

Antebellum Banking in the United  
States  
Urban vs. Rural Politics in  
Missouri: 1819-1860

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On February 11, 1818, a group of investors in the Bank of St. Louis, led by Thomas Hart Benton, gathered outside of the building which housed the bank. Upset at what this minority investor group considered to be a policy of wildcat paper speculation by the bank, the group entered the building and held an informal stockholder's meeting. The group passed a resolution demanding the keys of the bank. After the passage of the resolution Benton ordered everyone outside and padlocked the doors to the bank. Benton told the directors of the bank that the bank would remain closed until the directors agreed to follow a policy which would guarantee those who had invested in the bank that their money would be protected. By the end of February the two groups had reached an agreement and the bank reopened. However, the damage had been done. When the bank opened, people feared a loss on their investment and began demanding their money returned. Within a year, the Bank of St. Louis was forced to close.<sup>1</sup>

To replace the failed Bank of St. Louis, Auguste Chouteau and other fur-trade leaders in St. Louis organized the Bank of Missouri. The charter of the bank stated the company would follow strict lending procedures to guarantee against the bank having the same fate as the Bank of St. Louis. On May 1, 1820 the stockholders of the bank elected Benton to the Board of Directors of the corporation. At first, the bank had tremendous success. However, most of the success of the bank was the fact it was the Far Western depository for United States government funds. However, in 1821 the prosperity in Missouri stopped when the national financial panic of 1819 reached Missouri. Farmers found themselves without markets to sell to, merchants found themselves with an oversupply of goods, and stockholders of the Bank of Missouri found themselves with fewer government deposits to meet the demand of specie payments. This resulted in the

Bank of Missouri being forced to close its doors. One of the biggest losers in this bank failure was Thomas Hart Benton. When the bank closed, it still was liable for the government funds that had been placed into it and Benton's share of the debt owed to the United States government was over \$7,000.<sup>2</sup>

From the previous two episodes in the history of banking in the state of Missouri, it is easy to see that the first two attempts at banking were miserable failures.

Immediately following the failure of the Bank of Missouri, many Missourians, led by Benton, began to advocate a hard-money policy that would allow the state to remain on a sound financial base. Because of the new trade bringing gold from the Santa Fe area and the influx of gold from the United States military posts in Missouri, Benton found sufficient amounts of gold for the citizens of the state to survive on, especially in rural areas, which distrusted banks and the city of St. Louis. An item in the *St. Louis Enquirer* read:

“Banish paper and you introduce gold and silver.  
“Where gold and silver is the standard, the price of everything is reasonable, and a dollar stands for a dollar.”<sup>3</sup>

To Benton, the soundness of the Missouri economy rested in the people of the state's ability to cultivate the soil and working the lead mines. The very nature of these economic activities are conservative and did not need banks in order to survive. However, as the city of St. Louis grew in population, the needs of its citizens and commercial interests began to demand a currency without the restriction of gold and silver. This debate between rural Missouri and urban St. Louis dominated the early years of Missouri politics with the issue being the need for banks and paper currency.

After the failure of the two main attempts in Missouri of organized banking, many of Missouri's political and economic leaders were slow to attempt another venture into the banking industry. In addition the large majority of residents in Missouri were farmers. A survey of the population of Missouri in 1820 showed that the farming industry had 14,247 persons, the manufacturing industry had 1,052 persons and the commerce industry had 495 persons. Also, the new trade from Santa Fe brought an estimated \$3,000,000 of gold and silver into the state from 1823-1840.<sup>4</sup> However, this influx of gold and silver helped rural Missouri more than it did St. Louis. Because of the lack of a paper currency, commercial growth in St. Louis did not keep up pace with its western rivals. Between 1820 and 1828 the population of St. Louis increased by only 402 inhabitants—or 8.7 percent—although the cities of Cincinnati and Louisville grew nearly six times as fast during the same time period.<sup>5</sup> Despite the small growth of population in St. Louis, the amount of business brought in by the trade with Mexico in Santa Fe led the Bank of the United States to establish a branch bank in St. Louis. On the Board of Directors of the St. Louis branch were many prominent St. Louis businessmen including Thomas Biddle, a brother of Nicholas Biddle, the president of the parent bank.<sup>6</sup> The arrival of the bank in St. Louis coincided with the arrival of the steamship. With the bank issuing more \$300,000 in bank notes the commercial industry in St. Louis improved dramatically. The best measure of this growth was in the explosion of population in St. Louis. From 1828 to 1830 the population of St. Louis grew from approximately 5,000 to 6,000 residents—or 17 percent.<sup>7</sup>

Despite this economic growth in St. Louis, not everyone viewed this as progress. Fearing another financial crisis for his state because of paper money speculation and the

hurt it would cause the rural areas of Missouri, which was a substantial majority, Benton began his attack on the practices of the bank. Benton believed the issuing of currency by the St. Louis branch of the Bank of the United States was draining the gold and silver coins away from Missouri and into the Eastern commercial industries. To Benton, the Bank was compromised of eastern businessmen who had invested in the Bank and would look out only for their own business interests and not the interests of the West, which Benton wanted to be the new center of power for the United States. Benton believed that only the government, not private businessmen, should be in charge of the nation's money supply and in 1831 began his fight against the bank of the United States.<sup>8</sup>

News of Benton's fight against the Bank was not enthusiastically received in St. Louis. The threat to the commercial industries was obvious. However, the popularity of Benton among the working class and the farmers left the political situation in St. Louis muddled. The first battle of the Bank debate in Missouri took place in the summer of 1831 during the congressional elections. The mudslinging campaign for Missouri's only seat in the House of Representatives pitted pro-Bank former Senator David Barton against incumbent anti-Bank Spencer Pettis. The ferocity of the campaign resulted in Thomas Biddle's flogging of Pettis at the City Hotel of St. Louis. With strong support from rural Missouri, however, the August 2 election found Pettis, and Benton's anti-Bank policy, the decisive winner.<sup>9</sup> However, the hard feelings of the election led Pettis to challenge Biddle to a duel. Because of the ability of the challenger to set the length at which the duel was to be fought, Biddle chose the length of five-feet to offset his chronic myopia, therefore, guaranteeing both combatants death. The death of Pettis was a

setback for the anti-Bank camp and the subsequent election the following October of pro-Bank St. Louisan William H. Ashley served as a defeat for the anti-Bank forces.<sup>10</sup>

Despite the setback in the election Ashley to Congress, Benton found influence in the highest of all political places, the Presidency. Worried about the attacks on the Bank, Nicholas Biddle and Henry Clay decided, in early 1832, to press immediately for the renewal of the Bank's charter even though the charter did not expire until 1836.

Throughout the spring the issue on the Senate floor was the re-chartering of the Bank.

Despite the hard work of the anti-Bank forces led by Senator Benton, the pro-Bank forces had the majority in both the House and the Senate and the re-charter bill was sent to President Andrew Jackson on July 3.<sup>11</sup> On July 10, however, the pro-Bank forces received a devastating blow, President Jackson had vetoed the bill. In his stinging veto, Jackson wrote,

“It is to be regretted, that the rich and powerful too often bend the acts of government to their selfish purposes. Distinctions in society will always exist under every just government. Equality of talents, of education, or of wealth can not be produced by human institutions. In the full enjoyment of the gifts of Heaven and the fruits of superior industry, economy, and virtue, every man is equally entitled to the protection by law; but when the laws undertake to add to these natural and just advantages artificial distinction...to make the rich richer and the potent more powerful, the humble members of society—the farmers, mechanics, and laborers—who have neither the time nor the means of securing like favors to themselves, have a right to complain of the injustice of their government.”<sup>12</sup>

The pro-Bank advocates in Congress pressed hard for the overturning of the veto, but were unsuccessful. However, the issue became the main point of the Presidential Election of 1832. Henry Clay received the Whig nomination as a pro-Bank candidate and President Jackson seeking re-election as the anti-Bank candidate. In the election, the anti-Bank Jackson received an overwhelming Electoral College vote of 219 to Clay's 49. In Missouri, the anti-Bank camp under the direction of Benton found the President

receiving a two-to-one victory of 8,904 to Clay's 4,760. With the election, Benton firmly believed the electorate was behind his anti-Bank, hard money policy.<sup>13</sup> A closer look at the returns from the Presidential election shows that while most rural counties supported Jackson, the city of St. Louis and its immediate hinterland voted for Clay and the Bank of the United States, despite its support for Jackson in the 1828 election.<sup>14</sup>

Fearing retaliation from Biddle over the Bank issue, Jackson struck first in his second term. To make sure that Biddle would not ruin the United States government to prove that the country needed the Bank, Jackson ordered the government's money out of the Bank and into state banks—"pet banks" as his opponents referred to them. The branch of the Bank of the United States had served as the western depositor for the United States, and now that the Bank was gone and Missouri did not have a state bank, the Commercial Bank of Cincinnati seized the opportunity to increase its business. As Jackson was ordering the money out of the Bank, the Cincinnati bank contracted with the United States Treasury to open a branch in St. Louis to handle the government's banking business in the West. The bank was unusually successful. The city was in another growth stage and was seeing a large influx of specie from government officials stationed in the city and military expenditures. In 1836, the St. Louis office reported government deposits of almost two million dollars<sup>15</sup>

On a national level, Benton believed the Jackson policy of the state banks was only a temporary solution. Benton believed the state banks were no better than the Bank of the United States and would engage in speculation and the enriching of the aristocracy of the local areas at the expense of the farmer and the workingman. In June 1834, Jackson nominated anti-Bank Roger Taney for appointment as Secretary of the Treasury.

The pro-Bank forces under the leadership Henry Clay believed Taney would send the nation into economic chaos because of the uncontrollable speculation of the state banks and the only solution to this problem was the reestablishment of the Bank of the United States.<sup>16</sup> During the debate over the nomination of Taney, which was eventually rejected, Senator Benton launched into a two-day speech outlining his plan for the future of economics in the country. In his speech he argued the Constitution provided for only one type of currency, a hard specie system. He urged the state banks to avoid the urge of issuing paper currency against the government deposits and to make gold and silver “the common currency of the people.” Benton conceded in his speech for the need of some paper currency, but the notes must be over one hundred dollars and backed by solid specie. He believed under the small note system of the state banks, “if a bank stops payment, the holders of the small notes, who are usually the working part of the community, are the last to find it out, and the first to suffer.”<sup>17</sup>

Just as Benton had feared, the banks that received the government deposits began engaging in paper speculation against the deposits. In an effort to keep up with the speculation, banks increased the total amount of paper money in circulation from \$82 million on January 1, 1835 to \$120 million on December 1, 1836.<sup>18</sup> As this speculation increased, the Federal Treasury was being filled with these paper notes from western land sales. Fearing a government crisis when the speculation bubble burst, Benton introduced legislation in the Senate requiring all sales of federal land be paid for in hard specie.<sup>19</sup> In essence, the Benton legislation was attempting to act as a check against the speculation of the banks, which was the main role of the Second Bank of the United States. Despite the concern over the rapid expansion of paper currency, the measure failed to pass the

Senate. However, Benton had a willing listener in the President. Believing that Benton's idea of a sound currency based on gold and silver, President Jackson had Benton draw up his resolution as an executive order. In the summer of 1836, Jackson issued his famous order and immediately reduced the value of paper money throughout the country.<sup>20</sup>

In Missouri, however, the impact of the "specie circular" was minimal. In fact, it strengthened the position of the Commercial Bank of Cincinnati. As a depositor of western funds for the United States, the bank received the specie from the land sales in the West. Therefore, when other Banks around the country felt the need to tighten their credit policies, the bank in St. Louis was actually able to increase its loaning business.<sup>21</sup> However, the people in Missouri were growing increasingly agitated. It was no secret that the Cincinnati bank and other banks were flooding St. Louis and the state with paper money, while specie was leaving the state to the parent banks.

As a result, people began to ask why Missouri did not have a bank to circulate currency while keeping specie in the state. Among the earliest leaders of this new state bank idea were the St. Louis merchants who believed their interests would be better served by an in-state bank.<sup>22</sup> The Eighth General Assembly of Missouri (1834-1835) attempted to establish a state bank of issue. However, the pro-state bank advocates ran into opposition on two fronts. The first were those who would later become known as the Whig Party. These men were opposed not to the issue of paper money, but were opposed to the idea of state banks replacing the role of the Bank of the United States. The second opposition to the state bank came from the "hard money" men who opposed all paper money. This powerful faction was led by Governor Daniel Dunklin and U.S. Senator Thomas Hart Benton. Despite this opposition, the pro-state bank people attempted to

push a bill through the Assembly to establish a state bank. Through a series of compromised the final bill reached the Senate floor proposing a state-owned bank of deposit and exchange with no power to issue notes. The Senate narrowly passed the measure. However, the House was unable to reach a consensus on a state bank and rejected the Senate bill and the General Assembly adjourned without creating a bank.<sup>23</sup>

The debate over the creation of a new Bank of Missouri was between two groups, rural Missouri and urban St. Louis. As the city continued to grow throughout the 1830s, the need for paper currency to do business was far more efficient than a barter system or carrying large amounts of specie. While the Cincinnati agency supplied the city with a stable currency, many merchants believed the amount available was not enough to meet the needs of the city and turned to other banks to meet these needs, most notably the Bank of Illinois.<sup>24</sup> While urban St. Louis needed paper currency for efficient business, rural Missouri wanted specie. The farmers of the state feared paper currency because if they traded their crops for paper currency and the issuing bank failed to redeem it, the farmer lost everything. A trade of crops for gold or silver was a trade of real value.<sup>25</sup> However, as the specie of the state was leaving because of the lack of a bank, many rural leaders began to see the value of a strictly regulated bank. Adding to the popular bank movement in Missouri was the Distribution Act of Congress, which promised the states a share of the federal surpluses of 1834-1836. If Missouri was going to get federal money, then it needed a bank to protect the money.<sup>26</sup>

With this swing in popular opinion, the bank issue became the central point of the gubernatorial campaign of 1836. On May 20, 1836, Lilburn Boggs announced his candidacy and made the bank his number one point.

I am aware that objections numerous and weighty have been urged, but nothing better has been presented to my mind. Banking is un-republican, but so interwoven with our business that it can't be interrupted without great inconvenience. It is an impetus to trade. Missouri is the only state without a bank, so we are at the mercy of the money of other states. We get all the evils of a state bank and none of the benefits.<sup>27</sup>

The Whigs nominated William Ashley for the governor race. However, the Whigs could not agree on whether Missouri needed a state bank or the United States needed a national bank. Because of this split, Boggs won the election by 1200 votes out of 27,000. In addition to the governor race, every member of the assembly elected from St. Louis was for the creation of a state bank. Also, the rural districts elected enough pro-bank men to assure a majority in favor of the bank in the next General Assembly. All that was needed for the passage of a bank bill in the next session would be hammering out the details to please all of the pro-bank factions.<sup>28</sup>

In his message to the General Assembly on November 22, 1836, Governor Boggs set the tone for the banking question. He recommended the incorporation of a bank. He agreed that hard specie was the best currency and that it should make up the largest portion in circulation. However, Boggs believed that Missouri could not compete as a hard currency state without the help of the federal government in preventing "soft" money from entering the state. Since other states' banks issued paper currency in Missouri, over which Missouri had no control, the Governor asked the General Assembly:

Might we not then be better to guard this currency against depreciation, and to promote the important object, which seems to be the policy of the present administration of our federal government; of increasing the amount of specie and causing all the minor monied transactions of society to be performed with gold and silver, by the establishment of a sound, well restricted and specie paying State Bank?<sup>29</sup>

The debate between the hard and soft money, rural vs. urban, legislators over control of the proposed bank consumed the most of the next two months and on February

2, 1837 Governor Boggs signed the bill chartering the Bank of the State of Missouri. The charter reflected the desire of many people in the state, especially in rural areas, to have the state government always keep firm control over the bank and its activities. To manage this control, the charter created a board of directors for the bank. Six of the twelve directors and the president of the bank were to be appointed by the general assembly. In addition, every six months the bank was required to publish a detailed expense account. An audit of the bank was to be reported to the general assembly at the beginning of each session and either house could launch an investigation into the bank's affairs at any time. If any violations were found, the assembly was to begin the process of revocation of the charter. If the charter was revoked, or the bank suspended specie payments, the agents of the bank would be personally responsible for the payment of the debts.<sup>30</sup>

At the time of its chartering, the Bank of the State of Missouri had a capital of \$5,000,000. Half its capital stock was to be owned by the state, while the other half was to be raised by offering stock to the public. Purchasers could pay for their stock in specie or the currency of a specie-paying bank. The bank's charter allowed it to issue paper notes not smaller than ten dollars and, for its first five years could only issue paper money equal to that of its capital. After five years, the bank could increase double its paper currency in relation to its capital.<sup>31</sup>

The bank was a triumph for the rural legislators, while many businessmen in St. Louis received the news of the new bank with guarded optimism. The Whig controlled newspaper in St. Louis, the Missouri Republican objected to the restrictive nature of the charter. However, because of the great compromise in the legislature, the editor did not

wish to alienate the leaders who brokered the bank's charter and adopted a wait-and-see posture.<sup>32</sup>

On February 20, 1837, the bank offered its stock to the public. However, because of the cautious optimism in the St. Louis surrounding the bank, the results were mixed. When the bank opened for business in early May, its resources totaled only \$392,500. In July, the bank received a boost in its capital when it became a depository for the United States government funds. This boost allowed the bank to buy the debt of the Cincinnati bank and, therefore, became the only bank in the state. However, the easiest times for the bank were behind it. Just as it began doing business, the boom times of the 1830s came collapsing down. From a complex variety of causes, the financial panic of 1937 caused considerable problems not only for the bank, but also for the merchants of St. Louis and the farmers of rural Missouri.

On October 9 the banks of Philadelphia announced they were forced to suspend specie payments. As word of this crisis spread throughout the country, all of the banks of the South and the West suspended their specie payments except for the Bank of the State of Missouri.<sup>33</sup> Because of the specie coming into Missouri from the federal government and from the trade in Santa Fe, the initial panic did not, at first, affect the rural areas of the state. However, because of the lack of currency in St. Louis during the 1830s, the merchants of the city turned to other banks, mainly the Bank of Illinois, for their currency needs. When the Bank of Illinois announced it was suspending its specie payments, the value of its paper became suspect. However, because of the lack of paper currency from the Missouri bank, it was all the St. Louis merchants had to do business.<sup>34</sup>

Many rural politicians in the state, however, feared the notes from the non-specie paying state banks, would corrupt the Missouri banking system and send the state spiraling into the depression. Convinced the foreign bank notes hurt Missouri and its bank, the directors of the bank announced on November 12 that the bank would no longer accept the notes of non-specie paying banks.<sup>35</sup> This action angered the merchants in St. Louis. Since the Illinois currency was now worthless in Missouri, the merchants were forced to pay for their debts in specie, which, in addition to the deflationary effects of the “specie circular” depleted the amount of specie in circulation in the city. Since most of the merchants owed money to eastern banks and businesses, specie left the state and all forms of currency became scarce in St. Louis.<sup>36</sup>

St. Louis businessmen responded by withdrawing their deposits from the Bank of Missouri. However, because of this move by the businessmen, Missouri legislators feared the bank’s failure and ordered the bank to reduce its paper issues and was saved only from the government deposits. This deflationary move, worsened the depression in St. Louis<sup>37</sup>

Further worsening the depression in the city was the population explosion in the city. By 1840, the St. Louis population was 16,469, which had grown to 63,491 in 1845.<sup>38</sup> In addition the commerce of St. Louis was increasing rapidly. In 1840 imports into St. Louis registered an estimated trading value of \$15 million. By 1844, the annual trade was estimated at \$50 million.<sup>39</sup> The need for adequate currency was growing daily as conditions in the city worsened. The city had a large supply of goods for consumption, however, the currency shortage made business transactions difficult and products could not be bought easily in the places that needed them.<sup>40</sup>

However, the state bank was not willing to help curtail the problems in St. Louis. Rural antipathies to urban problems and outside influences heightened in response to St. Louis' problems. Because an estimated 85-90 percent of the state's population lived in rural areas, the state legislature was unwilling to open the supply of currency for the benefit of St. Louis. In addition, this same legislature controlled the board of the bank so that the bank could not act to ease the pressures facing urban St. Louis.<sup>41</sup> In 1841, the circulation of the state bank was only \$257,000, while the Missouri Republican estimated the need for paper money to conduct daily business in St. Louis alone required \$500,000.<sup>42</sup>

To respond to the need for paper currency in the city, some businesses began assuming the functions of the bank. As St. Louis businessmen withdrew their deposits from the state bank, they began to deposit them into state-chartered corporations. These corporations accepted the deposit of the foreign non-specie paying banks and circulated these notes throughout the city. By accepting the widely circulated note of the Bank of Illinois, these businesses revived the value of the currency. Many of these corporations' charters forbade them from engaging in this type of activity, however, the illegal banking business was extremely profitable. For example, the St. Louis Gas and Lighting Company was created for the purpose of lighting the city. However, in 1841 the company did not provide one single household with light and, because of its banking activities, declared a 12% dividend on its stock. Despite this attempt to remedy the currency problems in St. Louis, the corporations could not meet the demand for currency and St. Louis' economy remained depressed.<sup>43</sup>

This practice of St. Louis businessmen caught the ire of the rural interests of the state who had agreed to the state bank only because of the complete soundness of its currency. In addition, the practice of the St. Louis businessmen upset Senator Benton. In a speech on October 8, 1840 at Jefferson City warned against the practices of the commercial interests of St. Louis.

I repeat it—the currency question is the greatest question of the age, it absorbs and swallows up every other; the Democracy must purify and protect it; they must save labor, industry, and commerce from the depredations of depreciated paper; they must stop the banks from suspending when they please and resuming when they please; they must reduce the corporations as well as individuals of the subordination of the law; they must maintain the specie circulation; they must do all these things or surrender the government both state and federal. They will lose all power if they do not and what is more they will deserve to lose it.”<sup>44</sup>

The state of Missouri again began to split politically with the currency question. The Democrats, who found most of their support in the rural areas of the state, tended to support the “hard” money position. The Whigs found most of their support in urban St. Louis and, therefore, supported a “soft” money position. As the Eleventh General Assembly met, the main issue to debate was the currency problem. The rural majority passed a series of laws that struck at the corporations which had been engaging in banking activities. The assembly created a committee to investigate corporations and if they were found to be acting as money brokers or exchange dealers without a banking license, they were to subject to a fine of up to \$2,000.<sup>45</sup>

As this movement was underway in Jefferson City, a movement began in St. Louis to counteract these measures and force the Bank of the State of Missouri to accept non-specie paying bank notes. On March 12, 1841 these forces won a great victory when the directors of the bank announced that the paper of suspended banks would be accepted as deposit. However, the directors were careful to guard the reputation of the bank. They

had made the bank one of the safest in the nation and there were not going to allow cheap paper to ruin it. When the directors announced the suspended banks' paper, they also restricted the amount of its own paper in currency and even refused to redeem in St. Louis the notes issued by its own branches.<sup>46</sup>

By 1842 the national depression had arrived in rural Missouri. As markets struggled to pay for agricultural products prices plummeted. Farm mortgages went unpaid, land was sold for back taxes, and farmers began paying taxes with produce. Bankruptcy notices filled rural newspapers. According to the rural population, the St. Louis merchants brought this problem into Missouri. Rural leaders believed the state had been protected from the depression until the businesses of St. Louis subjected it to the evils of foreign currency.<sup>47</sup> As a result the rural majority in the General Assembly set out in 1842-43 to further stop the flow of foreign currency into the state. The assembly ordered the attorney general to institute proceeding against the St. Louis Gas and Light Company and other companies engaged in illegal banking. The legislators also enacted a fine of up to \$500 for officers and members of any corporation engaged in banking activities. In addition, the assembly ordered the state bank to dispose of depreciated currency by sending it out of the state.<sup>48</sup> As a result, the supply of currency in St. Louis plummeted and its commercial problems continued.

These political and financial storms did not destroy the economy of St. Louis. The river trade remained strong for the city and the influx of western settlers on their way to the frontier continued to deposit specie into the St. Louis economy. However, the potential growth of the city was hampered until two separate incidents helped the city overcome its struggles.

The first major break for urban St. Louis was the split of the “hard” Democrats over the slavery issue. During national debates over the Mexican War, “hard” leader Benton argued against the expansion of slavery into the western territories received from Mexico. While the impact of his statements had a significant national impact, the impact in Missouri was greater.<sup>49</sup> With the new slavery issue, rural Missouri split. The rural areas that had slaves found Senator Benton’s comments on slavery to be treasonous. However, those areas of the state, including St. Louis, without slavery began to rally around the senator’s comments. These two opposing groups fought over Benton’s election to the Senate in 1844. While the senator was re-elected, the “soft” money forces had splintered the “hard” democrats enough to gain in strength.<sup>50</sup>

The St. Louis leaders were able to seize their chance. While they were unable to get the state bank to abandon its conservative policies, the merchants were able to receive favorable legislation from the assembly. In 1847, the Boatmen’s Savings Institution was chartered. While the new bank could not issue paper money, it did provide the important services of deposit and loaning of money. Soon other banking entities were in service in St. Louis including the German Savings Institution, Mutual Savings Institution and the State Savings Institution. These banking houses helped supply the capital needed for commerce in St. Louis.<sup>51</sup>

The second important change in the St. Louis economy was the flow of capital into the state for the construction of railroads. The state government began to earnestly pursue the building of railroads in the state in the late 1840s and throughout the 1850s. By 1860, the state had pledged \$23,101,000 in state bonds to the construction of railroads. The debt of the state ranked fourth in the nation and was only second to

Virginia in borrowing from 1845-1860.<sup>52</sup> This non-conservative spending spree on the part of the state was a boom to the city of St. Louis. In 1849 more than 60,000 “strangers” passed through the city and almost a third remained to settle in the city.<sup>53</sup> Many of these newcomers to the city arrived to engage in commerce and the development of the railroad.<sup>54</sup>

As the state became more tied to commerce, the views of banking also began to soften. While the private banks chartered in the late 1840s provided adequate currency for the state, there were not meant to be a permanent solution to the banking problem and in 1857 the General Assembly attempted to meet the demands of the monied interests moving into the state and passed “An Act to regulate Banks and Banking Institutions, and to create the offices of Bank Commissioners.”<sup>55</sup>

The Act created ten parent banks and thirty branch banks with a total authorized capital of \$15,500,000. The banks could issue notes up to three times its capital, thereby creating an ample currency for the commercial interests of the state. However, the state did not divorce itself from the banking industry. If any of the banks suspended specie payments for ten days, the bank was to lose its charter. In addition, the state retained stock in each of the ten banks. Also, the banks were required to spend ten percent of its capital to buy state or railroad bonds when they were selling below par and could not be offered for sale below value. The banks were also required to place two-percent of their annual profits into a fund for the purchase of state bonds.<sup>56</sup>

The act required each of the banks to publish quarterly reports in the newspapers. Still distrustful of foreign influence in St. Louis, the rural dominated legislature required the St. Louis banks to publish an additional weekly statement of its on hand specie, bills,

and amount of circulation. The final aspect of the act created the Office of Bank Commissioners. The commissioner was to examine each bank before it opened and at least once every six months thereafter. The commissioner then reported to the governor the activities of each bank, who, in turn, submitted the information for review by the General Assembly. Sticking to a still distrustful attitude towards the banking community, if the Assembly found any inappropriate activities, it could forfeit the charter of the bank.<sup>57</sup>

Almost as soon as the new banking system went into effect, the Panic of 1857, which had forced banks in the East to suspend specie payments by the middle of September, had hit St. Louis. Runs on deposits in the private banks forced many of them to close. This brought most of the business to the newly chartered banks. However, by the end of October, the state bank and all but two of the newly chartered banks were forced to suspend. State officials, however, did not force the liquidation of the banks because of the further financial distress that would cause.<sup>58</sup>

On October 29, Governor Robert Stewart advised an adjourned session of the General Assembly against overreacting to the financial situation.

“We should not judge a system in a panic. Our banks have suspended; but they have not issued more paper than is ordinarily thought to be safe. They have yielded to a necessity which has not been brought about by any imprudence or mismanagement of their. If they were ever necessary for the facilitation of our commerce, they are so now; and this fact will be recognized as soon as the crisis is past. To destroy them, if it can be avoided—to say nothing of the individual injustice to result—cannot be a wise measure of public policy. In justice to the bill-holders, I suggest that, within the pale of the Constitution, such measures should be adopted as will ultimately secure them.”<sup>59</sup>

The General Assembly responded to the governor’s speech by relieving the suspension penalties until November 1, 1858. By early 1858, the situation in the nation and in St. Louis had improved enough for most the banks to resume specie payments.<sup>60</sup>

For the next two years, the banking situation in the state was relatively calm. A few minor disturbances between the rural areas and St. Louis arose, but were remedied. Just as things looked to be settling down for the state and its future economy, the election of Abraham Lincoln and South Carolina's threatened secession from the Union shook the financial markets of the country and on November 28, 1860 all of the banks in St. Louis were forced to suspend.<sup>61</sup>

During the Civil War most of the banks in the state continued to operate and were major financial contributors to the war effort. However, the National Banking Act hampered the banks ability to individually function. In 1865, the Congress passed a tax on all state bank notes. Also, in 1865 the General Assembly passed an act allowing the banks in the state to nationalize. The state's stock in the banks were sold to private investors and for the first time since 1837, the state of Missouri was not in the banking business, nor would it ever again attempt any banking enterprise.<sup>62</sup>

In conclusion, the banking problem of the state of Missouri prior to the Civil War shows a dramatic power struggle between urban development and rural conservatism. While the attempts to compromise brought forth a state bank that was sound, it hampered the growth of the city of St. Louis. Constant currency shortages hurt the city when its future rival, Chicago, was growing by leaps and bounds. According to some historians, the city of Chicago's growth was helped by a more liberal banking policy that afforded its commercial interests the ability to expand with adequate currency. Meanwhile a conservative rural majority towards banking hampered the city of St. Louis, at a critical point in the 1830s and 1840s.

However, Missouri's early attempts at banking during its territorial period, the conservative policy and distrust of banking institutions played a large role in developing this conservative psyche. A man who had lost over \$7,000 in the failed Bank of Missouri led the anti-banking forces. In 1820, this was more than a significant sum to lose. At a time when over 85 percent of the state lived in rural areas that had been hurt by banking failures, it is no surprise that they demanded a strict banking policy that would serve their interests.

Despite this conservative policy, the state was beginning to liberalize its banking regulations in favor of the merchants of St. Louis and became committed to the development of the railroad and commerce for the economic health of the state. At the time Missouri was headed in the direction of its rivals, the Panic of 1857 hit the state. Just when the recovery from this panic began and Missouri again began a road to industrialization, the nation tore apart into the Civil War, which also tore the state of Missouri into rival factions and continued the problems of urban St. Louis in its rivalry with rural Missouri.

## NOTES

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- <sup>1</sup> Chambers, William Nisbet, Old Bullion Benton: Senator from the New West, (Boston: Little, Brown and Company, 1956), 78-9.
- <sup>2</sup> *Ibid.*, 90, 105-6.
- <sup>3</sup> St. Louis Enquirer, February 16, 1820 in Chambers 118.
- <sup>4</sup> Crocket, John and Perry McCandless, The Missouri Story: A History of the State, (Davenport: Lindsay Industries, Ltd., 1988), 28, 47.
- <sup>5</sup> Adler, Jeffrey S., Yankee Merchants and the Making of the Urban West: The Rise and Fall of Antebellum St. Louis, (Cambridge: Cambridge University Press, 1991), 22-23.
- <sup>6</sup> March, David, The History of Missouri, vol. 1, (New York: Lewis Historical Publishing Company, 1967), 666.
- <sup>7</sup> *Ibid.*, 666-7 and Adler 25.
- <sup>8</sup> Schlesinger, Arthur M, The Age of Jackson, (Boston: Little, Brown and Company, 1953), 516.
- <sup>9</sup> March, 667.
- <sup>10</sup> Chambers, 177 and March, 668.
- <sup>11</sup> Chambers, 184.
- <sup>12</sup> Schlesinger, 90.
- <sup>13</sup> *Ibid.*, 94 and Chambers, 189.
- <sup>14</sup> Chambers, 189.
- <sup>15</sup> Cable, John Ray, The Bank of the State of Missouri (vol. CII of Studies in History, Economics, and Public Law), (New York: Columbia University Press, 1949), 95-97.
- <sup>16</sup> Chambers, 200-1.
- <sup>17</sup> Benton, Thomas Hart, "Speech Before the Senate on June 13, 1834," Register of Debates, 23 Congress, 1 Session, 1073-1105.
- <sup>18</sup> Woodbury, Levi, "Report from the Secretary of the Treasury," December 6, 1836, Register of Debates, 24 Congress 2 Session, Appendix 80.
- <sup>19</sup> Chambers, 210-211.
- <sup>20</sup> Schlesinger, 129-30.
- <sup>21</sup> March, 671.
- <sup>22</sup> Gleick, Harry S., "Banking in Early Missouri," Missouri Historical Review, Summer 1967, Part I, 442.
- <sup>23</sup> Primm, James Neal, Economic Policy in the Development of a Western State: Missouri, 1820-1860, (Cambridge: Harvard University Press, 1954), 20-1.
- <sup>24</sup> Adler, 30-31.
- <sup>25</sup> Chambers, 216.
- <sup>26</sup> March, 670 and Schlesinger 221.
- <sup>27</sup> The Argus (St. Louis, Missouri), May 20, 1836 in Cable 131-133.
- <sup>28</sup> March, 671.
- <sup>29</sup> Leopard, Buel and Floyd C. Shoemaker, The Messages and Proclamations of the Governors of the State of Missouri: Volume I, (Columbia: The State Historical Society of Missouri, 1922), 313-317 and Cable, 671-2.
- <sup>30</sup> Laws of the State of Missouri, 1836-1837, (Jefferson City, 1837), 11-21, and Primm 25-27.
- <sup>31</sup> Primm, 26-7.
- <sup>32</sup> March, 675.
- <sup>33</sup> McClure, Clarence, Opposition in Missouri to Thomas Hart Benton, (Warrensburg: Central Missouri State Teachers College, 1926), 15.
- <sup>34</sup> Adler, 32.
- <sup>35</sup> March 676-7.
- <sup>36</sup> *Ibid.*, and Adler 33.
- <sup>37</sup> Adler, 34.
- <sup>38</sup> United States Census Report, 1850, 52 Table XXXIV.
- <sup>39</sup> McClure, 14.
- <sup>40</sup> Adler, 34.
- <sup>41</sup> Gleick, Harry S., "Banking in Early Missouri," Missouri Historical Review, Fall 1967, Part II, 33.

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- <sup>42</sup> Adler, 34.
- <sup>43</sup> Primm 41-2 and McClure 17.
- <sup>44</sup> Benton's speech in McClure, 33-34.
- <sup>45</sup> Ibid., 19.
- <sup>46</sup> Cable, 133.
- <sup>47</sup> Dorsey, Dorothy B., "The Panic and Depression of 1837-1843 in Missouri," Missouri Historical Review, October 1935, 132-61.
- <sup>48</sup> Primm 47-8.
- <sup>49</sup> Harvey, Charles M., "Missouri from 1869 to 1861," Missouri Historical Review, Spring 1998, 119-134.
- <sup>50</sup> Chambers, 283-7.
- <sup>51</sup> Cable 229-36.
- <sup>52</sup> Primm 105.
- <sup>53</sup> Adler, 62.
- <sup>54</sup> Ibid.
- <sup>55</sup> March, 695.
- <sup>56</sup> Ibid. 696.
- <sup>57</sup> Ibid. 697.
- <sup>58</sup> Cable, 327-9, 259-60.
- <sup>59</sup> Messages and Proclamations: Volume III, 227.
- <sup>60</sup> March, 700.
- <sup>61</sup> Cable, 274-6.
- <sup>62</sup> March., 701.

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