also used the legislature to make it easier to get funding from communities along their routes. Until 1853 each local government entity had to obtain special legislation to invest in railroads. There were no instances of the legislature rejecting those attempts, but it was slow and time consuming, and continuing construction often depended on collecting local contributions in order to pay subcontractors. The Railroad Law enacted in 1853 authorized any city or county government to invest in a railroad without first obtaining special legislation, and to levy taxes to pay for the bonds. The state annually dispensed funds for internal improvements to each county where they were used to maintain local roads and bridges. The new law allowed each county to invest its internal improvement allocation in railroads rather than local roads. The law had another provision that was even more important in terms of winning public support for railroads. Receipts from any special tax levied to pay for railroad bonds could be exchanged for stock in the railroad. Any amount of stock acquired this way was sure to be small but it gave communities, and individual property owners, the sense of having a direct stake in the enterprise.<sup>36</sup>

The fear of “monied corporations” prevalent during the political fight to charter the state bank in the 1830s was absent from the public discussion of state funding for railroads. Rather than resisting corporations, the opinion of the state’s political leadership changed so that the men in the legislature now supported them. By investing in

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<sup>35</sup> Million, *State Aid to Railways*, p. 65; Primm, *Economic Policy of a Western State*, p.104.

<sup>36</sup> “Missouri Railway Law,” *Hunt’s Merchants’ Magazine*, (June 1853), p.759.

the railroads, lending the state's credit, in effect the people's credit, to the enterprise, the legislature had completed the change from a republican agrarian society where the individual was seen as the repository of political virtue, to one where the state now supported, even guaranteed the success of the monied corporation. Resistance to the market economy during the struggle over banking was always most vocal in the Boon's Lick region, and in those regions of the state where market relationships were not as strong. By 1851 when state funding for railroads began, banking was no longer the political issue it once was, and brief specie suspensions notwithstanding, the state bank had been operating for over ten years without problems. Support for state funding was then easier because banking was no longer so controversial.

Awarding public support, by the people and their representatives in the legislature, was voluntary. Public meetings across the state made known local support for railroads. The various railroad projects each had their champions who worked to organize the meetings, spoke in favor of their particular enterprise and published essays to sway public opinion in favor of state funding for railroads. There was no deceit, everything was done in public. Robert M. Stewart and Thomas Allen had to run for office and win election to the legislature before they could secure charters for their respective railroads, and get state funding for them. However, there was no guarantee that they would be successful. It still required convincing voters, and their representatives in the legislature to invest in the railroads.

Railroad promoters were also shrewd in their fundraising efforts, and the search for public funding indicates the difference between railroad and bank promotions. In the 1830s, bank promoters made little headway outside the merchant community in building

support for banks. Despite arguments and speeches, it was difficult to convince people that they would see the benefit of a State Bank owned or controlled by a group of merchants in St. Louis. Railroads however were different because the benefits of railroads were tangible, and their approach from the east, made it easy to convince people in towns and counties along the routes that their interests would be served by contributing state, local, and personal funds to a corporation.<sup>37</sup>

After the state began contributing to railroads, St. Louis boosters phrased their arguments in terms of competition with the Hannibal and St. Joseph Railroad, and with other cities, especially Chicago. Although legislators outside St. Louis couched their support in terms of benefit to the entire state, St. Louis merchants viewed railroad construction through the lens of their competition with northern and eastern rivals for western commerce. Thomas Allen and other St. Louis boosters intended to make St. Louis the state's railroad hub. By 1860 the Missouri state government had committed more than \$23 million to railroads under construction within the state, with all roads but one terminating at St. Louis. The single largest beneficiary was Allen's Pacific Railroad with \$10.9 million in state financial aid to its two branches, both terminating at St. Louis. St. Louis legislators amended the funding bill for the North Missouri Railroad, a connector line planned between St. Charles and the Iowa border, so that it also terminated at St. Louis and relocated the route farther west to pass closer to St. Joseph. The Iron Mountain Railroad connected St. Louis to the mineral mining district in the northern

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<sup>37</sup> "For the *Missouri Argus*," St. Louis *Missouri Argus*, May 22, 1835, "Bank", May 6, 1836; "Missouri Railway Law," *Hunt's Merchants' Magazine*, (June 1853), p. 759.



Ozarks. Only the Iron Mountain Railroad received less state aid than the Hannibal and St. Joseph Railroad, which did not approach St. Louis.<sup>38</sup>

That St. Louis merchants viewed railroad building as an increasing competition with Chicago for control of the marketplace is reflected in the railroads' corporate directories. Some of the same St. Louis businessmen and bankers served as directors and invested in the Ohio and Mississippi Railroad and the Pacific Railroad. Daniel D. Page and James H. Lucas were stockholders in the Pacific and the O&M, as were other St. Louis businessmen, and for a time Page was a director of both railroads. When the Ohio and Mississippi Railroad broke ground at Illinoistown in February 1852, the officers and directors of the Pacific Railroad were there to participate and commemorate the event. However, St. Louis men never served as officers or directors of the Hannibal and St. Joseph Railroad, nor did they organize public meetings to solicit political or financial support for the northern railroad. Stewart's railroad undercut St. Louis trade networks on the Missouri River and would bypass the city altogether in commerce with the East. The Hannibal and St. Joseph would give an almost direct connection between St. Joseph and Chicago. Northeastern commerce, people, and investment capital had a direct and possibly superior route through the northern city to an area formerly dominated by merchants in St. Louis. If that could not be avoided, then the goal was to build railroads owned and controlled by St. Louis men which would restore them to at least an equal position with their northern competitors.<sup>39</sup>

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<sup>38</sup> Gov. Robert M. Stewart, *Second Biennial Address*, Jan. 3, 1861, *Messages and Proclamations*, Vol III, p.154-156; Million, *State Aid to Railways in Missouri*, p.67,72-73.

<sup>39</sup> *Reports of the President, Land and Fiscal Agents and Chief Engineer of the Hannibal and St. Joseph Railroad*, (St. Louis, 1854, 1855); Scharf, *History of St. Louis*, Vol. II, p.1148-1149, 1180-1182; George R. Taylor, *The Transportation Revolution*. p. 164-65; Larson, *Bonds of Enterprise*, p.68-71; R.S. Cotterill, "The National Railroad Convention in St. Louis, 1849," *Missouri Historical Review*, Vol. XII, No. 4 ,(July 1918), 203-215.

Stewart's competition with and lack of support from St. Louis at first hindered the railroad, but later proved to be an unexpected boon. Because the railroad would not serve St. Louis, and was in competition with the Pacific, Stewart was limited to local support along the route. Into late 1853, he had not been able to raise the minimum \$500,000 in stock subscriptions needed to release the first \$1.5 million in state bonds. Delayed construction would also slow the sale of federal lands lying on either side of the route. The Hannibal and St. Joseph Railroad was in a difficult position for lack of funding. With construction halted in late 1853 and early 1854, Stewart went east searching for capital investors to rescue the railroad. He found a savior in Boston capitalist John Murray Forbes, who led a group of northeastern capitalists investing in western railroads.<sup>40</sup>

Born into a clan of Boston merchants, Forbes went to China as a clerk in his uncle's Canton mercantile house at seventeen, and returned in 1837 at the age of twenty-four with "a good fortune." His experience in the China trade, managing distant and disparate interests, as well as selecting and training trustworthy subordinates served Forbes well once he ventured into the business of western railroads. Also important, Forbes' experience in China gave him a reputation as a capable and cautious businessman among American domestic and international businessmen and capitalists. Forbes had ties to capital resources that no group of local merchants or bankers could match on their own. He took a long view of railroad building, preferring to build a durable road and earn profits as a sparsely settled area developed. Importantly, he had experience in

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<sup>40</sup> Robert M. Stewart, "President's Report" in "Reports of the President, Land and Fiscal Agents of the Hannibal and St. Joseph Railroad," (St. Louis, 1854), p. 13-14; Johnson and Supple, *Boston Capitalists and Western Railroads*, p. 164-165; Million, *State Aid to Railways in Missouri*, p.87-88; Larson, *Bonds of Enterprise*, p.68-71.

financing and building other railroads, which gave him an advantage over the St. Louis men who were only beginning to venture into that capital intensive business.<sup>41</sup>

Forbes led a group of northeastern capitalists who already had controlling interests in northern railroads east of the Mississippi River that challenged St. Louis domination of the upper Mississippi Valley. Forbes' first western railroad was the Michigan Central which connected Detroit by rail to Lake Michigan. The Michigan Central Railroad first entered Chicago in 1852, and when Forbes and his group took over the Hannibal and St. Joseph two years later they, and their competitors in the Illinois Central, were building a network of railroads in northern Illinois centered on Chicago and connecting to the Mississippi River. Extending railroads into Iowa, also a Forbes venture, served to further erode St. Louis merchants' dominant position on the upper Mississippi, and also challenged their control of the upper Missouri River trade, which was then supplied by steamboats from St. Louis.<sup>42</sup>

Robert Stewart found a means to save his railroad, but saving it meant that he had to give it up. Acquiring eastern capital saved the Hannibal and St. Joseph, and brought Forbes' experience and reputation in international financial circles, but it also meant that control passed from Stewart and the local directors into the hands of their new masters. In its original configuration, the Hannibal and St. Joseph Board of Directors were all local men from St. Joseph, Hannibal and towns in between, with Robert Stewart as President. Eastern investors replaced the local directors. Beginning in 1854 when the Boston group

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<sup>41</sup> Henry Greenleaf Pearson, *An American Railroad Builder: John Murray Forbes*, (New York: Houghton Mifflin Co., 1911), p. 1-11; Johnson and Supple, *Boston Capitalists and Western Railroads*, p.19-32; Larson, *Bonds of Enterprise*, p. 34-40; Thomas C. Cochran, *Railroad Leaders 1845-1890: The Business Mind in Action*, (New York: Russell and Russell, 1965), p. 34-37.

<sup>42</sup> *Reports of the President, Land and Fiscal Agents and the Chief Engineer of the Hannibal and St. Joseph Railroad*, (St. Louis, 1854); Johnson and Supple, *Boston Capitalists and Western Railroads*, p. 163-164; Larson, *Bonds of Enterprise*, p. 34-52.

first invested, Forbes installed experienced lieutenants in key positions and managed the railroad through a fiscal agency. Stewart remained the titular president, and the Secretary and Treasurer were local men, but control of the railroad now rested with Eastern capitalists in Boston.<sup>43</sup>

Even with Eastern capital, construction on all of the railroads proceeded slowly. Labor shortage was a constant problem because of emigration to the western territory, and gold fever in California. Despite Robert Stewart's early work surveying and grading parts of the roadbed before 1850, work on the Hannibal and St. Joseph did not begin in earnest until 1854. Construction began on the Ohio and Mississippi Railroad from Cincinnati westward in the summer of 1853, but came to a halt when cholera spread among the crews. Work resumed in the late Fall, but a continuing shortage of labor slowed progress, and by April of 1854, the road had progressed only twenty-six miles. The contractors broke ground on the western end of the railroad across the river from St. Louis in late February of 1852 in order to meet the Illinois charter's commencement deadline, but by late 1854 construction had still not progressed more than a few miles east toward Vincennes.<sup>44</sup>

The Cincinnati directors for the eastern division of the O&M hired the New York contracting firm of H. C. Seymour and Company to build the railroad. Seymour and Company were one of several large engineering firms that emerged in the 1850s that specialized in building railroads. To maintain continuity in building the line, the Western

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<sup>43</sup> *Reports of the President, Land and Fiscal Agents and the Chief Engineer of the Hannibal and St. Joseph Railroad*, (St. Louis, 1854); Johnson and Supple, *Boston Capitalists and Western Railroads*, p. 163-164; Larson, *Bonds of Enterprise*, p. 34-52.

<sup>44</sup> *Report of Hannibal and St. Joseph Railroad, (1854); Great Railway Celebrations*, p. 96; Paul Wallace Gates, *The Illinois Central Railroad and its Colonization Work*, (Cambridge, MA: Harvard Univ. Press, 1934), p.94-98; Smith, *Great Railway Celebrations*, p.96, 99; Gates, *Illinois Central Railroad*, p.94-98; Million, *State Aid to Railways*, p.73-74.

directors in St. Louis and Vincennes hired the same firm. Seymour's experience should have made the obligation to complete the railroad by 1855 no problem. Then in the summer of 1853, Horatio Seymour and another principal of the firm died, and their surviving partners advertised the contract for sale. In October, already deeply invested in the project, Henry Bacon bought the contract for the western half of the road from St. Louis to Vincennes, and formed a separate partnership with O. M. Mitchell to build the railroad. Soon after, Seymour and Company failed completely, and Bacon bought the contract for the eastern division, extending from Vincennes to Cincinnati. Page, Bacon and Company were now financially responsible for the entire railroad, and Henry Bacon as President of the Ohio and Mississippi Railroad was responsible for its completion.<sup>45</sup>

Henry Bacon's fate was inextricably tied to the success or failure of the railroad which he now controlled, but was subject to market forces over which he had none. That Henry Bacon had overextended himself was soon evident as financial problems beset both the bank and the railroad. By 1856 Daniel Page and Henry Bacon as private investors, and their failing bank as financial agent for the railroad, held almost three million dollars in Ohio and Mississippi Railroad bonds, \$900,000 in stock, as well as \$800,000 in other of the railroad's liabilities. Although Bacon and Mitchell were initially able to raise funds with relative ease, there were many other such ventures in the United States competing for investment capital in the early 1850s. Page, Bacon and Company as the principal financial agents for the railroad took its bonds and stock to sell on financial markets, making a profit on speculation before advancing funds to the contractors.

Payment was partially in cash, but the majority of railroad contractors' payment was in

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<sup>45</sup> Smith, *Great Railway Celebrations*, p.96-97; Scharf, *History of St. Louis*, Vol. II, p.1181; Pierre Chouteau, Jr. to Charles Chouteau, Dec. 8, 1853, Chouteau-Papin Collection, Missouri Historical Society, St. Louis; Chandler, *The Visible Hand*, 93.

stocks and bonds of the same railroad they were building, which they later sold, making their profits subject to money market conditions. In 1854 railroad securities on national and international money markets fell and even experienced financiers like John Murray Forbes had trouble raising money.<sup>46</sup>

Controlling a railroad in the 1850s, in its finance, construction and operation, was difficult for even the most astute and experienced managers. There is nothing to suggest that Henry Bacon possessed any such skill or experience, but if he exceeded his level of competence, then he was not unlike other businessmen of his time who ventured into the new business of railroads. A national system of railroads in the antebellum years developed only piecemeal, without any grand design. Local men with no technical knowledge and inadequate capital were often the ones who planned a railroad and persuaded others to join them in the risk. Railroads were the future of the marketplace, and enterprising businessmen worked to gain or maintain advantages over their competitors. In that regard Henry Bacon was like merchants a generation earlier who came west with a boatload of merchandise, risking everything to be the first to arrive in a new town at the moment settlement started. Bacon used his bank's resources, and his father-in-law's fortune, to participate in a similar advance. If the Ohio and Mississippi Railroad succeeded, then the prospects laid out in Mitchel's survey would be more than the hyperbole of boosterism, they would be realized. It was an enormous risk, but if it succeeded, one that would pay handsome profits.<sup>47</sup>

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<sup>46</sup> Douglass C. North, *The Economic Growth of the United States 1790-1860*, (New York: W. W. Norton, 1966), p. 212; William Tecumseh Sherman, *Recollections of California, 1846-1861*, (Oakland, CA: Biobooks, 1945), p. 93-94; Johnson and Supple, *Boston Capitalists and Western Railroads*, p. 163-165; John M. Forbes, "Fiscal Agent's Report" in "Reports of the President, Land and Fiscal Agents of the Hannibal and St. Joseph Railroad," (St. Louis, 1854), p. 22.

<sup>47</sup> Sherman, *Recollections of California*, p. 93-94.

While John M. Forbes worked to rescue the Hannibal and St. Joseph, Henry Bacon presided over the failure of his bank, but tried to salvage the Ohio and Mississippi Railroad. Page, Bacon and Company failed in January 1855, setting off local financial panics in St. Louis and San Francisco. Despite the efforts of Henry Bacon and Daniel Page, the bank never reopened and legal proceedings in St. Louis and San Francisco resulting from the bank failure continued for several years as creditors tried to recover what money they could from the wreckage.<sup>48</sup>

With the bank in ruins and the railroad foundering, Bacon engaged in a circular transfer of ownership. Continuing as president of the Ohio and Mississippi Railroad, Bacon managed to raise \$500,000, enough to continue work on the line from St. Louis to Vincennes, Indiana. However with no revenue, and the bank no longer able to advance funds, the railroad was unable to make interest payments on \$1.1 million in bonds, which were held by Page, Bacon and Company. With the company in default on its bonds, Bacon as banker was now empowered to take possession of the railroad, which he also ran as President. In June 1855 Bacon turned the railroad over to a trustee, Joshua H. Alexander, who happened to be a business associate, and one of the railroad's directors. Alexander advertised the impending auction but chose a local weekly newspaper that was unlikely to catch the attention of any real prospective buyers. Bacon as a private investor then bought the railroad, and deeded it back to the company in return for income bonds which paid him before all other creditors. A quorum among the Board of Directors, all local men including Alexander and Bacon, approved the transfer, and Henry Bacon as

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<sup>48</sup> Chapter four covered the failure of Page, Bacon and Company; *Daniel D. Page, et al vs. James E. Brown, et al*, f.4, f.5, Box 370; *Henry L. Brolaski and Thomas M. Wannall vs. Daniel D. Page, et al*, f.1, Box 370; *Isaac Breckenridge vs. Daniel Page et al*, f.11, Box 370, *Daniel D. Page et al vs. Woodbury D. Sawyer*, f.9, Box 377, *Daniel D. Page vs. Joseph D. Wells*, f. 8, Box 378, *Daniel D. Page et al vs. Ezekiel M. Campbell*, f.11, Box 378, Missouri Supreme Court Case Files, Missouri State Archives, Jefferson City.

President was once again in control of the railroad which had been in his hands all along.<sup>49</sup>

Bacon's circular arrangement in the trusteeship was ethically questionable, but understandable under the circumstances. His business decisions put him in a position where once invested he had no way out. It seems that Bacon's interest was at first only in the western half of the railroad and he took over the eastern half of the railroad out of necessity when Seymour and Company advertised the contract for sale. He had committed his bank, his personal fortune, and his father-in-law's fortune to the enterprise. When the financial markets turned down in 1854, Bacon had to choose whether to go all in, or lose everything. He chose to gamble that he could finish the railroad before the marketplace caught up with him.

Bacon's problems continued, all related to being over extended in the railroad. The City and County of St. Louis, alleging fraud, sued to prevent the transfer from Alexander to Bacon, and attempted to repudiate \$700,000 in bonds issued to pay for stock in the railroad. The suit delayed the sale until March 1856, when the Missouri Supreme Court reviewed the case and found no fraud, but allowed the county government to repudiate its \$200,000 in bonds for unrelated reasons. Although his dealings were legal, Bacon's reputation was tarnished by the allegations of fraud in the affair. Allegations of embezzlement by railroad officials in Indiana and Ohio caused Bacon's reputation to sink even lower. Inadequate capital forced Bacon to breach a contract with St. Louis locomotive manufacturers Palm and Robertson, who sued to collect payment for two of five engines delivered, and lost profits from another eleven for which they had

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<sup>49</sup> *City and County of St. Louis vs. Ohio and Mississippi Railroad Company*, Aug. 1855, Box 361, file 9, Missouri Supreme Court Case Files, Missouri State Archives, Jefferson City.



procured materials but would not be built. The money raised in early 1855 allowed Bacon to complete the line from Illinoistown to Vincennes in July but the work was shoddy, leading to frequent breakdowns. Other railroads in Ohio and Indiana which were already up and running drew traffic and revenues away at Bacon's expense.<sup>50</sup>

Plagued by continuing financial problems, Bacon tried to save the western half of the Ohio and Mississippi Railroad by selling the eastern half to a group of New York investors led by William H. Aspinwall. Like John Murray Forbes, Aspinwall started as a clerk in a family mercantile firm, became a partner, and after accumulating a fortune, found other ways to put it to use in business. Unlike Forbes, Aspinwall was less interested in railroad building than in developing faster communications with California to put him ahead of his competitors for U.S. Postal contracts. Aspinwall's ships sailed and steamed between New York and China, and his firm held the contract to deliver U.S. Mail to California. Aspinwall's business profited from the increasing settlement, and from the Gold Rush, carrying passengers and mail west, and bringing gold dust back to New York. It is possible that Henry Bacon, Daniel Page, and gold from their San Francisco bank traveled on Aspinwall's ships as they struggled to save themselves from disaster.<sup>51</sup>

Selling off half of the railroad quickly led to losing all of the line, and finally to Henry Bacon's failure in the railroad business. Aspinwall and Company took over the uncompleted and heavily mortgaged eastern half of the railroad running from Cincinnati

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<sup>50</sup> A. W. Mitchell to James T. Sweringen, May 12, 1858, Sweringen Papers, Missouri Historical Society Manuscript Collection; *City of St. Louis v. Ohio and Mississippi Railroad*; *Palm and Robertson v Ohio and Mississippi Railroad Company*, 18 Ill. 259, Ill. Lexis 59, Dec. 1856, <http://www.lexisnexis.com.proxy.mul.missouri.edu/hottopics/lnacademic/>; Accessed 3/2/12; Smith, *Great Railway Celebrations*, p. 98-100.

<sup>51</sup> John Haskell Kemble, *The Panama Route 1848-1869*, (Berkeley: Univ. of California Press, 1943), 20-25, 253-255.

to Vincennes in exchange for settling the company's outstanding debts. Bacon had no choice but to agree to Aspinwall's terms and the transfer was completed in May. Faced with high debts, the large operating costs of a railroad, and little revenue, Bacon immediately sold the New Yorkers the western half as well. Unlike John Murray Forbes who kept Robert Stewart as a figurehead President to maintain the appearance of local management, Aspinwall replaced the local directors and officers with his New York associates.<sup>52</sup>

Several years later in a memoir of his time in San Francisco, William Tecumseh Sherman wondered how Henry Bacon could have let himself be drawn into such an ill-conceived venture as the Ohio and Mississippi Railroad. However Sherman's comments are based on the certainty of hindsight, which was not available to Henry Bacon or anyone else involved in that railroad. Bacon's decisions were not without logic, and he was not alone. Railroads were changing the marketplace, and by the 1850s many local merchants and bankers were working to bring railroads to their city. To be one of those, or the one, credited with bringing the transcontinental railroad to St. Louis would bring financial rewards and social laurels. If Henry Bacon sought status as well as profit, then his motivation was no different than others engaged in railroad promotion. He may not have recognized his limits in business, but then no one was able to see the future and Bacon continued what he was doing because it had worked, up to the point that it stopped working. The marketplace rewarded some and punished others for taking too great a risk. William T. Sherman could look back and see the mistakes Henry Bacon made while working to build a future that he could not see as clearly.<sup>53</sup>

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<sup>52</sup> Smith, *Great Railway Celebrations*, p. 100-101, 104-105.

<sup>53</sup> Sherman, *Recollections of California*, p. 93.

In October 1857, another panic struck the American financial system when the New York branch of the Ohio Life Insurance and Trust Company failed. Causal factors include overproduction of wheat to supply European markets during the Crimean War, followed by a sudden decline in demand for American agricultural commodities when the war ended. Prices for wheat then declined sharply prompting western farmers and grain merchants to withhold their products from market until prices recovered. Also contributing was the over extension of American financial markets in the mid 1850s. New York banks were heavily invested in railroad projects, and lent money for speculations in railroad stocks and other securities, all of which were contributing to high prices for western lands that were opening with the aid of railroads.<sup>54</sup>

When the Ohio Life and Trust failed in late August bank failures were at first confined to New York, but before the end of September banks outside the city suspended specie payments, followed by a nationwide suspension in October. The effect on banking was relatively brief with all American banks resuming specie payments by the end of December. In a scene repeated across the country, people mobbed local banks frantically hoping to save their money. Just as they had in January 1855 when Page and Bacon failed, city bankers once again pledged their personal fortunes to guarantee deposits and restore calm. But this time the crowd would not be satisfied by mere promises. This was no local panic that could be tied to only one bank. Every American bank suspended and there was no way to know when they would resume specie payments, and which banks

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<sup>54</sup> Charles W. Calomiris and Larry Schweikart, "The Panic of 1857: Origins, Transmission and Containment," *Journal of Economic History*, (Dec. 1991), 807-834: p. 816-818; North, *Economic Growth of the United States*, p. 212-214; George R. Taylor, *The Transportation Revolution*, Chapter 5, p. 97-102; Million, *State Aid to Railways*, p.100-101; Fishlow, *American Railroads*, p.100-116; James L. Huston, *The Panic of 1857 and the Coming of the Civil War*, (Baton Rouge, LA: Louisiana State Univ. Press, 1987), p.15-34; Larson, *Bonds of Enterprise*, p. 68-69.

would survive the calamity. All of the St. Louis banks suffered a run on their deposits, causing several to fail. One of those which did not reopen was James H. Lucas and Company, which had a branch bank in New York and had replaced Page and Bacon as the city's leading bank. Lucas suspended specie payments but used his considerable personal fortune to guarantee his obligations.<sup>55</sup>

The Ohio and Mississippi Railroad did not fare well as the northern economy slowly recovered after the panic. The road's boosters had from the beginning overestimated earnings based on the assumption that because it passed entirely through a well developed region, it would realize good traffic and high revenues. The company was badly mismanaged since its inception and expenditures during construction were nearly as lavish as the expectations for earnings. When the panic struck, banks and other lenders tightened credit for everyone, not just railroad developers. Even though banks resumed specie payments in December 1857, they did not loosen credit policies and slow manufacturing, depressed western land sales, and little commerce diminished rail traffic. Other railroads were competing for the reduced traffic, and despite projections that the railroad would supplant river transportation, that did not happen until after the Civil War.<sup>56</sup>

Even New York capital could not save the Ohio and Mississippi Railroad as William Aspinwall's group was taking all of the railroad's revenues to repay their investment. The company went bankrupt and sat idle for a time but resumed operation by 1859. Company advertisements touted more rapid travel times to the east, no need for costly freight insurance as on steamboats, and the more reliable operation of rails

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<sup>55</sup> Clarke, *Gold Rush Banker*, p.326-332; Sherman, *Recollections of California*, p.117-120; Primm, *Lion of the Valley*, p. 208-209.

<sup>56</sup> Scharf, *History of St. Louis*, Vol. II, p. 1183-1184; Huston, *Panic of 1857*, p.30-32.

compared to the river. Despite these advantages, the company was too far gone and continued to have financial difficulties. The Ohio and Mississippi limped along until it was seized by a federal court for outstanding debts in 1861 and the eastern half was sold to satisfy creditors. The railroad was revived by government spending during the Civil War and later absorbed into larger railroads.<sup>57</sup>

Work on the Pacific Railroad stopped due to the directors' inability to raise money but the company survived, in part due to a tax levied to pay interest on the state bonds. Financial problems and labor shortages kept progress slow, but when the panic began the railroad was also recovering from an earlier disaster. In November 1855, a large party from St. Louis traveled by train to celebrate the opening of the railroad to the state capitol at Jefferson City. Faulty bridge construction and heavy rain caused the train to roll into the Gasconade River, killing thirty people, injuring several hundred others, and destroying the locomotive and railcars. As the survivors returned to St. Louis a second bridge collapsed, destroying another train, though without loss of life. The disaster and financial problems limited the Pacific's extension only as far as Jefferson City by 1857. When the Pacific defaulted on its bonds in 1860, the state took over the railroad but the Civil War prevented construction until late in 1864, when Union military power ended guerrilla warfare in Missouri.<sup>58</sup>

The Hannibal and St. Joseph Railroad fared best thanks to John Murray Forbes' able leadership. Forbes was able to raise enough money to save the railroad, though only with great difficulty, and completed construction in February 1860. Even before

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<sup>57</sup> "To St. Louis Merchants," *St. Louis Missouri Republican*, Aug. 2, 1859; Scharf, *History of St. Louis*, Vol. II, p. 1213; Fishlow, *American Railroads*, p.169-170; George Rogers Taylor and Irene D. Neu, *The American Railroad Network 1861-1890*, (Cambridge, MA: Harvard Univ. Press, 1956), p.40-41.

<sup>58</sup> Stevens, *St. Louis: The Fourth City*, p. 482-486.; Riegel, *Western Railroads*, p. 22-23.

completion the railroad operated three scheduled trains roundtrip each day, carrying passengers and freight across the state. Forbes hired steamboats to make the short transfer across the Mississippi River to rail connections on the Illinois side, leading to Chicago. A longer journey down river carried one to St. Louis. Northern railroads won the race to the west, Chicago eclipsed St. Louis, and the control and financing of railroads passed from local merchants and bankers to capitalists in Boston and New York. Competition, innovation, and failure are constant as people in the marketplace endlessly destroy the old order to create one anew. Although he failed in the end, in his efforts to bring the Ohio and Mississippi Railroad to St. Louis, Henry D. Bacon helped to create a new order in the marketplace.<sup>59</sup>

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<sup>59</sup> Johnson and Supple, *Boston Capitalists*, p.168-170; Larson, *Bonds of Enterprise*, p.68-71; Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*, 5<sup>th</sup> ed., (London, George Allen & Unwin Ltd., 1943), p. 81-86; Dorothy Eleanor Powell, "History of the Hannibal and St. Joseph Railroad, 1847-1883", M.A. Thesis, University of Missouri, 1942, p, 26, 46 Million, *State Aid to Railroads*,, 83-84, 110-112.

## Conclusion

The Panic of 1819 not only upset prosperity, it upset the market economy just when it was emerging as a central force in American life. Missouri and the United States were dealt a double blow by the crash at a time new states of the West were establishing political institutions. People questioned their participation in the market economy and many searched for a means to restore order to American society. Few rejected the market economy completely, some hesitated, unsure of what was happening, and a few pressed ahead, unsure of where they were going. The frequent calls for the nation to return to the republican virtue and simplicity of a republican society provided a reassuring connection to the idealized past which eased the collective conscience and made participation in the market economy more acceptable.

Some people searched for moral order but the more important search was for an order that would preserve the market economy. The various relief proposals adopted in 1821 were not a rejection of the market economy but instead were designed to delay the worst effects while people found a way to recover. In Missouri's special session of the legislature, there was only one attempt to cancel contracts or debts, and it received no support. The relief measures show an expectation that the depression was only temporary and a hope that recovery would be coming soon.

The enduring legacy of the Panic of 1819 was the popular hostility to banking. Banks were both the symbols and the facilitators of the market economy and in the absence of clearly determined causes to explain the panic, many people found an easy explanation for the source of troubles. It was popular to blame banks as the cause of the

nation's distress, often focusing on the actions of their managers and directors, which were sometimes corrupt. Although banks were not the root cause of the nation's economic problems, people were not entirely wrong in directing their ire toward these unpopular institutions of the market economy. Framers of Missouri's State Constitution enshrined this hostility, which then affected the debate over the market economy for years afterward. That hostility also contributed to the structure of the market economy, as it forced merchants to seek other sources of credit and capital, which created an inadequate and unstable ad hoc financial system. By prohibiting all banks, their opponents missed a chance to establish a more stable market economy, but expecting that to happen in the early 1820s was asking too much for the time.

The contest over banking in Missouri provides an example of the ambivalence toward the market economy and a view into the future, as internal improvements made its advance ever more certain. As St. Louis merchants worked to bring a branch Bank of the United States to their city, they framed their efforts in the competition with New York merchants, which was enabled by transportation improvements, at the time limited to the Erie Canal. The branch Bank allowed some of the city's merchants a degree of control over the local and the regional marketplace, but that control was elusive and lasted only until the demise of the Bank of the United States in 1836. When the hard-money Democrats finally permitted a state bank in 1837, they had the illusion of control, using the bank and currency laws to restrict paper money in circulation within Missouri. Into the 1840s some hard money advocates maintained a conception of the market economy that was only local. Examples of this thinking are the statement by William Napton in



1842 that the Boon's Lick must have its own bank operating on a specie basis to protect the public from paper money.<sup>1</sup>

By controlling the state bank, and paper money, hard-money advocates believed they could restrain the market economy, and the people, through their representatives could set the pace of change in the economy. That hard-money advocates finally allowed a State Bank indicates a critical shift in mindset, though one that some came to only grudgingly. Banks were necessary, and the market economy could not be restrained.

Support or opposition for banking was more complicated than a binary issue, and people held conflicting beliefs on the subject, and even worked against their stated beliefs. Two merchants in St. Louis were some of the most vigorous hard money advocates in Missouri. While engaging in long distance commerce with their suppliers in Philadelphia and maintaining trade networks in the Missouri Valley, and in neighboring Illinois, Robert Campbell and William Sublette worked to restrict the issue of paper money from their positions as Directors for the State Bank, in the state legislature, and through political influence in the state Democratic Party. Their ideological colleagues who controlled the Party often demonstrated the same contradiction between stated beliefs and actual practice. They engaged in the market economy as commercial farmers, operated mercantile businesses, invested in insurance companies and steamboats, and voted to create corporate charters. While working to restrain the market economy, they also worked at the very things which advanced the market economy.

Merchants were not the only ones who affected the shape and structure of the market economy. In the process of adaptation, people on both sides of the issue had a

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<sup>1</sup> William B. Napton to Gov. Thomas Reynolds, Oct. 6, 1842, Reynolds Papers, Missouri Historical Society, St. Louis.

hand in determining the structure it would take. Hard money policies and management of the State Bank forced St. Louis merchants to find other sources of money and credit to maintain their business operations. Merchants found a way around the restrictions, and the hard money advocates could convince themselves that they were defending their vision of the market economy. Both sides got what they wanted as the State Bank maintained stable operation and St. Louis merchants found the money and credit they needed. By 1850 when popular opinion was necessary to procure state funding for railroads, banking and the market economy were not as threatening as they had once seemed.

Merchants of large and small scale were subject to the vicissitudes of the antebellum financial system but were adaptable on banking and currency because for them they were only part of the larger marketplace. They worked constantly against their hard-money opponents to maintain banking facilities and an adequate circulating currency. Merchants were as troubled as their opponents by banking and currency, because their livelihood depended on them. They also lost money when banks failed, and endured loss when they accepted devalued or counterfeit paper banknotes. But merchants tolerated the circulation of devalued banknotes, used insurance companies as bank substitutes, and later funded banks in neighboring Illinois, because it allowed the local marketplace to continue operating. In doing so it also allowed them to remain viable competitors in the wider market economy. The market was outside the bank, not within it as the hard-money faction seemed to believe, and merchants would do anything to maintain its operation and their place in it.

Merchants created organizations to facilitate business and lend order to the local marketplace. The Chamber of Commerce and Merchants Exchange brought buyers, sellers and services together in one place, and served as a clearinghouse for information, and that convenience attracted people engaged in business. They also set standards of acceptable behavior among merchants, adapted to changing business practices and policed the conduct of those engaged in the marketplace. Other more mundane developments such as establishing regular hours of business daily and establishing a fiscal year allowed merchants to become synchronized in their operation. When combined with similar organizations in other cities, all of these functions served to rationalize the wider marketplace.

Commercial organizations did not set out to challenge state government, and there were no statements that republican government was inadequate, but by taking on some of the functions of government, merchants gradually built an alternate governing structure for the marketplace. Merchants had long relied on extra-legal means of resolving disputes in business, but organization formalized the process. Resolving disputes should be left to those who understood business rather than randomly selected juries, and those who governed the marketplace should be elected by businessmen rather than by political office holders who often worked against their interests. The Association of Bankers and Exchange Dealers adopted an alternative means of regulating paper currency which relied on the logic of the marketplace rather than the power of the state to drive out the weakest paper money. All of these functions were done by the people engaged in business to make the marketplace run more efficiently, not as a deliberate challenge to republican government.

Organizations were not always successful at self-regulation. The Bankers and Exchange Dealers Association failed to reach any of its proposed goals. Bankers were unable to set exchange rates because they were unwilling to abide by their own rules. However, their lack of success was due to the changing nature of the market economy. With the adoption of free banking in the 1850s, institutional credit was more widely available and businessmen and their capital were as mobile as the market could make them. No local organization could hope to exercise control over commercial credit when eastern businessmen, information and credit could travel so easily.

Free banking, transportation and organization made business easier, but St. Louis merchants were still pressed hard by the market economy. Even after they brought a branch Bank of the United States, and later found ways around state banking and currency restrictions, city merchants were always engaged in a competition with counterparts in other cities, some of whom were also organized and better funded. They competed against rivals in neighboring Alton, Illinois for the upper Mississippi River trade, and later with merchants in Chicago for their share of commerce in the Great West. Banking was part of the contest, but transportation proved to be the deciding factor. When steamboats and rivers were the means of transporting commerce, St. Louis could command trade by virtue of its location on and near major rivers. However, railroads, the artificial means of communication, finally overcame the city's natural advantages and Chicago became the dominant commercial city in the West. But there were other factors involved in that eventual victory.

The position of St. Louis in the commercial hierarchy of the West was not decided immediately by the Panic of 1857 and the failure of the Ohio and Mississippi

Railroad, although those events were a blow to the city's position in the West. Other factors also contributed to its slow decline. As a commercial entrepot, St. Louis saw its prospects further degraded throughout the 1850s, as many of the Eastern merchants and their investment capital shifted their operations to Chicago in response to violence in Kansas over slavery.<sup>2</sup>

St. Louis merchants did not accept their fate with complacency. The railroads emanating from the city, including the Ohio and Mississippi, were an attempt by the city's commercial and political leadership to put the river city ahead of its northern rival on Lake Michigan. However, they could not completely cut themselves off from their past and some people remained committed to the river trade. Others, such as Henry Bacon, saw railroads as part of a national transportation network of rails and rivers, with their city at the center. If they were unable to see the future, then like their competitors in Chicago, they had no crystal ball to see what lay before them. They were forced by the logic of the marketplace to make decisions, create organizations, find funding for their railroads, and in fact, do everything while running at full speed. The market economy did not, and does not slow down or stop for anyone, and by the late 1850s it moved faster than ever before.

The Civil War further degraded the position of St. Louis in the commercial hierarchy of the West. The Union blockade of New Orleans and the dangers of wartime navigation on the Mississippi River limited St. Louis business. At first the merchants in the Chamber of Commerce tried to avoid taking a position on the war. The market economy, however, was not separate from the society which it supported and neutrality

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<sup>2</sup> Jeffrey Adler, *Yankee Merchants and the Making of the Urban West: The Rise and Fall of Antebellum St. Louis*, (New York: Cambridge Univ. Press, 1991), p. 145-46.

proved impossible. In 1862 the Chamber split into two separate groups, and the smaller Unionist faction took over the organization, and with the help of Union military authorities, took possession of the Merchants Exchange.<sup>3</sup> The Unionists locked out the neutrals and forced them to take a loyalty oath before they were allowed to conduct business or rejoin the organization, by then named the Union Merchants Exchange, which it remained until 1875. By that time railroads were the dominant transportation system and the merchants and bankers of Chicago were permanently ahead of their former rivals in St. Louis.<sup>4</sup>

Merchants were uncertain about the market economy, but only in the sense that they had a different vision of what it took to maintain its operation. Through the use of organizations, and adaptation to their political environment, St. Louis merchants managed to make the local market more orderly, but they could not stop the process of creative destruction which eventually brought a new order to the marketplace.

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<sup>3</sup> St. Louis *Missouri Republican*, “Chamber of Commerce Election,” Jan. 7, 1862, “Provost Marshall’s Order”, “Impromptu Meeting of the Loyal Merchants of St. Louis,” “A Stormy Election on ‘change”, Jan. 9, 1862, “Election Notice,” Jan. 11, 1862, “Permanent Organization of the Union Merchants’ Exchange of St. Louis,” Jan. 13, 1862, “The Union Exchange Oath,” Jan. 15, 1862.

<sup>4</sup> William Cronon, *Nature’s Metropolis: Chicago and the Great West*, (New York: W. W. Norton, 1991), p.295-309; Adler, *Yankee Merchants*, p. 145-174; Scharf, *History of St. Louis*, Vol. II, p. 1357, Vol. IV, p.2333.

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