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T H E S I S

EARLY HISTORY OF MONEY AND BANKING
IN MISSOURI.

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Submitted to the Department of Economics
in partial fulfillment
of the requirements for the degree of
MASTER OF ARTS
in the University of Missouri.

1906.

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EARLY HISTORY OF MONEY AND BANKING IN MISSOURI.

INTRODUCTION.

Since money is an instrument of commerce it follows that a history of money that did not take into account the extent and character of exchanges would be lacking in a most essential respect. In a highly developed state of society the industrial, commercial and financial activities of a people are so closely interwoven and so dependent upon one another that an appreciation of one necessarily requires an understanding of the nature and extent of the others. Moreover it follows that adequate information concerning the industrial and financial activities of a people cannot be secured without a study of their character and habits. It would be impossible to understand certain phenomena in the early history of Missouri if we were to leave out of account the fact that the inhabitants of the country were Frenchmen or the descendents of Frenchmen.

In the preparation of this paper, therefore, it has seemed best to direct attention to a number of things which, while seemingly foreign to our subject, are so closely related to it as to require consideration. Attention has been briefly called to the political history of the country; the habits and customs of the people have been set forth, and finally considerable space has been devoted to an exposition of their industrial life.

CHAPTER I.

COLONIAL PERIOD.

POLITICAL HISTORY. The political history of Missouri may be said to have begun on April 9, 1682, when Robert de La Salle took formal possession of the Mississippi valley in the name of the king of France. Prior to that date the territories within the limits of the present state had been visited a number of times by French explorers, but no permanent results were obtained until La Salle had acquainted the world of the extent and importance of the Mississippi river and the fertile valley through which it flows. Canada, from whence La Salle made his trip of exploration to the mouth of the Mississippi, had steadily grown in importance until it could boast of a population of over ten thousand. Its settlements extended from Newfoundland on the East, to the great lakes on the West.

As a result of the permanent location of the French in the North, the territories in the Mississippi valley were regarded at first as a part of Canada. The name applied to the region, however, was New France. The seat of government and the home of the governor-general were at Quebec. About 1710 the colonial authorities became con-

(1) Martin, History of Louisiana, p. 96 seq.

(2) The population in 1688 was 11,249. Ibid., p. 89.

(3) Ibid., p. 106.

3.

vinced that owing to the great distance of Louisiana from Quebec a separation of the province from Canada was necessary. Accordingly this was effected and de Muys was made governor-general of the new province. The settlements on the Upper Mississippi were included and from 1718, when Boisbriant, the king's lieutenant, arrived and took possession, they were regarded as a part of Louisiana. Kaskaskia was made the seat of government and three years later became the capital of the "District of Illinois", which embraced an indefinite stretch of country on either side of the Mississippi.

The territory on the east bank of the river was ceded to Great Britain by the treaty of Paris in 1763 and Upper Louisiana was from that time confined to the region bordering on its west bank. The name Illinois still clung to it, however, and as late as 1804 it was commonly spoken of as "the Western part of Illinois", and St. Louis, as "St. Louis of Illinois". The name "Upper Louisiana" did not come into general use until very shortly before the American occupation. When the news of the cession of Louisiana to Spain reached the scattered settlements in Mis-

(1) Martin, History of Louisiana, p. 111. See also Parkman, A Half Century of Conflict, p. 317 and Monette, The Valley of the Mississippi, vol. i, p. 209.

(2) Scharf, History of St. Louis, vol. i, p. 51 seq.

(3) Billon, Annals of St. Louis, vol. i, p. 179 seq.

(4) Ibid., vol. i, p. 307 seq.

4.

souri, consternation reigned. The inhabitants of St. Louis, which had grown to a considerable size on account of a great influx of Frenchmen, who had left their homes in Illinois to escape British rule, refused to recognize the Spanish officer; and, under the guidance and supervision of St. Ange de Belerville, governed themselves from 1766 to (1) (2) 1770, when the Spanish authorities were finally recognized. Upper Louisiana remained a part of the colonial possessions of Spain until 1804, when it was ceded to a representative of France, who immediately transferred the reins of gov- (3) ernment to a representative of the United States.

INDUSTRIAL AND MONETARY CONDITIONS IN CANADA. Since Missouri was, in early days, so closely connected with Canada, it will be necessary for us briefly to turn our attention to the history of industrial and monetary conditions in that province. As we have seen, the total population in 1688 amounted to a little over eleven thousand. This was very small considering the immense size of Canada and the fact that the settlements were scattered over it from (4) the Mississippi to Nova Scotia. The paucity of population was one of the chief factors in determining the occupation

(1) Billon, Annals of St. Louis, vol. i, p. 23 seq. also p. 94.

(2) Ibid., vol. i, p. 94, 350 seq.

(3) Ibid., vol. i, p. 350 seq.

(4) Thwaites, France in America, p. 42, 141.

5.

and industrial pursuits of the inhabitants. We are not surprised to find that very little manufacturing was carried (1) on, nor that the inhabitants failed to engage to any great extent in agricultural pursuits. The soil of Canada was slow to yield returns and the inhabitants themselves were averse to taking up this occupation. (2) Moreover the means of transportation were so crude that it would have been almost impossible to engage in the latter pursuit even had the soil and the inhabitants been suited to it. (3) The most important reason, however, for the failure of the Canadians to engage in agriculture was the fact that hunting, trapping, and trading with the Indians were far more profitable. It was to these enterprises that they turned their attention (4) almost exclusively.

Under such a system of industry there was little need for currency or any extensive system of credit, since most of the trading was with the Indians or at the company stores, where barter prevailed. Moreover all the exports were handled by great monopolies which seem never to have furnished the inhabitants with coin for their peltries and

(1) Thwaites, France in America, pp. 42, 138, 141.

(2) Ibid., pp. 19, 41.

(3) Ibid., pp. 15-9, 134-8. See also Parkman, The Old Regime in Canada, p. 303 seq.

(4) Parkman, The Old Regime in Canada, p. 296.

and other products. The slight need for a circulating medium was met by the use of peltries and other staple products. Sugar was at one time the standard of deferred (1) payments, and at another time wheat was a legal tender (2) for any amount up to three French bushels. But the most convenient method of perfecting exchanges was through the use of beaver and moose skins, which for many years (3) constituted a large portion of the circulating medium.

With the breaking up of the monopolies and the extension of avenues of trade, need for a better medium of exchange arose. An attempt was made to fill the need by the introduction of the coins of the Western Company, which at that time had an extensive trade in Canada. These coins had been struck in 1670 especially for the West Indian trade, but in 1672 their circulation was authorized (4) in Canada. They afforded little relief, however, as only a small number ever reached the colony. Those that did find their way thither were hoarded and shipped out almost as fast as they arrived. Indeed their introduction was a curse rather than a blessing, since the government adopted the policy of requiring that all obligations, regardless

(1) Martin, History of Louisiana, p.84.

(2) Parkman, The Old Regime in Canada, p.299.

(3) Ibid., p.299.

(4) Martin, History of Louisiana, p.66.

of contracts to the contrary, should be met in coin. The coins being of limited circulation, this measure created great inconvenience and distress. To relieve the distress and to enable the government to meet its obligations, the intendant resorted in 1685 to an emission of card money. The cards were common playing cards stamped with a fleur de lis and a crown and were signed by the governor, the intendant, and the clerk of the treasury at Quebec. For purposes of redemption it was provided that at a fixed time each year the cards were to be turned in at the colonial treasury and bills on the treasurer-general issued in return for them. Those that were unfit for further circulation were destroyed; the rest were again paid out of the treasury. The provision that they should be returned to the treasury at a specified time proved quite a hardship as many were unable to return their paper and thus lost the whole amount.

So long as the government promptly redeemed the paper it circulated readily, but when it grew lax in this respect depreciation began. This continued until the issue became nearly worthless, so nearly in fact that it was said of it that it was merely a "sign of a sign".

(1) Martin, History of Louisiana, p.66.

(2) Parkman, The Old Regime in Canada, p.300.

(3) Ibid., p.300.

The situation was further aggravated by new and repeated emissions. The precedent once set, made it easy for the intendant, whenever pressed for funds, to resort to a new issue of paper. This practice continued until by 1714 there were 2,000,000 livres of it in circulation. Confidence in it was shattered, and the people became so disgusted that the merchants and planters united in a petition to the king requesting that further emissions be prohibited and that the outstanding paper be redeemed at one-half its face value. To these propositions the king consented. There were one or two emissions later, but the amount was unimportant. The government was slow in redeeming the paper, however, and it was not until 1718, the same year that the Illinois country, including Missouri, was taken possession of by Louisiana, that it was finally redeemed. (1)

We have no evidence that any of the paper money of Canada ever circulated within the limits of the present state of Missouri. There were no fixed settlements here at that time, but voyageurs and coureurs des bois had plied the Mississippi and traded for several years

(1) Martin, History of Louisiana, pp. 81, 84, 115, 125.
See also Parkman, The Old Regime in Canada, p. 299 seq.

with the transients who worked its mines or hunted and
 (1)
 fished on its streams.

INDUSTRIAL AND MONETARY CONDITIONS IN LOUISIANA.

The Industrial progress of the province of Louisiana was exceedingly slow from the start. This was due in large measure to the lack of those things that made for stability in the English colonies on the Atlantic coast. The colonists themselves were a shiftless and unenterprising set. Many of them were convicts or vagabonds who had strayed thither from Canada or had been deported from France. Governor Cadillac in a fit of disgust over the condition of the colony, said in an official letter, "The inhabitants are no better than the country; they are the very scum and refuse of Canada, vagabonds, who are without subordination to the laws, without any respect for religion or for the government, graceless profligates, who are so steeped in vice that they prefer the Indian
 (2)
 females to French women". The colony suffered the ad-

(1) Martin, History of Louisiana, pp. 99, 113, 119. See also Parkman, A Half Century of Conflict, p. 317 and Scharf, History of St. Louis, vol. i, p. 51.

(2) Gayarre, History of Louisiana, vol. i, p. 126. The deportation of convicts to Louisiana was prohibited about 1720. Martin, History of Louisiana, p. 137.

ditional burden of having brought to its shores girls from the vilest quarters of Paris to become the wives of the settlers.⁽¹⁾

In the manner in which the French government succored and nourished the colony in its beginnings is to be found another element of weakness; for as long as this was done the incentive to provide for their wants was lacking among the inhabitants. Wild fruit, game, and provisions secured from the Indians sufficed in times of plenty but left the colony frequently on the verge of starvation.⁽²⁾ An overwhelming obstacle to the growth of the colony was the attitude taken by the governmental officials and the directors of the company toward agriculture. It was totally neglected and time and resources were wasted in scouring the country in search of mines and precious metals. Martin thus describes the conditions prevailing in 1701:⁽³⁾

"Although the French had been upwards of two years in Louisiana, they did not appear to have resorted to the culture of the earth for subsistence; they depended entirely on supplies from France or San Domingo. Fishing and hunting afforded the colony fresh meat, and the people carried on a small trade with the Indian tribes

(1) Martin, History of Louisiana, p. 139.

(2) Ibid., p. 140.

(3) Ibid., p. 103.

on the sea coast. The government instead of concentrating the population, seemed more intent on making new discoveries where other settlements might be made, and to seek in the bowels of the earth for metals and ochres".

This state of affairs seems to have prevailed throughout the early period or until, in 1712, when the government in disgust turned Louisiana over to Cruzat, who was granted an exclusive monopoly of the trade of practically all the territory on the Mississippi valley (1) below the Missouri river. But Cruzat was more intent on the discovery of mines than anything else and men were dispatched in every direction to look for them. Cadillac was sent to Illinois to search for silver, but failing to find any he explored the lead mines on the (2) Missouri side of the river. Trade with outside merchants was prohibited, and vessels from La Rochelle and Martinico were not allowed to enter on the ground that their admission would be an infringement of Cruzat's monopoly. Cruzat finally despaired of securing proper returns for his outlay and in 1717 surrendered his charter. His experience had shown that it was useless to expect any con-

(1) Martin, History of Louisiana, p. 113 seq.

(2) Ibid., p. 117.

siderable trade with the Spanish or any great returns from the mines. On agriculture and on agriculture alone depended the salvation of the colony.

Law's Mississippi Company, called also the India Company, which succeeded Cruzat in his monopoly, seems to have profited, momentarily at least, by his mistakes. The company tried to encourage agriculture in several ways. In the hope of inducing substantial settlers to come into permanent relations with the soil, it granted to individuals large tracts of land along the river front. The soil proving especially well adapted to the growth of tobacco, indigo, cotton and rice, the company encouraged the cultivation of these by the steady importation of slaves from Africa and the West Indies.

But the government was ever meddling in the affairs of the colony, much to its detriment. At one time, for example, the colonists were prohibited from cultivating the vine, hemp, flax and the like, because it was feared that it might work to the detriment of the people engaged in the same occupation in France. Meanwhile the company drifted into the old habit of wasting funds in

(1) Gayarre, History of Louisiana, vol. i, p. 240.

(2) Ibid., vol. i, p. 240. ALSO MARTIN, History of Louisiana, p. 130.

(3) Gayarre, History of Louisiana, vol. i, p. 262.

the search for mines, and year after year vast sums were thus squandered in vain efforts to locate mines in various parts of the province.

The expenses of the company during all these years were very great; and on Jan. 23, 1731, it proposed to surrender its charter and the proposition was accepted. The effect of this monopoly on Louisiana was not altogether bad. While it destroyed the incipient trade that the colony had before the peace of Utrecht and wasted much money in its search for mines it left the colony in a better condition than it found it.

With the breaking up of the monopolies a new situation presented itself. Outside merchants began to trade with Louisiana, and commerce began to thrive. The government favored this trade by removing the restrictions which had before that time kept traders out of the col-

(1) Martin, History of Louisiana, pp. 133, 137, 151, 152.

(2) Gayarre, History of Louisiana, vol. i, p. 452.

(3) Martin thus speaks of the company: "It cannot, however, be denied, that while Louisiana was a part of the dominions of France, it never prospered but during the fourteen years of the company's privilege. The white population was raised from seven hundred to upwards of five thousand and the black from twenty to two thousand". History of Louisiana, p. 169.

(4) Ibid., p. 179.

(1) ony. It also encouraged agriculture by providing for the improvement of the roads and the appointment of a commis-
 sioner whose duty it was to keep them in repair. By var-
 (2) ious means it attempted to divert the attention of the people from their "unconquerable predeliction for the
 (3) Indian trade". In 1744, for example, Vaudreuil, the governor-general, granted to Deruisseau the exclusive right of trading in all the country watered by the Missouri river. This he did for the express purpose of depriving the colonists in that region of all means of carrying on trade with the Indians and thus forcing them into the cultivat-
 (4) ion of the soil. The government went even further and encouraged certain branches of agriculture by buying the
 (5) annual yield of the colony.

As a result of all these measures the trade of the colony gradually increased until by the last year of the French occupation the annual exports amounted to a quarter of a million of dollars, distributed as follows: indigo,

(1) Martin, History of Louisiana, pp. 170, 182-3, 196-200.

(2) Ibid., p. 181.

(3) Stoddard, Sketches of Louisiana, p. 294-5. See also Martin, History of Louisiana, p. 151 and Gayarre, History of Louisiana, vol. i, p. 240.

(4) Gayarre, History of Louisiana, vol. ii, p. 23.

(5) Martin, History of Louisiana, pp. 183, 223.

\$100,000;rice,peas and beans,\$4,000;deer skins,\$80,000; lumber,\$50,000;naval stores,\$12,000;tallow,\$4,000. An interlope trade with the Spanish colonies took goods worth \$60,000.⁽¹⁾

At the outset of the Spanish administration,the authorities were disposed to exclude outside traders and commerce suffered greatly from the restrictions imposed.⁽²⁾ By a decree of Sept.6,1766 the trade of the colony was confined to six Spanish cities and had to be carried on in Spanish made vessels,owned and commanded by the king's subjects.⁽³⁾ Against this ruling the merchants entered vigorous protests,but to no avail. In 1768 the duties were removed,but the exportation of specie and produce was burdened with a duty of four per cent.⁽⁴⁾

In 1770 the governor ordered that French vessels should be allowed to bring from Martinique and San Domingo wine,flour,and other supplies,provided they carried back in return lumber and other productions of the colony. The merchants proceeded to charge exorbitant prices for their wares and refused to accept any-

(1) Martin,History of Louisiana,p.205.

(2) Ibid.,p.216.

(3) Ibid.,p.216. See also Gayarre,History of Louisiana,vol.iii,p.44 seq.

(4) Martin,History of Louisiana,p.216.

thing other than coin in payment. To meet this it was decreed that as soon as the ships arrived they should report to the governor, after which their goods should be appraised and if it was found that their prices were too high they were to be excluded from the trade of the country. The merchants were also required to receive the currency of the country in payment and to take one-third of their return cargo in lumber and other products of the colony. ⁽¹⁾ The effect of such a regulation upon a community that was already incensed over the transfer to its enemies, without its knowledge or consent, can easily be imagined. Two days after the promulgation of the decree the merchants in a body petitioned that the restrictions be removed. The governor refused this; but rather than press the matter in the face of a hostile population, he let it be known that the execution of the ordinance would be temporarily suspended. Meanwhile the inhabitants, becoming more and more incensed over their alleged grievances, were on the point of starting an open revolt. Indeed they went so far as to project a republic, one of the mainstays of which was to be

(1) Gayarre, History of Louisiana, vol. ii, p. 168 seq.

a bank modeled after the bank of either Amsterdam or
 (1)
 Venice.

Finally the Spanish government sent an Irish Catholic, O'Reilly, to suppress the insurrection; and the way in which he went about his task left no doubt in the minds of the inhabitants as to Spain's intention to retain permanent control of Louisiana. But the Spanish did not persist in their unwise course. In 1782 Spanish ships were permitted to sail from any town in France that had a Spanish consul and to return to France with peltries or the produce of the colony, but under no circumstances was specie to be exported. The privileges were renewed in 1793 and led to quite a revival of trade, a number of French merchants establishing themselves in New Orleans to engage in trade with the inhabitants.

About the same time quite an extensive trade sprang up with the United States, particularly with that part of it west of the Alleghany mountains. This was sanctioned at first from political motives, but after a bitter

(1) Gayarre, History of Louisiana, vol. ii, p. 281.

(2) Ibid., vol. ii, p. 288 seq.

(3) Martin, History of Louisiana, p. 236-7. See also Gayarre, History of Louisiana, vol. iii, p. 107.

(4) Martin, History of Louisiana, p. 244-5. See also Gayarre, History of Louisiana, vol. iii, p. 325.

(5) Martin, History of Louisiana, p. 248-9.

contention over the subject of the right of free navigation of the Mississippi and the right of deposit at New Orleans, Spain and the United States ratified a treaty (1) which guaranteed amicable relations and made possible quite an extensive commerce with the United States.

It would be unjust to the Spanish to charge that they stood in the way of the commercial progress of Louisiana. Indeed they did almost everything to arouse a spirit of industry among the inhabitants. They fondly looked forward to the time when the revenue of the province would equal the expenditures of government. They had learned that this depended upon agricultural progress so they exhausted every resource to stimulate it. In speaking of their efforts to promote the welfare of the colony Stoddard says: (2)

"They well knew that this depended upon agriculture, which is the foundation of foreign commerce; and as they had exhausted every resource within themselves to promote it without effect, they resolved about the year 1787 to encourage the industrious citizens of the United States to remove to this colony partly to increase the means of wealth and partly to serve as a defense against the threatened invasion of the European powers. This gave a spring to agriculture and commerce; a spirit of foreign intercourse was diffused among all classes of the people; exertions were made to prepare raw materials for the West Indies and other markets;

(1) Martin, History of Louisiana, p. 267.

(2) Stoddard, Sketches of Louisiana, p. 296.

and the exports from Louisiana annually increased till the close of the Spanish government, though they never rose to the value of the imports".

The exports during the year just preceding the cession to the United States amounted to \$2,160,000, while the imports amounted to \$2,500,000. The chief articles of export at the time were sugar, cotton, indigo, rice, furs and peltries, lumber, tar, pitch, cattle, horses, lead, flour, beef, and pork.

As we have just seen the imports of Louisiana exceeded the exports. As there were no mines and practically no precious metals, we are not surprised to find that the colony was constantly confronted with the problem of a circulating medium. From the earliest times there was to be found in the colony a small amount of specie, which was brought in by the settlers. A small amount was also secured in the course of trade with the Spanish at Pensacola, but this was a mere drop in the bucket as compared with the amount that was needed. The lack of proper quantities of specie proved a great hardship and seriously interfered with trade. As in Canada, a remedy was sought in the emission of paper money.

(1) Dumont, Memoirs, vol. 5, chap. 10. Hist. Col. of La.

(2) Martin, History of Louisiana, p. 113.

In the early days of the Mississippi Company goods were not paid for in money. Whenever one of the colonists desired anything he made out a list of the articles wanted. This he presented to the director, or directors, of the company, who after deducting what was thought to be proper, wrote an order on the store. The applicant appeared at the store, received the articles, and had their value deducted from the total he was entitled to receive from the company. In a word, the notes of the officers, clerks and employees of the company were then current in the community and fulfilled the mission of (1) money.

About 1722 the company issued notes which bore more nearly the stamp of money. Arrangements were later made for their conversion into cards, to which some fair promises and additional privileges were added to give them the desired value. As in Canada, it was provided that this should be done on a specified date, and as a remarkably short amount of time was given in which they could be turned in many were refused. In this way the company succeeded in liquidating a large portion of its debt. (2)

(1) Dumont, Memoirs, vol. 5, chap. 10. Hist. Col. of La.

(2) Gayarre, History of Louisiana, vol. i, p. 282-3.

For some time the cards were received readily by the colonists at their face value and they were believed to be as good as the notes of France itself. But this did not last long. When once the notes had started to depreciate they became practically worthless in a short time, only to be succeeded by new issues which suffered the same fate. Moreover, as if to add to the embarrassment which such a state of affairs produced, the company altered by repeated edicts the value of the Spanish pistoles and dollars which constituted the chief metallic currency of the country. By an edict of Jan. 12, 1724, it was ordered that the dollar, which had previously passed at four, should pass at seven and a half livres. This rate was gradually reduced, until, within a period of ten months, the colonists witnessed the remarkable spectacle of the government raising the value of its money eighty seven and one half per cent and then reducing it to its original value. (1)

A short time afterward a copper coinage was struck at Rochelle for the use of the colony. On one side of the coin was a two L saltier and on the other the legend "Colonie Francoise". It was made a legal tender, and in

(1) Martin, History of Louisiana, p. 153. See also Gayarre, History of Louisiana, vol. i, p. 364-5.

addition it was ordered by the council that holders of promissory notes and letters of credit should accept it on penalty of being prosecuted for speculation and extortion and obliged to pay a fine of three hundred livres. The use of the Spanish dollar was at the same time prohibited. Thus with one stroke of the pen the colonists were unjustly deprived of a medium that had rendered them most valuable service up to this time. Nor was the company content with a mere issue of notes for money purposes; it also issued in payment of its debts a considerable quantity of bonds-billets de caisse-- which in a short time became a part of the currency of the colony.

With the surrender of the charter of the India Company its paper fell into disfavor and was suddenly withdrawn from circulation by the government, which had assumed the obligations of the company. This act created quite a vacuum in the circulation of the colony. Although considerable sums of money had been sent over during the existence of the company, this had afforded little relief to the colonists since the merchants hoarded it for

(1) Dumont, Memoirs, vol. 5, chap. 10. Hist. Col. of La.

(2) Gayarre, History of Louisiana, vol. i, p. 453.

(1)
exportation. The withdrawal of the paper of the company left the colony in a very bad condition. To relieve the distress thus occasioned and to enable the government better to meet its obligations, which had now become very
(2)
burdensome, it was proposed to resort to an issue of paper. Both Bienville and Salmon, the highest officials in the colony, objected to the emission, but not venturing to oppose it directly, they recommended that no action be taken for two years. In support of their position they urged that there existed in the colony a great aversion to such money, since every issue that had appeared had suffered the same depreciation and had caused the colonists the same inconveniences. Moreover, they argued, it would drive away the precious metals and again make possible a repetition of the stock jobbing operations that had disgraced the colony already. Still another objection urged against the emission was the fact the exist-

(1) Martin, History of Louisiana, pp. 169, 173.

(2) In 1734 the expenses of the colony amounted to 898,245 livres and they had been growing greater each year for some time. Gayarre, History of Louisiana, vol. i, p. 468.

ence of a large amount of paper money would tend to
 (1)
 make the people spendthrifts.

But the king, contrary to the advice of his officers, but, as it would seem, upon the solicitation of some of the colonists themselves, ordered on Sept. 19, 1735 that the paper money of the company should be replaced by pasteboard notes--billets de cartes. The amount first issued was two hundred thousand livres, about \$40,000. The cards were of the denominations of twenty, fifteen, ten, and five livres and of fifty, twenty-five, twelve and a half, and six and a quarter sous, thus corresponding to the four, three, two and one dollar bills and the one half, one quarter and one eighth of a dollar bills issued in the British colonies. They bore the king's arms and were signed by the comptroller of the marine at New Orleans. Those of fifty sous and more were also signed by the governor and ordonnateur. The cards were declared receivable at the king's warehouses and were made a tender

(1) "We have seen", said Bienville, "that one who has paper in his pocket, will spend it more easily than hard coin, and that when such is the currency of the country he consumes all he earns without any thought of tomorrow." Gayarre, History of Louisiana, vol. i, p. 467.

in all payments whatsoever.

It was hoped for **this paper** that, since it offered much better security, it would not suffer the same depreciation as the paper of the company. By 1744, however, it had depreciated to such an extent that it was necessary to give three hundred livres in paper for what might have been had for one hundred livres in coin. The government was now thoroughly disgusted with the financial situation and sought for a way to bring an end to the disorders.

The means adopted were such as to cause still greater disorders instead of alleviating any that had arisen; for, by an order of the council, dated Apr. 27, 1744, the notes were all called in and redeemed, not at their face value, but on a basis of one for two and a half. Moreover the payments were not in specie, but in drafts on the treasury of France. These suffered an additional discount.

All those notes that were not turned in for redemption within two months were declared null and void. In support of this high-handed injustice the government held that since the notes had been given to meet expenses and claims which had been raised in proportion to the actual

(1) Martin, History of Louisiana, p.173.

or expected depreciation of the currency in which they were paid, it was under no obligation to redeem them at par; and the helpless colonists "found out, too late, that the King's paper, although it went by a more lofty name, was as much of a worthless rag as the Company's
 (1)
paper.

In 1747 there arose another demand for an emission of paper. This Lenormant, the intendant commissary, vehemently opposed. His opinions on the subject have been preserved. The following paragraphs are taken
 (2)
 from his official statement:

"With regard to the question, whether it would be proper to venture on another emission of paper money, I think that it would be attended with considerable difficulties, inasmuch as the quantity of paper to be emitted cannot be known in advance, no more than the expenses of the colony, to which it is to be proportioned.

"Everything is to be feared from the avidity of the inhabitants of the colony, and from the disposition to stock jobbing. Their industry, of which a better use might be made, has, at all times, taken this bad direction; for, although jobbing on the paper currency of the colony on dollars and bills of exchange, began only in 1737, jobbing on the merchandise in the king's warehouses, and on everything which was susceptible of it, has always been a favorite occupation in the colony. It may be said that it is the only pursuit to which the inhabitants have steadily adhered, much to the prejudice of the nobler one of improving the lands, and in utter disregard of other resources, which, if attended to, would put

(1) Gayarre, History of Louisiana, vol. ii, p. 22.

(2) Ibid., vol. ii, p. 36-7.

the colony in a flourishing condition.

"I admit that another emission of paper money will afford relief to the treasury of the marine department at home; but a relief which would only be temporary, and would not exceed the duration of one year, would not counterbalance the risks which are inseparable from the introduction and existence of this kind of currency in the country".

But Lenormant's successor did not share with him this view of the matter and upon his own authority he caused to be issued notes which were to be given in payment of all the king's expenses and debts and to be exchanged for all other paper and obligations so that they would speedily become a part of the currency of the colony. The French government disapproved the measure, however, censured him for his conduct and ordered the notes replaced by drafts
(1)
on the treasurer general of France.

But there was at all times a vast quantity of paper in circulation. The card money drove out the gold and silver. The subsequent depreciation of the former led the commissary prdonnateur to have recourse to an issue of ordonances--a kind of bill of credit. This was not made a legal tender, but owing to the scarcity of the metallic currency it soon became a part of the medium of exchange. These were followed by treasury notes. Since these notes were receivable in the discharge of all claims on the

(1) Gayarre, History of Louisiana, vol. ii, pp. 51, 52.

(1)
treasury they soon got into circulation.

In all there were afloat at the time of the cession of Louisiana to Spain paper notes and bills to the amount of about \$7,000,000, all of which were greatly depreciated, having only such value as public confidence assigned to them. The ordinary rate of discount which the government recognized was seventy-five per cent. (2)
There was at that time a total population in the colony of 13,500, so that the amount of money in circulation amounted to about \$525 per man, woman and child, an amount far in excess of what was needed for legitimate commercial purposes.

Since the government of France was back of all the seven millions of paper in circulation, it is not at all surprising that the news of the cession of Louisiana to Spain caused consternation. No sooner had Uolla, the Spanish governor, arrived than he was confronted by the retiring French governor, who laid before him the apprehensions of the people. Uolla graciously received him, heard their story and as a result ordered that the paper should be received by the Spanish as well as the French at a discount of seventy-five per cent - the rate

(1) Martin, History of Louisiana, p.180.

(2) Gayarre, History of Louisiana, vol.ii, p.104.

then recognized by the French government. The colonists were not satisfied with this and demanded that it should be taken at par. They held out the flimsy plea that the king of France would do as much. The whole history of the colony gave the most emphatic contradiction to such assertions and warranted the action of the governor in refusing to accede to such a proposition. (1) The matter was allowed to drag along until 1768, when the king's council ordered that all bills emitted by the colonial government should be reduced to three-fifths of their nominal value and redeemed in certificates bearing five per cent interest. This is said to have been the last act of France concerning Louisiana (2) during the first period of her domination.

During the period of Spanish domination the paper money craze was not nearly so pronounced. In the early days of the Spanish regime there were some slight emissions and at all times the debts of the government for the cost of supplies furnished the troops and for salaries of officers and workmen were paid with certificates called liberanzas. In 1804 \$450,000 of these were in circu-

(1) Gayarre, History of Louisiana, vol. ii, p. 160.

(2) Martin, History of Louisiana, p. 203.

lation in the colony. They were then received at from twenty-five to fifty per cent discount. In 1802 a large number of those outstanding had been withdrawn, and in their stead were issued bills on the treasury of the army and marine at Havana. The conversion was not dollar for dollar, but one-half the amount paid for the new bills was paid in the old bills and the other half in coin. (1)

But during the Spanish period the exports increased rapidly. This fact, coupled with the additional fact that some \$160,000 in specie was annually brought to the colony to defray the expenses of government, did not afford the occasion that had existed during the French period for emissions of paper. (2) But at no time was the amount of specie in the colony adequate to the need for it; and we find the Spanish constantly endeavoring to prevent its exportation, first by placing a duty on it and finally by prohibiting its exportation altogether. (3)

Taken as a whole the industrial and monetary history of Louisiana up to the time when it was ceded to the United States was one full of discouragements and

(1) Martin, History of Louisiana, p. 303.

(2) Ibid., p. 216.

(3) See ante, pp. 15 and 17.

difficulties. The blind policy pursued by the government with regard both to its trade and circulating medium was highly disastrous and instead of assisting the colony in its development greatly hampered and retarded it.

INDUSTRIAL AND MONETARY CONDITIONS IN THE ILLINOIS COUNTRY. From the time when La Salle first visited its waters the Mississippi was the home of a floating population of hunters and coureurs des bois, who frequented its banks in search of game and adventure. (1) They made no pretension at establishing fixed settlements, but were content to live with the Indians and to drift back occasionally to the settlements to renew their supply of munitions. After a time, however, missions were established about which Indians and a few Canadians congregated and established trading posts. In a short time these (2) missions grew into regular parishes. By 1712 small towns had grown up near many of them. "Already", says Monette, "the traders had opened a commerce in skins and furs with the remote port of Isle Dauphine in Mobile Bay. Intercourse was opened with Quebec on the North and the

(1) Scharf, History of St. Louis, vol. i, p. 49.

(2) Monette, The Valley of the Mississippi, vol. i, p. 158.

(1)
 infant colony of Louisiana on the South."

Slowly the population and importance of the colony increased. After Cruzat received his monopoly, trading posts were established in the new country, and by the time of the founding of New Orleans it had ^{grown} into a neighborhood of great importance in the agricultural and commercial development of New France. (2) Cadillac was sent thither by Cruzat in search of silver; but being unsuccessful in his efforts he visited the lead mines on the western side of the river, which from this time were worked more or less regularly, but without profitable results. (3) But even before this time the French had turned their attention to the Missouri, and as early as 1704 or 1705 an expedition had traversed the waters of the Missouri as far as Kansas. (4) A few years later traders made long journeys among the Pawnees, Osages and Arappahos. (5)

Under the India Company, Francis Renault, who bore the imposing title of director general of the mines of Louisiana was sent to Illinois with two hundred miners and

- (1) Monette, The Valley of the Mississippi, vol. i, p. 160.
 (2) Thwaites, France in America, p. 85.
 (3) Ibid., p. 81. See also Spears and Clark, The Mississippi Valley, p. 68.
 (4) Thwaites, France in America, p. 83. See also Stoddard, Sketches of Louisiana, p. 128.
 (5) Thwaites, France in America, p. 83.

next

artificers. Precious metals were still supposed to be abundant there, but the hopes of the company were not realized. Iron, lead and copper were found it is true, but not in sufficient quantities to prove profitable; and the men sent to Illinois were obliged to turn their attention to other industrial pursuits. (1) By the year 1720 the trade with Louisiana had grown quite lucrative. The exports of the region included not only furs and peltries, but also grain, flour and other agricultural products. For unlike the people of Lower Louisiana, the inhabitants of Illinois engaged in agriculture quite extensively, the soil yielding abundant crops.

About this time an attempt was made at a settlement in Missouri by the erection of Ft. Orleans on the Missouri. The exact location of the spot where the fort stood is still a disputed point, but it is supposed to have been somewhere within the limits of the present county of Carroll. The Spanish grew jealous of the French because of their encroachments on the territory of the Indians, with whom they themselves had been trading for a long time. Accordingly they sent an expedition to destroy the fort. The expedition fell in with a band

(1) Monette, The Valley of the Mississippi, vol. i, p. 161.

of Missouri, to whom the secret design was confided. The Missouri, being friends of the French, fell upon the Spanish at the first opportunity and destroyed the whole party. A few years later the fort fell before the assaults of the Indians, and the garrison was massacred. This was probably the first attempt at anything like a permanent settlement in Missouri during the first quarter of the eighteenth century.

It must not be thought for a moment, however, that Missouri was not visited during this period; for we find that incursions were constantly being made by adventurers in search of mines. Renaud, one of the directors of the Mississippi Company, came to Missouri at a very early date on such a mission. He secured six large grants of land along the banks of the Mississippi, the Missouri, the Illinois and the Maramec. These extended three miles along the rivers on either side and sixteen miles interiorward.

A few years after the Mississippi Company came into the enjoyment of its monopoly, Louisiana was divided into nine districts for purposes of government. Illinois was made one of these, and Boisbriant was sent up the river

(1) Davis and Durrie, History of Missouri, p.10 seq.

(2) Martin, History of Louisiana, p.152.

(3) Ibid., p.273.

to take charge of affairs. Kaskaskia had already been made the capital of the region. Now a fort was erected at a point on the Mississippi some miles below Kaskaskia and was called Ft. Chartres. (1)

Population increased rapidly at this time. In 1730 there were one hundred and forty French families in the district, to say nothing of the coureurs and voyageurs who made this their headquarters. (2) A census for 1744 showed 520 whites and 620 slaves in the whole of Missouri, Illinois and Arkansas. (3)

The inhabitants, as we have noted, turned their attention to a large extent to agriculture, and it seems to have been more and more extensively engaged in each year as the colony grew older. In the year 1746 it is said that 800,000 weight of flour was manufactured in the district and sent to New Orleans, where there was a famine. (4) Hides, tallow and beeswax were also exported in large quantities. (5) But this favorable condition of affairs did not

- (1) Martin, History of Louisiana, p.137. See also Monette, The Valley of the Mississippi, vol.i, p.163.
 (2) Monette, The Valley of the Mississippi, vol.i, p.166.
 (3) Gayarre, History of Louisiana, vol.ii, p.28.
 (4) Thwaites, France in America, p.85.
 (5) Monette, The Valley of the Mississippi, vol.i, p.166.

last long. "The easy going habitants --farmers, hunters, traders by turn, with a strong admixture of Indian blood-- soon forgot the feverish and unwonted energy of artificial stimulus. The villages of the mid-country assumed their natural status of sleepy little fur-trade and mission stations, and thus they remained until the (1) downfall of New France."

Meanwhile attention was being turned to Missouri. Temporary settlements had again and again been established here by miners, but most of those who worked in the Missouri mines either lived in Illinois or were transients. In the course of time Ste. Genevieve, just across from the leading settlements in Illinois, was established. The date of the settlement is in dispute, but it must have (2) been sometime between the years 1735 and 1742. The next settlement, if such it could be called, was that of New Madrid. This place was simply a trader's resort; and in this respect it excelled, being especially noted for the (3) large number of bears killed there. St. Charles and New Bourbon were then established in the order named. The next settlement was St. Louis, about which almost all of the

(1) Quotation from Thwaites, France in America, p. 87.

(2) Ibid., p. 284.

(3) Scharf, History of St. Louis, vol. i, p. 63.

early history of Missouri centers. The existence of the place dates from Feb.15,1764,when an expedition from New Orleans arrived and the erection of buildings was commenced. This expedition had been sent out by the firm of Maxent,Laclede and Company,which had secured a charter from Governor Laclerc,of Louisiana,granting exclusive control of the trade with the Missouris and other tribes of Indians as far north as the river St.Peter.⁽¹⁾ The establishment of St.Louis took place at a most opportune moment;for it had hardly assumed the characteristics of a town when the news of the cession of the Illinois bank of the Mississippi to Great Britain reached the district. The effect was electrical. The inhabitants,who had grown to hate the English,immediately gathered together a few of their belongings and either mover to Lower Louisiana or took up their abode on the west bank of the river. In this way the population of St.Louis was materially increased. The Indians,who had always had the kindest feelings for the French,now transfered their trade to the new post,which because of these two circumstances became in the first few years of its existence the most important

(1)The early name for the Missouri river. Cf. Scharf,History of St.Louis,vol.i,p.63.

(1)
 one in Missouri. Owing to its favorable location--at the confluence of two great waterways--St.Louis soon became a veritable Mecca for enterprising and energetic cour-
 eurs and voyageurs. Indeed nearly all its inhabitants
 (2)
 were either hunters or boatmen.

The population of Missouri increased in rapid strides after the cession of Louisiana to Spain. From having 200 inhabitants in 1744, it had grown until it
 (3)
 could claim a population of 6,028 in 1799. St.Louis from 1764 to 1799 had increased from a town of 120 inhabitants
 (4)
 to one of 925. At first the bulk of the population was French, the immigrants coming almost exclusively from Canada or Lower Louisiana. This was true even under the Spanish regime. For some reason or other very few Spanish
 (5)
 settlers ever came to the region.

The Anglo-American invasion which set in about 1780 materially changed the character of things. This movement was due to a number of causes, the chief of which was a change in the policy of the Spanish government in regard to outsiders.

(1) Scharf, History of St.Louis, vol.i, p.70.

(2) Ibid., vol.i, p.287.

(3) Gayarre, History of Louisiana, vol.ii, p.28.

(4) Martin, History of Louisiana, p.285.

(5) Billon, Annals of St.Louis, vol.i, p.77.

In the preceding years the government had looked unfavorably upon such immigration and had imposed upon immigrants such duties as practically to exclude them. Now the authorities winked at the violation of the law and even invited the Americans to take up their abode in (1) Missouri. The passage of the Ordinance of 1787 drove many slave holders out of Illinois into Missouri and diverted the stream of immigrants from the southern states (2) away from the North-west Territory and to Missouri. Many came no doubt on account of their disgust over the manner in which the United States government had treated them when they were fighting for the right to trade on the Mississippi. Many, like Daniel Boone, becoming disgusted with what they called the shams of society and the domineering influence of money and aristocracy, plunged into (3) the forest to escape them.

But whatever may have been their reasons for coming, we know that by the time of the American occupation three-fifths of the total population, which a quarter of a century before had been almost exclusively French, was Anglo- (4) American. Another thing to be noted in this connection

(1) Scharf, History of St. Louis, vol. i, p. 299.

(2) Stoddard, Sketches of Louisiana, p. 225.

(3) Bryan and Rose, Pioneer Families in Missouri, p. 40, 66.

(4) Stoddard, Sketches of Louisiana, p. 225.

is the fact that the French as a rule remained in the compact villages and towns, while the Americans took up land and engaged in agriculture. The French on the other hand spent their time in the fur and lead trade.

St. Louis was distinctively French almost down to the period of statehood and so little attention was paid by its citizens to agriculture that it had for many years to depend for its supply of flour upon its neighbors. As a result it was derisively called "Pain Court", a name that clung to it for a long time. But what the town lacked in this respect it made up in others. It soon monopolized the fur trade of the whole region. In speaking of the extent of the trade in Missouri, or Upper Louisiana, at this time Stoddard says:

"The French and Spaniards extended the Indian trade a considerable distance up the Arkansas; along the whole extent of the St. Francis and White rivers; at least to the villages and hunting camps of the natives of those quarters; up the Mississippi about nine hundred miles, as also most of its branches where Indians were to be found.... A considerable trade was also carried on among the Indians to the eastward of the Mississippi, particularly with the Kickapoos near the head waters of the Kaskaskia river, and with the Pioras and other Indians on and in the neighborhood of the Illinois river. The trade from the Missouri was much more valuable than that of any other river, and perhaps of the whole of them united, owing to the great length

(1) Scharf, History of St. Louis, vol. i, p. 308.

(2) Ibid., vol. i, p. 287.

(3) Stoddard, Sketches of Louisiana, p. 301.

of it, to the vast number of Indians on its waters and to the excellent furs and skins obtained in those regions. The average value of the goods annually sent up the Missouri alone, during the fifteen years already mentioned was sixty one thousand two hundred and fifty dollars. These were exchanged for furs and skins, which on an average yielded an annual profit of sixteen thousand seven hundred and twenty one dollars exclusive of all expenses, or about twenty seven per centum; and by the same rule the whole Indian trade in Upper Louisiana amounted to upwards of fifty five thousand dollars; a sum of considerable magnitude when compared with the scant population in that country".

Concerning the trade of Upper Louisiana with outside points the same author says:

"It is impossible to ascertain the value of the trade of Upper Louisiana; part of it was connected with New Orleans, part with Canada, and no inconsiderable part with the United States. This quarter alone furnished lead for the market and also considerable quantities of salt, beef and pork, furs and peltries. The quantity and value of the best articles may be estimated with some degree of accuracy; but of the others only conjectures can be formed. The traders procured most of their Indian goods in Canada; the other goods consumed by the inhabitants were mostly purchased in Philadelphia and Baltimore, and the groceries and other heavy articles in New Orleans; iron, steel, nails and castings were floated down the Ohio and its waters. The furs and peltries were mostly exported to Canada. Considerable quantities of salt and lead found their way up the Ohio, part of the latter article, all the surplus beef and pork and some other articles were sent to the New Orleans market.

"The furs and peltries are susceptible of more accurate calculations. Accounts of these for fifteen successive years, ending in 1804, were kept by a gentleman of the first repute in Upper Louisiana (1); and

(1) Probably Auguste Chouteau.

their annual average quantity and value stands thus:

Castors-----	36,900 pounds	valued at	\$66,820
Otters-----	8,000 "	" "	37,100
Bear Skins---	5,100 "	" "	14,200
Buffalo Skins-	850 "	" "	4,750
Raccoon, wild			
cat, fox skins	28,200 "	" "	12,280
Martins-----	1,300 "	" "	3,900
Lynx-----	300 "	" "	1,500
Deer Skins---	158,000 "	" "	63,200
		Total --	\$203,750

The traders were always able to obtain suitable goods from Canada and the furs and peltries given in exchange for them were of an excellent quality, and commanded a high price..... The traders in these quarters put an enormous price on their commodities, though the profits of the trade were not very exorbitant, and this arises on the advanced charges on goods obtained from Canada".

Since St. Louis was the center of the trade just described, it practically controlled the circulating medium of the district. This, such as it was, had a fixed and certain value and was used by both Indians
(1)
and whites. At no time in its history did there exist conditions in Missouri in any way similar to those which we have seen prevailing in Lower Louisiana and Canada. If the paper money of Lower Louisiana reached the region it must have been in such small quantities as not to have materially interfered with or helped trade. The standard of value was the livre, but strange to say there were scarcely any coins by that name in the country. Billon explains the matter in these

(1) Scharf, History of St. Louis, vol. i, p. 291.

(1)
words:

"Let it be understood that the above remarks in relation to the "livre" apply solely to the mode of "keeping" accounts, there being but little, if any, coin seen in the country, the circulating medium being furs and peltries at a fixed price per pound--40 cents the finest, 30 for medium, and 20 cents inferior, whether established by law or custom does not appear; but unless otherwise stipulated by contract all transactions were understood to be in the above medium. (Even after the transfer to the United States, transfers of land were made in peltries.....) After the transfer to Spain the coin of the country began to appear, but in limited amounts, as we find a few transactions for "hard dollars" in contradistinction no doubt to the soft, or "fur" dollars. As to paper money, none had ever been seen in the country at that early day and even had there been any, but few could have made out the denomination".

But it must be remembered that skins were not the only articles used as money. Since the basis was more nearly that of barter economy than that of money economy naturally many things were used in effecting exchanges. Some of the articles most used were beeswax, whiskey, potash, maple-sugar, salt, wood, feathers, bear's oil, venison,
(2)
fish and lead.

The statement that skins and peltries constituted the greater part of the currency should be qualified. The skins did not circulate directly as money, but were carefully sorted and weighed and then tied in "packs". Since

(1) Billon, Annals of St. Louis, vol. i, p. 90.

(2) Ibid., vol. i, p. 90.

a "pack" had a definite weight, computations were easily effected. The packs were not passed from hand to hand, but were stored in warehouses. Checks or notes were then drawn against them and these passed anywhere if signed by a reputable merchant. Then there was a sort of currency known as "bons". These were orders for goods, or notes, which were redeemable in peltries, and like the checks mentioned above, needed only the signature of a reputable merchant to insure their reception. Still another form of currency was the "carat" of tobacco. This was a solid roll of the shape and appearance of a bolegna sausage. While they had a limited circulation, they were common at one time at St. Louis. Like the packs of furs, the carots had a definite weight, their usual value being about two livres. As for the skins and peltries, a pound of shaved deer skin was equivalent to about two livres, and other peltries were rated in proportion as they approached the deer skin in quality, the most (1) desirable being the beaver, the otter and the ermine.

(1) The data in this paragraph was secured from Scharf, whose account is the best available. See Scharf, History of St. Louis, vol. i, p. 291 seq.

SUMMARY. As a part of Canada and afterward of Louisiana, Missouri was fully explored, and its streams frequented by hunters and trappers. With the founding of St. Louis, the population of Missouri increased rapidly; but it remained predominately French until the purchase of Louisiana by the United States. The inhabitants showed a dislike for agriculture and devoted most of their time to fur-trading and mining. Not until the advent of the Americans did agriculture receive any considerable attention. Such industrial activities as prevailed required no highly developed system of credit nor any considerable amount of money. Barter prevailed in most local transactions and in exchanges with foreign points as well.

CHAPTER II.

TERRITORIAL PERIOD.

POLITICAL HISTORY. By the terms of the act of 1803 by which provision was made for taking possession of Louisiana and a temporary form of government prescribed,⁽¹⁾ Missouri was organized along with the remainder of the purchase as the "territory of Louisiana".⁽²⁾ About a year later all the territory north of the present state of Louisiana was set off as a separate district, attached to the territory of Indiana and called the "District of Louisiana".⁽³⁾ This act aroused a storm of indignation, as the citizens of Missouri felt that they were entitled, according to the terms of the treaty of cession, to some measure of local self government. This had been denied them and they resented it strongly. The next year, however, Congress organized the region again, this time making it a territory of the first class. It was then known as the "Territory of Louisiana".⁽⁴⁾ As such it remained until 1812, when it was made a territory of the second class and its name changed to the "Territory of

(1) This name is used merely for convenience. The term was used in official language only after 1812.

(2) U.S. Statutes at Large, vol. ii, p. 245.

(3) Ibid., vol. ii, p. 283.

(4) Ibid., vol. ii, p. 351.

(1)
 Missouri". In 1816 it was made a territory of the
 (2)
 third class and in 1821, after three years of bitter con-
 tention in and out of Congress, it was admitted to the
 (3)
 Union as a slave state.

THE PEOPLE. We have seen that, at the time of the transfer of Louisiana to the United States, the population of Missouri was about three-fifths American and two-fifths French. We have also seen that the Americans as a rule took up claims and engaged in the cultivation of the soil, while the French lived in the towns and villages and engaged in the fur and lead trade. This was true of conditions several years after the American occupation. Indeed as late as 1818 the French predominated in St. Louis. Their language was the language of the street and advertisements in French were frequently printed in the Missouri Gazette. The interior, however, filled up rapidly with immigrants from the states. By 1810 the population of the territory was 20,845, a growth since 1799 from 6,028. A territorial census taken in 1814 showed a white male population of 14,993 and another taken in 1818, a white male population of 20,045.

(1) U. S. Statutes at Large, vol. ii, p. 743.

(2) Ibid., vol. iii, p. 328.

(3) Ibid., vol. iii, pp. 545, 645.

The federal census of 1820 disclosed a total population of 66,587. During the years immediately following the war of 1812 immigration was very great. Every autumn many families from Virginia, Tennessee, Kentucky and the Carolinas passed through St. Louis or St. Charles on their way to the Boon's Lick country, which in a very short time became the most populous district in the state. ⁽¹⁾ The new settlers for the most part took up their abode along the streams, the Missouri, the Maramec and Salt rivers next to the Mississippi marking the principal lines of settlement.

INDUSTRIAL CONDITIONS. With the increase in population came a corresponding increase in industrial activity. The fur trade, which as we have seen, amounted to about \$200,000 annually in 1804, continued for several years to be the most important occupation. As early as 1794 the Missouri Trading Company, including all the merchants of St. Louis save two, was organized to control the

(1) "Gentlemen from the counties of Howard and St. Charles, declare that 1,000 families have located there within the last twelve months". Missouri Gazette, Aug. 30, 1817. See also Missouri Gazette, Feb. 10, 1816, Oct. 26, 1816 and Dec. 20, 1817; also the Missouri Intelligencer, Nov. 19, 1819 and Apr. 1, 1820.

trade in peltries. The company had only a short existence. In its place grew up the Missouri Fur Company. This was a limited partnership which was organized for the purpose "of exploring in a commercial way, and hunting in that portion of the country within the claims of the United States, and westwardly of a point which shall be 500 miles from the United States present factories; and to conduct business within the said boundary and at the town of St. Louis". The capital stock of the company was limited to \$50,000 and was divided into shares of \$1,000 each, \$500 of which was paid down at the time of subscribing and the remainder in two equal installments at times designated by the directors. The charter was secured for six years, but it seems that the company was dissolved the next year after it was formed. In its place grew up the American Fur Company, the leading spirits of which were the Chouteaus, Manuel Lisa and John Jacob Astor. Astor and Lisa later withdrew and engaged in the trade on their own responsibility, leaving Pierre Chouteau, Jr. practically

(1) For the articles of association see the Missouri Gazette, Feb. 1, 1812.

(2) The Missouri Gazette on July 31, 1813 and Oct. 16, 1813 prints notices signed by the directors of the company calling together the stockholders to dissolve it. Cf. Scharf, History of St. Louis, vol. i, p. 289.

} incorrect?

in control. The firm did a very large business in the north-west, where it is said to have owned and controlled at one time as many as five forts in the heart of the Indian country.⁽¹⁾

The trade carried on by these companies was very valuable. Scharf says that the average returns on goods sent out was one hundred per cent in peltries. This does not begin to indicate the actual profits; for the goods were valued at their selling price at St. Louis while the peltries were valued at their currency value at St. Louis. The trading expeditions to the north-west often took many months during which time the people of St. Louis seldom received word from the members of the party. The amount of business conducted by one of these expeditions was often very large, the value of peltries brought back sometimes running as high as \$35,000. The trade was not alone confined to the north-west, but extended over a wide stretch of country. In the year

- (1) Fts. Sarpy, Benton, Union, Pierre and Berthold. See Scharf, History of St. Louis, vol. i, p. 289.
- (2) "Manuel Lisa arrived yesterday from Ft. Lisa.... with a valuable cargo of furs and peltries said to be worth \$35,000". Missouri Gazette, June 14, 1817. "Manuel Lisa arrived yesterday with valuable furs, peltries etc." Missouri Gazette, June, 19, 1818.

1810 the trade with the Pawnee Indians alone amounted to \$30,000, the outlay of goods being \$20,000 and the profits fifty per cent measured in furs. Trade with other tribes netted still greater returns. (1) The trade on the Upper Mississippi by 1812 amounted to \$100,000 (2) annually.

The lead trade constituted no inconsiderable portion of the trade of the country. The principal center of the industry was at Herculaneum. The lead mines were very valuable and, as was stated in a previous chapter, were worked even before Missouri had any permanent settlements. Some idea of the extent of the industry may be gained from a reference to the lead exports of the town of Herculaneum. The exports of this place during the years 1816, 1817 and up to June 1818 are said to have amounted to over 3,000,000 pounds, while the amount of lead smelted in the region of Mine a Burton

- (1) Scharf credits Breckenridge with such statements. See History of St. Louis, vol. i, p. 289.
- (2) "The trade of the Mississippi above the mouth of the Missouri, has become of great importance; upwards of \$100,000 of Lead, Furs, Peltry &c is annually obtained from that quarter". Missouri Gazette, Apr. 25, 1812.

between the years 1798 and 1818 is said to have been
 (1)
 over 9,000,000 pounds.

Agriculture was engaged in to a considerable extent in the earlier territorial period, but not to sufficient extent to make possible any large exportation of farm products.

Concerning the state of industry in general in 1817
 (2)
 the Missouri Gazette had this to say:

"Since our roads have become dry and travelling rendered agreeable our towns and villages are crowded with strangers in pursuit of land &c. We are rejoiced to learn that capitalists are now in search of a place to erect iron works. Rich iron ore has been found on the Meremek and its tributary waters, the banks of all our rivers and creeks indicate the possession of various minerals; indeed we only want men of science, ind-

(1) The Missouri Gazette for June 19, 1818 has this table:

Exports from Herculenum from 1816 to June 1818.	
2,008,444 lbs. Pig and iron bar lead deposited at and exported from Elias Bates deposit of lead	\$100,420
517,495 lbs. deposited with and shipped by sundry other persons	25,874.75
668,350 lbs. patent shot manufactured by Elias Bates and C. Wilt	46,784.50
<u>3,194,449 lbs</u> - - - - -	<u>-\$173,079.25</u>

In speaking of conditions at Mine a Burton Schoolcraft says: "It is estimated that from the year 1798 to 1818 9,360,000 pounds of lead were smelted here. There are about forty mines in this vicinity". Journal of a Tour into the Interior of Missouri and Arkansas, p.4.

(2) May 17, 1817.

ustry and enterprise to develop the mighty resources of this interesting country. A fertile soil, valuable mines, a fur and peltry trade calculated to employ a capital to an immense amount, are only a part of the inducements which must give this country a decided preference to any of her sister territories. We learn that the Missouri traders have been successful this year, very few have arrived nor can we yet quote the prices of furs. Provisions continue high.--Superfine flour \$10. Bacon from 12 to \$15 per cwt. Groceries rate as usual very high viz, common Orleans sugar retails at 25 cents per lb. Coffee 50 cents per lb. Boards and scantling continue extravagantly high, and in great demand. Pine inch and eight inch boards sell briskly at \$4 to \$4.50 per 100 f. There is no doubt we venture to assert, that a steam saw mill established at this place would yield a greater profit than a half dozen stores (1).

"Several large and elegant steam boats have lately descended the Ohio to New Orleans. We sincerely

- (1) The lack of steam power was for many years one of the chief hindrances to the progress of the territory. In speaking of this the Missouri Gazette on June 14, 1817 said: "Nothing can possibly retard the improvement of this place more than the want of a steam saw and flour mill. Flooring plank stands at from 4 to 6 dollars per 100 feet. Scantling rates at the same proportion. The usual price of superfine flour is from 10 to 14 dollars per barrel, while excellent wheat may be had at \$1 per bushel. This country is filling up with industrious farmers and the want of mill seats calls loudly for STEAM POWER". On Dec. 25, 1818 the Gazette said: "The increase of our population and the consequent consumption of bread stuffs, makes us feel the want of mills in a greater degree than perhaps any other section of the country in the union. Thousands of dollars are annually sent from this place to Kentucky and Ohio to procure provisions. The farmers on both sides of the Mississippi & Missouri have declared, that if mills were erected they would turn their attention to wheat crops instead of corn".

hope that the time is not far distant when we shall be enabled to announce the arrival and departure of STEAM-BOATS at this place."

Next to furs, peltries and lead, the chief products of the country at this time were tobacco, hemp, flax, wheat and other small grain. A considerable amount of salt had annually been manufactured at the salt springs, which
(1)
were quite numerous.

MONETARY CONDITIONS. During the first few years of the American occupation industrial conditions, as has been pointed out, remained practically the same as under the latter days of Spanish domination. Likewise the cur-
(2)
rency remained nearly as it had been before. The products of the chase, the mine, the field and the stream yet constituted the bulk of the currency. Advertisements appearing in the Missouri Gazette between the years 1808 and 1821 show that the following articles were used in effecting exchanges: lead, hides, whiskey, maple sugar, bacon,

(1) Missouri Gazette, May 24, 1817.

(2) About the only currency that appeared as a result of the American occupation was a quantity of bills or warrants drawn ^{on the} United States Treasury at New Orleans and sent to Upper Louisiana in payment of the civil and military officials. As they were backed by the United States government, they readily passed as money. Cf. Encyclopedia of the History of Missouri, "Banks and Banking in Missouri!"

(1)

beeswax, furs, copper and brass, tallow, linen, negroes and "all kinds of country produce". Since most of the advertising was done by store keepers who engaged in a general mercantile business we are not greatly surprised, this practice being common in many rural districts even to-day. But the use of commodities was not alone confined to stores of this character. The Missouri Intelligencer prints the advertisement of a physician and druggist of Franklin, who in closing up his affairs agreed to receive in payment of debts due him "Pork, Honey, Beeswax, Tallow &c ... at their usual prices". Frequent mention is made of land transfers in which such articles were used. Indeed one case is found where wages were paid

(1) "OLD COPPER BRASS AND PEWTER.

"The subscriber will give one bit per lb for old copper and brass, old stills, kettles or other worn out copper or brass articles will be taken in payments for debts due the printing office. Joseph Charless." See Missouri Gazette, Sept. 12, 1812.

(2) Nov. 5, 1819.

(3) The Missouri Gazette for Aug. 16, 1817 contains an advertisement for a farm which was to be sold for "cash, lead, negroes, furs or other salable articles". On May 6, 1818 the same paper advertised a farm for sale for "cash or merchandise". The Missouri Intelligencer for Apr. 23, 1819 prints a prospectus of the town of Mexico, Mo., lots in which were to be sold for "cash or Negroes". The same paper on the same date advertises Boon's Lick Lands and Town Lots for sale and adds that they "will be exchanged for merchandise".

(1)
 in salt. The dearth of a circulating medium made it difficult for the inhabitants to pay their taxes and as a result provision was made as early as 1805 whereby this could be done in shaven deer skins at the rate of three pounds to the dollar. Such payments could be made during the Months from October to April, however. At all other times cash was required.
 (2)

The further inland the towns were the more nearly did conditions approach barter. For example, General Duff Green, a prosperous merchant of the little inland village of Chariton, advertised in the Intelligencer that he would receive in payment of debts and for merchandise, "Pork, Wheat, Tobacco, Onions, Beans, Peas, Beeswax, Potatoes, Lard, Butter, Tallow, Flax, tow linnen, Linsey, dressed and undressed Deer skins, Furrs and almost any article of produce".
 (3)

As for coin, there was very little to be had in the territory. The Spanish dollars which reached it were cut up into halves, quarters or eighths, or "bits" and

(1) See legal notice of the case of Francis Woods v. Joseph Heslep and Anthony Vanleer, in which the plaintiff was suing for four months wages, at \$26 per month, one half of which was to be paid in salt at nine shillings per bushel. Missouri Intelligencer, Apr. 23, 1819.

(2) Billon, Annals of St. Louis, vol. ii, p. 11.

(3) Oct. 1, 1819.

used as small change. "For any less amount", says Carr,
 "pins, needles, sheets of writing paper and other articles
 (1)
 of small value were used!"

In early territorial times paper money found its
 way to Missouri. This at first consisted of the notes
 of the banks of neighboring states, the most common
 being those of the banks of Kentucky, Tennessee, North
 Carolina and Ohio. Part of this paper was good, part of
 it worthless and no inconsiderable sum of it was counter-
 (3)
 feit.

(1) Missouri, p. 133.

(2) Advertisements in the Missouri Intelligencer lead
 to the conclusion that these notes were in quite
 general use as far west as Franklin. On July 23,
 1819 Stanley and Ludlow announced that they would
 receive at their store at Franklin the "notes of
 all the Banks of the State of North Carolina, Geor-
 gia, Tennessee, State Bank of Kentucky & branches,
 South Carolina, Illinois and Missouri". Nothing was
 said about the rate at which they would be taken.
 On Nov. 5, 1819 Samuel and Modernwell of the same
 town gave notice that they would receive North
 Carolina money at par and on June 17, 1820 Stanley
 and Ludlow advertised again to receive Kentucky
 and Tennessee money.

(3) The following notice from the Missouri Gazette,
 for Jan. 23, 1818, points to the fact that the ter-
 ritory was flooded with the worthless paper of
 eastern banks:

"Printers with whom we exchange papers are
 requested to insert the following list of un-
 current Bank notes.-At same time, we would beg
 leave to suggest to emigrants the propriety of
 bringing on with them no other money represent-
 ations than those by the United States Bank;

"LIST OF NOTES NOT CURRENT IN THE BANKS OF THIS TOWN.

"Pennsylvania. All the banks in the state except the Cities of Philadelphia and Pittsburgh.

"Ohio. German Bank of Wooster, Commercial Bank of Lake Erie, Farmers Bank of Canton, Farmers Bank of New Salem, Owl Creek Bank, Lebanon Miami Banking company, Bank of New Philadelphia, Bank of Steubenville, Dayton Manufacturing company, Columbian Bank of New Lisbon, Zanesville Canal and Manufacturing company, Urbana Banking company, Bank of Mountpleasant, Western Reserve Bank, Franklinton Bank of Columbus, Private Bank of John H. Pratt & co., Farmers Bank of Smithfield, Bank of New Lancaster, Bank of Mansfield.

"Indiana. Exchange Bank of Jeffersonville.

"Virginia. Charlestown Manufacturing and Exporting company, Virginia Saline Bank of Winchester, Ohio Bank (at Wheeling), Western Bank of Virginia at Parkersburg, Monongahalia Farmers company of Virginia at Morgantown.

"Kentucky. Kentucky Insurance company (reported to have stopped payment).

"The following notes of less amount than one dollar are current only: St. Louis Post-Office, St. Louis Exchange and Land Office redeemable in Specie, Prat and Armstrong, payable at the Miami Exporting company."

The presence of so much paper and the haphazard manner in which it was printed made counterfeiting a profitable and easy employment. As early as Nov. 21, 1812 the Missouri Gazette warned the people of St. Louis against counterfeits on the Russellville (Ky.) Bank. On Apr. 1, 1812 under the head "Look out for Counterfeit Notes" it warned the public to beware of counterfeits on the Nashville Bank and banks of Kentucky and Virginia. A similar warning appeared again on Sept. 9, 1815. The practice finally became of such far reaching importance that the legislature was constrained to take the matter in hand. It passed on Jan. 1, 1816 an act entitled "An act to punish the forging and counterfeiting and the passing of forged and counterfeit bank bills and notes, and for other purposes". Cf. Territorial Laws of Missouri, vol. i, p. But this did not put a stop to the practice as the Gazette for June 29, 1816 again speaks of spurious bank paper being in circulation, while the Missouri Intelligencer for Oct. 7, 1820 contains a notice of the appearance of small counterfeit notes at Franklin.

After 1816, however, much of the paper currency consisted of the notes of the two banks which were established at that time. It is to these institutions that attention should now be turned.

THE BANK OF ST. LOUIS. The increase of population and the consequent growth of agriculture and commerce which took place about the years 1810 to 1813 inclusive led to a feeling that a bank should be established to assist in the industrial development of the territory. (1) The advent of a large number of Americans had resulted in the gradual breaking down of the old French system of industry under which the fur trade was the chief pursuit. The ideas of the new residents had been formed in states where banking was the rage. They had not been long in St. Louis when, seeing the opportunity which a bank could offer, they set on foot plans for the establishment of such an institution. In their efforts to secure a charter they were assisted by all the leading citizens of the town of St. Louis.

(1) Scharf says that the Missouri Gazette for July 13, 1816 said: "The opulent town of St. Louis may boast of a capital of nearly one million, and has few manufactories, no respectable seminary, no place of worship for dissenters, no public edifices, no steam mill or boat, no bank...." History of St. Louis, vol. ii, p. 1369.

It should be noted at the outset that the founders of this institution were not commercial adventurers, who were going into the business for the purpose of enriching themselves at the expense of the community in which they lived. They had in mind the welfare of the territory and in the hope of furthering its commercial interests, they asked the legislature to grant them a charter for "The Bank of St. Louis".

As proof of this last statement we need only cite the fact that the commissioners who were chosen to open the books for subscriptions to the capital stock were the
(1)
the leading men of the territory, while the directors of

- (1) The commissioners were: Auguste Chouteau, Frenchman, fur trader and merchant, afterwards President of the Bank of Missouri, an officer under both the national and territorial governments, founder of one of the wealthiest families in the West, a man universally respected and loved; John B. C. Lucas, Frenchman, successor of Albert Gallatin in Congress from a Pennsylvania district, lawyer and politician in the territory; Samuel Hammond, Virginian, member of Georgia legislature and National House of Representatives from Georgia, for years an officer in the territory, lawyer; Rufus Easton, lawyer, delegate to Congress from Missouri 1814-1818, first Post Master of St. Louis, judge and United States attorney for Missouri; Moses Austin, prominent merchant of Herculaneum, father of Stephen F. Austin, who was afterwards president of the Republic of Texas; Robert Simpson, doctor, army officer, second Post Master of St. Louis; Manuel Lisa, Spaniard, wealthy fur trader; Bernard Pratte, merchant and fur trader, father of B. Pratte, Jr., afterwards president of the Bank of the State of Missouri; Bartholomew Berthold, Tyrolean, merchant; Thomas Brady, Irishman, merchant; and Clement B. Penrose, Christian Wilt, and Risdon H. Price, all men of prominence and respectability.

the institution were ever the leading men of the community both in commercial, political and social life. (1)

If any doubt existed in the minds of the inhabitants concerning the purposes and ambitions of the founders of this institution, such could easily have been removed by an inspection of the charter which the legislature granted the bank on Aug. 21, 1813. (2) As this was the first bank charter ever drawn up in Missouri it is not surprising that it falls short of being a perfect instrument. A glance at the loose banking methods then prevailing in neighboring states must convince one that the Missouri legislators did not rush blindly into the bank making business, but discharged their duties as best they knew.

(1) The directors of the bank during its existence were: Samuel Hammond, Rufus Easton, Risdon H. Price, Moses Austin, Stephen F. Austin, Eli B. Clemson, Justus Post, Robert Simpson, Elias Bates, Bernard Pratte, Theodore Hunt, Charles Hunter, Walter Wilkinson, William Rector, Theophilus W. Smith, Joshua Pilcher, Samuel Perry, Thompson Douglas, Thomas Wright, J. J. Wilkerson, Elias Rector, Robert Collet, Nathaniel B. Tucker, James Mason, James Nivin, James Clemons, Jr., Frederick Dent, John Paul Anderson and Jesse G. Lindell. It would require a volume to tell of the services these men rendered in the development of the territory and the esteem in which they were held by the inhabitants. For list of directors see Missouri Gazette, Sept. 14, 1816, Apr. 24, 1818 and Dec. 18, 1818.

(2) "An act to incorporate the stockholders of the Bank of St. Louis". Territorial Laws of Missouri, vol. ii, p. 278.

(1)

The charter provided for the establishment of a bank at St. Louis and for branches, wherever needed, "for discount and deposit only" provided that the first branch should be located at Ste. Genevieve and further that branches should be fifty miles from St. Louis and fifty miles from one another. (2) The capital stock of the bank was fixed at \$150,000, but provision was made for increasing it in case the legislature desired to do so. Shares were \$100 each. The state reserved the right (3) to purchase at least one hundred and fifty shares, but seems to have made no provision for special taxation or the payment of a bonus. As a precaution against outside control it was provided that three-fourths of the capital stock should always be held by citizens either of Missouri or of Illinois. Stock holders voted in proportion to the number of shares held, but those holding several shares were allowed less representation per (4) share than those who held a smaller number. Foreign

(1) The charter was to expire Aug. 1, 1838.

(2) No branches were ever established.

(3) The territory could not, and the state never had an opportunity to take stock.

(4) In voting the stockholders were allowed one vote for every share not exceeding ten, one vote for every five shares over ten, and one vote for every ten shares over thirty, but no one could have over seventeen votes.

stockholders were barred from voting.

For officers the bank was to have thirteen directors, one of whom was to be president. All of them had to be from Missouri and in addition it was provided that nine should be from St. Louis and the remaining four from Ste. Genevieve. The manner in which they were to be held liable for misconduct is one of the distinctive features of the charter. They were responsible in their "separate and private capacities" for all debts incurred over and above twice the amount of the capital stock and for the sum of dividends impairing the same.

The corporation was empowered to receive and dispose of bills, notes, checks and drafts; to issue bills; to receive on deposit and make loans and discounts. Its

- (1) The bank had only two presidents--Samuel Hammond and Risdon H. Price.
- (2) The clause is an important one and reads as follows: "The total amount of debts which the said corporation shall at any time owe, shall not exceed double the amount of the capital stock subscribed and actually paid into the bank, and in case of excess, the directors under whose administration it shall happen, shall be liable for the same in their separate and private capacities, but this act shall not be construed to exempt said corporation, or any estate, real or personal, which they may hold as a body corporate from being also liable for, and chargeable with such excess; but such of the directors who have been absent when such excess was contracted, or who may have dissented from the resolution or act whereby the same was contracted, shall not be liable".

power to contract debts was limited to twice the amount of the paid up capital stock. Its power to hold "lands, tenements and hereditaments" was restricted to an amount requisite for the immediate transaction of its business, ~~or~~ to such an amount as should be "bona fide mortgaged to it by way of security, or conveyed to it in satisfaction of debts previously contracted in the course of its dealings or purchased at sales upon judgement". It is worth noting that the bank was authorized to receive and hold as security for its discounts and (1) loans "lead or peltry or furs or other property".

In order to prevent extortion and to protect the public against avaricious bankers it was provided that no more than six per cent could be charged in advance on discounts.

Profits were to be divided when the directors saw fit, semi-annually if need be, but dividends were never to impair the capital stock.

(1) This feature is one of the most unique in the whole list. The ~~sac~~tion follows: "It shall be lawful for said corporation to receive as security for loans or discounts, in lieu, and in place of an endorser or endorsers... provided nevertheless, that said property shall always be deposited, real property excepted, and left in the care, possession and control of the bank."

On the whole the provisions for the regulation of the bank were quite conservative, but the safeguards against bad banking did not extend far enough. The legislature provided that the bank's officials should not do certain things, but failed to provide for adequate inspection or for publicity of their accounts. No supervision or examination seems ever to have been attempted. (1) No punishment was provided for failure to redeem the bank's notes in specie; no provision was made for specie reserves or safety funds, nor for forfeiture of its charter. But this apparent neglect of the legislature will not seem strange when it is recalled that there was practically no sound banking west of the Hudson river.

THE BANK OF MISSOURI. The statement that the Bank of St. Louis was the oldest banking institution in Missouri needs to be made with some reservation. It was the first to be chartered, but it is probable that the

(1) The House of Representatives did once request that it be furnished with a list of the subscribers to the stock, and the persons who had paid in an installment, but for what reason it does not appear. Cf. Missouri Gazette, Jan. 11, 1817.

(1)

Bank of Missouri was the first to open its doors. So nearly simultaneously did the two banks commence operations, however, that they may properly be regarded as having been established at the same time. The Bank of St. Louis was chartered shortly after the outbreak of hostilities with Great Britain. The exposed condition

(1) The Bank of Missouri probably engaged in business before its charter was secured. The Missouri Gazette for Sept. 14, 1816 contains an agreement made by the stockholders sections seven and eight of which read as follows:

"7th. An election of Directors is to take place in not less than 5 nor more than 10 days after the first subscription is closed; the day to be fixed by the persons before named, who are to be the judges of the election, and are to declare the persons elected and give them a certificate.

"8th. The Directors so to be appointed may at their discretion, make an immediate issue of small notes, not to exceed three dollars each, in amount not to exceed double the amount of money actually paid in their hands".

The election for directors was probably held early in the autumn, so it is not at all unlikely that the bank was in operation some time before the Bank of St. Louis, which was opened on Dec. 13. Billon says: "They (the stockholders) were incorporated by the legislature, Dec. 17, 1816, although in anticipation of that act, they had organized and opened the bank on Sept. 30, 1816, fully four months before their incorporation". There is nothing in the Missouri Gazette to warrant the use of these dates. Certainly the first is incorrect and it may be possible that the whole statement is in error. See Billon, Annals of St. Louis, vol. ii, p. 86-7.

of the frontier and the hostility of the Indians was a matter of far more importance to the little city of St. Louis than the establishment of a banking institution. As soon as the war was over, books were again opened for subscriptions, but not until a number of prominent St. Louisans, becoming dissatisfied with the long delay, had matured and set on foot plans for the establishment of another bank.

Directors for the new bank were elected on Sept. 19, (1) 1816 and at the December meeting of the General Assembly application was made for a charter. (2) For reasons which are not quite clear considerable opposition was encountered and it was not until several months of wrangling that a charter was finally secured. Opposition to the measure seems to have been confined mainly to the upper chamber,

(1) A list of the original stockholders of the bank shows that the leading men of the community, irrespective of nationality, or calling, were interested in the project. French names appear almost as frequently as English names. Indeed its first president, Auguste Chouteau, was a Frenchman. In the list of names is found that of Alexander M'Nair, the first Governor of the state of Missouri, John O'Fallon, afterwards president of the St. Louis branch of the Bank of the United States, and Lilburn W. Boggs, who, as governor of Missouri in 1837, was largely instrumental in having the Bank of the State of Missouri chartered.

(2) Missouri Gazette, Dec. 7, 1816, Dec. 14, 1816, Dec. 28, 1816.

or the Legislative Council. Whether it was based on a wholesome prejudice against banking institutions per se or was aroused by parties jealous of the new institution will probably never be known. We only know that when the bill first came up for final engrossment in the Legislative Council that body could not agree to take the step necessary to make it subject to presentation to the governor for his signature. After considerable argument the president of the body resigned. Several ballots were taken before his successor was elected, but an opponent of the measure finally carried the day. The bill came up for the last time on Jan. 29, 1817 and a motion to send it to final engrossment was lost. The friends of the bill at this juncture scored on their enemies by taking the bill directly to the governor, who on Jan. 31, 1817 affixed his signature and it became a law.

This step brought forth a vigorous protest from the members of the council, including the president, who were opposed to the measure. They declared that the bill had been taken to the governor without their know-

(1) Missouri Gazette, Feb. 15, 1817.

(2) Ibid., Feb. 15, 1817.

ledge or consent; that it had not been signed by the president of the Legislative Council or engrossed by that body, hence the act of the governor was illegal (1) and unconstitutional.

The friends of the bill retorted by saying that it had been presented to the governor by the joint committee on enrollment; that it was signed by the Speaker of the House and by four of the five members, of the Council, who had passed it (the other being absent). They presented the certificate of the joint committee on enrollments showing that the bill had been duly enrolled and in addition the certificate of the secretary of the Council itself showing that it had passed that body (2) by a majority vote.

Much bitter feeling resulted. "Cato" in a vigorous letter, printed in the Missouri Gazette, denounced the governor in strong terms for his conduct, and was just as severely denounced by "Julius Caesar" in the next issue for his attack upon the governor. So bitter were the charges and recriminations that the Gazette finally refused to print any more communications on the (3) subject.

(1) Missouri Gazette, Feb. 15, 1817.

(2) Ibid., Feb. 15, 1817.

(3) Ibid., Mar. 29, 1817.

It is probable that had any legal proceedings been instituted the act of the governor would have been declared illegal, but no such step was taken and the bank on May 9, 1817 voted to accept the charter and the public was notified of that fact through the columns of the Gazette.⁽¹⁾ In December 1818 a bill was introduced in the legislature to make the charter legal, but the measure seems not to have passed as it was regarded by many as a wholly unnecessary step.⁽²⁾

The act chartering the Bank of St. Louis became a law on Aug. 21, 1813; that chartering the Bank of Missouri on Jan. 31, 1817.⁽³⁾ It will be interesting to note in what respects the charters of the two institutions differed.

As in the case of the Bank of St. Louis, the new bank was to be located at St. Louis and power was conferred upon the directors to establish branches "for discount and deposit only", in counties which subscribed as much as \$40,000 worth of stock.

(1) May 31, 1817.

(2) Missouri Gazette, Dec. 25, 1818.

(3) "An act to incorporate the stockholders of the Bank of Missouri". Territorial Laws of Missouri, vol. i, p. 532 seq.

In respect to capitalization the banks differed considerably. The capital of the Bank of Missouri was to be \$250,000, while that of the bank of St. Louis was only \$150,000. In the case of the Bank of Missouri anyone could own the stock, while in the case of the Bank of St. Louis three-fourths of the stock had to be owned by the citizens of Missouri or Illinois. Here only citizens of the United States could vote at the meetings.

As for officers the Bank of Missouri had nine directors, one of whom was to be president. The Bank of St. Louis had the same requirements concerning the president, but had in all thirteen directors. The directors had to be citizens of the United States and residents of Missouri. They were responsible, as in the case of the Bank of St. Louis, in their separate and private capacities, for exceeding the powers of the corporation in the matter of contracting debts and for impairing the capital stock. Here again the legislature reserved to the territory the right to purchase shares. The limit to which this could be done was 1,000 shares. In return for this privilege the state could borrow money to the amount of one-half of

(1) This bank also had only two presidents--Auguste Chouteau and Thomas F. Riddick.

its holdings without giving security.

The bank was given power to perform all the ordinary banking functions, being a bank of issue as well as deposit. In its loans it was limited to twice the amount of its capital stock actually paid in.

As in the case of the Bank of St. Louis, profits were to be distributed semi-annually provided the dividend did not impair the capital stock.

In one very important matter the banks differed. That was in the matter of specie payments. The charter of the Bank of St. Louis made no reference at all to such payments, but the charter of the Bank of Missouri required that they should be made at all times under penalty of a forfeiture of five per cent per month during the period of suspension. This measure, the most stringent in the charter, was placed in no doubt to prevent even a temporary suspension. The legislators had seen the evil effects of suspension; for the period between which the two charters were granted was that during which specie payments had been suspended all over the country, except in New England. Moreover the legislature had before it the model of the new second Bank of the United States, which was chartered in 1816, and the provision concerning

specie payments may have been prompted by the less stringent one in the charter of the Bank of the United States.

The charters differed yet in one other important respect. The territorial legislature reserved the right to impose a special tax on the Bank of Missouri, a thing it did not do in the case of the Bank of St. Louis.

But nearly the same defects are found in both charters; for here again there was no provision for either supervision, examination or publication of the bank's accounts, and nothing said about the maintenance of the proper reserves or safety funds.

THE CAREERS OF THE BANKS. As we have seen, the two banks opened their doors almost simultaneously. But as the Bank of St. Louis was the first to secure a charter and the first to fall a victim of the hard times, we shall take up its career first. Books for the subscription to the capital stock were first opened on Sept. 20, 1813⁽¹⁾ and again opened on Dec. 15, 1814,⁽²⁾ but it was not until the summer of 1816 that sufficient stock had been subscribed to warrant the opening of the bank. On July 11, 1816 the

(1) Missouri Gazette, Sept. 15, 1813.

(2) Ibid., Dec. 14, 1814.

stockholders were notified that 1,349 shares had been taken and that a meeting to elect directors would be held in St.Louis on the first Monday in September. (1)

On Sept.6 notice was given of the result of the election for directors and those elected were requested to meet on Sept.20 for the purpose of appointing a president and for the transaction of such other business as might properly come before them. In pursuance of this call the directors met, elected Samuel Hammond president and prepared the following notice, which is of especial interest to us since it gives an account of the manner in which the stock was paid for and the character of the money received: (2)

Bank of St.Louis.

Notice is hereby given to the stockholders of the Bank of St.Louis that an instalment of fifteen dollars on each share, in gold or silver or in good approved paper of the banks of Kentucky, state bank of (3)

(1) Missouri Gazette, July 13, 1816.

(2) Ibid., Sept. 7, 1816.

(3) Ibid., Oct. 5, 1816. In commenting upon the payment for the stock, the Gazette said: "We understand that sixteen thousand dollars has been paid to the acting cashier of the Bank of St.Louis, being the first and part of the second instalments to the said bank: For our part we could not imagine there had been so much specie in our town as we observed paid in on Wednesday last". Nov. 23, 1816.

Tennessee, banks of Cincinnati, Vincennes and Richmond in Virginia, or such other bank paper as is received by the United States in payment for land and taxes, must be paid by the stockholders on Wednesday the 20th November next ensuing, and an additional sum of ten dollars on each share, holden as aforesaid (five dollars in gold or silver and five in bank paper as above specified) must be paid to the president and directors of said bank on Tuesday the 24th day of December next at their banking house in the town of St. Louis.
S. Hammond President.

The bank advertised that its doors would be opened (1) on Dec. 2, but they were not opened until Dec. 13, when the cashier, John B. N. Smith, issued the following notice. (2) It is worthy of repetition in full since it gives us our first insight into banking methods in the territory:

Bank of St. Louis.

By order of the Board of Directors, the Bank of St. Louis commences its operations this day in the building immediately in the rear of Messrs Riddick & Pilcher's store.

Wednesday in each week is the day of discount, and all notes offered for discount must be presented the day previous and before the shutting of the bank.

Notes intended to be discounted must be drawn upon stamped paper and in the following form:

Sixty days after date _____ promise to
pay _____ or order _____ dollars _____
cents; negotiable and payable at the Bank of
St. Louis without defalcation, for value received.

The Bank will be opened at 10 o'clock A.M. and closed to 2 o'clock P.M.

John B. N. Smith, Cashier.

December 13th 1816.

The establishment of a bank at this period was a most unfortunate occurrence. The country was already

(1) Missouri Gazette, Nov. 23, 1816.

(2) Ibid., Dec. 21, 1816.

flooded with the issues of the other banks of the Union and money was so plentiful that many of the inhabitants of the territory had become speculators. The Bank of St. Louis, therefore, added to the volume of such paper by large issues of notes and made conditions worse than they were before its establishment.

(1)

(2)

The fact that the bank paid specie from the first few months of its career gave the public confidence in it and it seemed to have done a profitable business; for on June 25, 1817, less than a year after its doors had been opened it declared a dividend of eight per cent.

(3)

But dissension arose among the directors over the manner in which the affairs of the bank were being conducted, and on Feb. 11, 1818 several prominent citizens, including Joshua Pilcher, Elias Rector, two of the directors, Thomas Hart Benton, Jeremiah Connor and Lieut. James M. M'Gunnegle, took forcible possession of the banking house and denied its officers access to its vaults. The oc-

(1) Scharf, History of St. Louis, vol. ii, p. 1370. The Missouri Historical Society of St. Louis has a number of the notes of this institution and in addition notes of the Bank of Missouri and checks drawn on the old St. Louis Exchange Bank.

(2) Missouri Gazette, Mar. 22, 1817.

(3) Ibid., June 28, 1817.

casation for such a step was not divulged and the keys were restored on Feb.16th. Notice was then given by the of-

(1)

ficials of the bank that it would, on Feb.23, be reopened.

But this was not done and as a result Rector, Filcher and

(2)

Benton in a signed statement denounced the directors for

(1) Missouri Gazette, Feb.20, 1818.

(2) The attitude of Thos.H.Benton toward the early banks of Missouri while a novel one was characteristic of the man. A bitter enemy of the Bank of St. Louis, he was nevertheless a friend of the Bank of Missouri. He was violent in his hatred for Joseph Charless, editor of the Missouri Gazette, which was ever a friend of the Bank of St. Louis. As part owner and editorial writer of the rival publication, the St. Louis Enquirer, Benton lost no opportunity to abuse the officials on all occasions. See Missouri Gazette, May 1 and May 15, 1818. He was such a good friend of the Bank of Missouri, however, that he once suffered himself to be elected a director of it. Meigs says: In May 1820, at a time when the office was not likely to be much sought after, he was elected a director of the Territorial Bank of Missouri....but he can hardly have served, as his election to the Senate occurred in the autumn of the same year and he was in Washington in December. This bank did not fail, but was forced into liquidation in 1822. A letter from Benton to Governor Preston in 1819 has been quoted, which carries no little appearance that its writer was inspired by the exuberant hopes of the period of inflation". Life of Benton, p.190. In his capacity as director Benton must have known of the bank's condition. Indeed Barton as late as 1826 charged Benton on the floor of the United States Senate with being a director of a bank that had robbed the people of \$125,000. Cf. Missouri Intelligencer, Aug.24, 1826. These facts are significant and should be bourn in mind when we come to study Benton's later attitude toward banking institutions.

their conduct, declaring that no substantial reason existed why the bank should not be opened at once. A few days later Pilcher wrote for the Gazette a long article in which he intimated that the bank was practically bankrupt, a theory fully justified by later events.

The bank officials made an attempt to stem the tide by opening up and paying specie. Many were deceived as to its real condition, the editor of the Missouri Gazette among the number. He said: "Its payments of specie is an evidence of the solidity of this institution; and we hope the general disposition manifested by the inhabitants to sustain it will be continued". But during the period of suspension the bank itself raised the danger signal by decreeing on Mar. 4, that all debts due it should be paid in "specie, the notes of the Bank of St. Louis, Bank of Missouri, of the United States or its branches AND NO OTHER". This seems to have had its effect as all the paper available was thrown in masse on the bank, which was shortly obliged to suspend for a second time.

The situation had now become so critical that the

(1) Missouri Gazette, Mar. 6, 1818.

(2) Ibid., Mar. 13, 1818.

(3) Ibid., Mar. 27, 1818.

(4) Ibid., Mar. 6, 1818.

bank officials deemed it necessary to make some statement to the public. This they did on Apr.21, After stating that they had paid out specie until only enough remained to pay depositors; that they had for this reason discontinued payment, they attempted an explanation of the causes that had brought about such a condition. From their statement it would appear that the loans of the bank had never exceeded \$224,000, hence the charge could not be made that the bank had over traded. From Dec.8 to date they had reduced the bank's loans upwards of \$60,000 and its paper upwards of \$51,000 (\$46,000 since Feb.11th.) besides paying to individuals and banking companies claims amounting to about \$55,000.

The sudden embarrassment of the bank was due in the main to the great run on specie, the mismanagement of the cashier and to the failure of those owing the bank to meet their obligations.

The brunt of the whole burden was laid on the shoulders of the cashier, who it seems had been involved in some very shaky transactions in Kentucky. They charged that he had "secretly and in defiance to their orders" purchased, during the six months preceding, a vast amount of paper payable to the eastward, and as a consequence a large pro-

portion of the funds of the bank were paid out that could not be replaced but by drafts on Ohio, Kentucky and Pennsylvania. Having completely organized his plans, the cashier, so they charged, had gone to Kentucky and while there drew bills to an immense amount in favor of certain confederates, who sold them and divided the spoils with the cashier. Despite the fact that all paper required the signature of both the president and the cashier, those who got the paper succeeded in getting large amounts of money belonging to the Bank of St. Louis then in the public institutions of Kentucky, Ohio and Pennsylvania.

As for the delinquent debtors, it was asserted that notes to the value of \$56,000 had gone to protest and that this was an amount sufficient to pay "more than double the amount of its notes in circulation".

They said that the bank was willing and even anxious to receive its own paper in payment of these debts, so no one holding its paper had any occasion for becoming uneasy concerning its redemption. Rather than force an immediate settlement the bank had provided that all notes due and unpaid could be renewed at once, with two good endorsers, subject to a curtailment of ten per cent of the original sum for each sixty days since the date of each

(1)
note so to be renewed.

Just how far one should go in believing all the officers of the bank had to say in this matter is difficult to say. Unquestionably there was a run on the bank large enough to have seriously effected any bank, no matter how well prepared it might have been to withstand such and it is no doubt true that many of its notes had gone to protest.

The extent of the truthfulness of the charges preferred against the cashier cannot definitely be ascertained. That individual stoutly denied that his conduct had been anything but commendable. While he had been "basely calumniated" he said he was willing to have all explained in a court of law. It is greatly to be regretted that he did not have such an opportunity.

His trip to Kentucky, he said, was on probate business, but while there he had heard for the first time of the existence of the Georgetown Banking Company, which he found had on its board "stockholders of great respectability and wealth". To work in conjunction with this bank, would, he concluded, be of immense advantage to the Bank of St.

(1) Missouri Gazette, Apr. 24, 1818.

Louis, accordingly he had entered into a private arrangement with that institution whereby he secured to his bank "four per cent per annum on its whole capital without the liability of one dollar of its issues". At the same time he had made other arrangements looking to the creation of a permanent eastern fund, upon which the Bank of St. Louis as well as the Georgetown company could draw at all times and to any amount. For the accomplishment of these laudable ends he had not hesitated to lend aid "in the form of drafts and letters of credit", only to have the Bank of St. Louis adopt the "suicidal" policy of turning down the schemes.

(1)

It is certainly unfortunate that this gentleman did not in his exposition of the matter tell just how all these things were to be accomplished. Had he done so, much light might have been thrown on the banking methods of the time.

Charges of mismanagement of the bank's affairs were heard on all sides. So strong were the accusations that one of the directors, Justus Post, felt obliged to come to the defense of the directors by writing another letter of explanation. Some of his admissions are worthy of notice.

(1) Missouri Gazette, May 1, 1818.

It had been charged that the bank had issued a quantity of Insurance Company paper, just before the expiration of the charter of that institution; that they were marked with red ink and the promise made that they would be taken back. Later they were returned, identified and refused. In explaining this Post said:

"Some time last year an exchange of paper to a small amount was made between the two banks...such arrangements are very common between banking institutions....By such exchange of paper I never yet thought nor believed that the Banks respectively became obligated to guarantee the payment of each others notes, counterfeit and all, even if they should have a dash of red ink upon them. If the 'citizen of St. Louis' be certain that the Bank of St. Louis promised to 'take them back' his knowledge of the affair is more extensive than mine".

He admitted further that efforts had been made at the sessions of the directors to get the members to take oath to secrecy, on the Bible. This admission in itself is not conclusive evidence that the directors had been guilty of improper conduct, but certainly warrants the suspicion that such was ⁽¹⁾ the case.

The bank's affairs seem to have dragged along for some time without any developments. On Mar. 3, 1819 it ⁽²⁾ again resumed business, but was soon obliged to close up

(1) Missouri Gazette, May 15, 1818.

(2) Ibid. Mar. 10, 1819.

again. On July 10, 1819 a call was issued for a meeting of the stockholders "to take into consideration the propriety of continuing or closing the concerns of the institution"⁽¹⁾. A final statement was issued in which the history of the bank was reviewed and some additional facts brought out that had not then been made public. It appeared that the Colonels Johnson, prominent men of Kentucky, had become indebted to the bank to the sum of \$56,000. Their failure to pay had caused the bank great inconvenience and had finally driven it out of business. The affairs of the bank were closed and it was dissolved,⁽²⁾ without paying expenses.

The Bank of Missouri started out under more favorable circumstances and for this reason succeeded in weathering the storm for a longer period than its rival. Like the Bank of St. Louis it early gained favor by paying specie⁽³⁾ and like that institution was able to declare a big dividend⁽⁴⁾ before the close of the first year. In 1818 it was

(1) Missouri Gazette, July 14, 1819.

(2) Billon, Annals of St. Louis, vol. ii, p. 87.

(3) Missouri Gazette, Mar. 22, 1817.

(4) Ibid., Oct. 4, 1817. A six per cent dividend was declared Oct. 22, 1817.

made a repository of United States moneys and its notes
 (1)
 were made receivable in payment for public land. About
 the same time it established a branch at Ste. Genevieve.
 (2)

On Oct. 26, 1818 a statement of its condition was furnished the General Assembly. The statement is the first of its kind of which we have record. It was as follows:

Statement of the situation of the Bank of Missouri
 Monday 26th Oct. 1818.

Capital Stock Bank of Missouri		\$210,000.00
Capital Stock branch at Ste. Genevieve		40,000.00
Amount of debts due the bank		324,493.21
Real Estate		4,700.00
Monies deposited		312,888.89
Notes of the bank in circulation		100,002.25
Cash on hands	\$231,542.39	
Cash sent for specie	65,544.49	
Sent to the branch	40,000.00	337,086.88.

On the face of it this statement shows that the bank was being fairly well managed. There are strong grounds for believing, however, that the report does not convey the right impression concerning the bank's standing. Scarcely had the report been printed in the Gazette, than a writer styling himself "No Rag Baron" gave what he
 (3)
 pleased to term an "EXPOSE" of the report. As the article is about the only account of the manner in which the bank

(1) Missouri Gazette, July 24, 1818.

(2) Ibid., Nov. 6, 1818.

(3) Ibid., Nov. 27, 1818.

was being conducted, and as its author so nearly described conditions as they were later shown to be, the use of several paragraphs from it will not be out of place. Concerning the statement that the capital stock of the bank was \$250,000 he said:

"Now to prove the truth of this \$250,000 represented as actually paid in it will be necessary for a committee to be on their guard against imposition, as it is highly probable the stock note speculation will conceal from an ordinary person, not acquainted with bank juggling, because the shareholder who pays in his \$3,000 at the first instalment day, no doubt takes it out on his note of hand before the second instalment becomes due, then pays it in, and so on until he engrosses an overwhelming proportion of stock to elect himself and associates perpetual directors".

Concerning the management of the bank in its relation to the public he said:

"When this institution was first projected...it was with the intention and sincere belief that it would operate and be used as a public benefit. But this laudable end.... has not been answered; if the murmurs of the inhabitants can be considered as evidence of it.... Where banks have been honestly conducted it has been seriously questioned by the most intelligent whether they tended to the public good or not; but where banks are badly conducted, and the many are made subservient to a few then they operate like a pestilence in the land, and destroy the many or in other words the rag barons as they are now doing, build fine houses by depredating on the industrious merchant, mechanic and farmer. For it is those who pay the piper, and contribute to the finery of the Bank Directors and Shavers...The directors lend to themselves at 6 per cent per annum & loan it to those good men at 50 & 60 per cent per

annum. This I think a snug way of getting rich very rapidly. In fact I believe we have many such gentlemen among our own directors, if the truth could be ascertained, for if this is not the fact, how is it to be accounted for that there is so much money borrowed in this place of the shavers, at 5 & 10 per cent a month, unless it proceeds from unfair operations in the banks, by discounting largely to a few, & they thus permitted to prowl on the necessities of the many".

The next paragraph calls attention to a fact which must be considered when one attempts to ascertain the value of the banks to the community:

"The situation of all new countries are such that they are in want of capital, a proportion of credit must then be extended to all classes of society; this was the case before we had banks and in this way we got along without any serious inconvenience; for all made their calculations accordingly. But the banks once created, merchant, mechanic & farmer must all give their notes payable in bank, and to fail at the end of 60 days, is certain to subject them to a sacrifice of their credit, or go to the shaver and pay 5 to 10 per cent per month....let our banks run a little longer and we shall see files of judgements obtained, and farms, houses, lots &c.&c. knocked off by the sheriff by dozens for cash".

He charged that much of the bank stock was taken up by land speculators, who were enabled thereby to secure large sums of money with which to buy up land. This practice gave land an abnormal value and seriously interfered with the progress of the territory.

Another thing complained of was the action of the banks in handling the paper of unsound institutions.

Said he:

"The legislature ought to enact, for the safety of individuals, that the banks should receive and take back all bank money they issue, to prevent impositions on the ignorant, who are unacquainted with the paper of Banks. The individual receives it on the faith and vigilance of the institution, and reposes in perfect security in the reliance, that they whose business it is to enquire into the credit of banks will not receive any other paper money but such as are in good repute and solvent".

Another writer in the same paper, styling himself "A Missouri Farmer" expressed great surprise when informed that the merchants who handled farmer's products enjoyed none of the advantages which the bank had to offer since "land speculators had engrossed the whole amount which the bank could afford to loan". He complained that the farmers were worse off now than before the establishment of the banks, since the price of land had been greatly enhanced by speculation, without there being a corresponding increase in the value of farm products.

The country was flooded with paper money and extravagance and speculation were rife in all walks of life.

(1) At Franklin about Jan. 1, 1819 land sold at the public sales at enormous prices. Every quarter section that was at all valuable brought from \$4 to \$12 per acre, one section bringing as high as \$26.25 per acre. When we stop to consider that the population of Missouri was then only about 50,000, the prices will be seen to have been entirely too high. Missouri Gazette, Jan. 27, 1819.

(2) Ibid., Jan. 1, 1819.

Merchants imported goods more heavily than ever before, while their customers recklessly spent their money for luxuries or secured them on credit. The desire for show led to enormous building operations and many new and expensive public buildings and residences were started only to fail of completion. But in the case of land, speculation was greatest. Carr says:

"The people of the territory, one and all, appeared to be possessed with a mania for it. No claim was so indefinite, no title so uncertain, and no piece of property so shadowy, as not to find a purchaser.... The immigrants, who were pouring into the territory in such a continuous stream, were possessed by the usual Anglo-Saxon land-hunger, and bought, or 'took up', more than they needed or could pay cash for, trusting to the future to be able to sell out at a profit and in time to meet other engagements. At this period, government lands were sold at two dollars per acre, one fourth cash and the balance in two, three and four years, so that to enter a quarter section of one hundred and sixty acres required only a cash payment of eighty dollars. This was a temptation too strong to be resisted by the average immigrant, and consequently we are told that, for every eighty dollars brought into the territory, a quarter section was taken up, upon which two hundred and forty dollars, three fourths of the purchase money, was unpaid..... Towns were laid out all over the country, (1) and lots were purchased by every one on credit; the town maker received no money for his lots, but he received notes of hand which he considered to be as good as cash".

As a result of such extravagance the year 1819 found everybody in the territory in debt. Settling day arrived

(1) Some of these towns were Mexico, Boonville, Chariton, Missouri, Osage and Caledonia.

and at the same time a stringency occurred in the Eastern market. Those who were counting on selling their land could not do so as immigration was curtailed. The demand for farm and other products of the territory fell off at once. The Gazette on July 14, 1819 said editorially: "The signs of the times are alarming. A dark and dreadful cloud hangs over our country, which may break to the ruin of many. So much uncertainty prevails as to the solvency of any bank, that we are unable to say which are good. We wish that measures might be taken to ascertain what banks are solvent upon their own foundation".

(1)

Banks soon began to suspend all over the country. At St. Louis the notes of nearly all the banks were taken at a discount. The Missouri Gazette for Sept. 11, 1819 has this bank note table:

Bank of Missouri and Branch	- -	par
Missouri Exchange Bank	- - -	par
Bank of St. Louis. New emissions signed by R. H. Price and issued since Apr. 1, 1819.	- - - -	3 dis.
Bank of St. Louis old emissions	-	no sales

(1) The Missouri Gazette for Sept. 29, 1819 gave the name of fourteen banks that had only recently suspended.

New Orleans - par
 Washington - par
 Baltimore - - par
 Philadelphia - 1 adv
 New York - - 1 adv
 Boston - - 1 adv
 Louisville - 3 dis
 Lexington - - 3 dis
 Cincinnati - uncertain
 Pittsburg - - 1 dis
 Bank of Illinois (Shawanee) - 3 dis
 Edwardsville Bank - - - 3 dis
 U.S. Bank at Philadelphia - - 1 adv
 U.S. Bank at New York - - - 1 adv
 U.S. Bank at Boston - - - - 1 adv
 U.S. Bank southern branches - - par
 U.S. Bank western branches -v- 1 dis
 New York Banks--par to 90 dis; Pennsylvania--par to 10
 dis; Del.--10 dis; Md.--3 dis; Va.--3 to 20 dis; N.C.--10
 to 30 dis; S.C.--10 to 13 dis; Ga.--10 to 13 dis; Tenn.--
 3 to 25 dis; Ky.--3 to 99 dis; Ohio--15 to 50 dis; Indiana
 --10 to 50 dis.

Just what the Bank of Missouri was doing about this
 time and during the years following can best be seen by
 an examination of the statements prepared by it at stated
 intervals. For purposes of comparison the statement for
 1818 is given again:

Item	1818	1819	1820
Capital	\$250,000	\$250,000	\$250,000
Real Estate	4,700	11,667	14,968
Debts due	324,493	447,941	367,715
Deposits	312,888	773,652	255,624
Notes out	100,002	135,000	141,503
Specie	231,542	252,563	189,624
Notes of other banks etc. money to Ste. Genevieve	115,544	-----	71,899

From a perusal of these statements it will be seen that the bank suffered heavily as a result of the panic which was sweeping over the country. Within a years time its deposits had been decreased nearly seventy per cent, its discounts nearly twenty per cent and its specie about twenty five per cent. Still the bank weathered the storm and was yet regarded with the utmost confidence and a writer in Niles' Register was led to remark that it seemed to be an excellently managed institution and in good condition generally.

But the sham could not be covered up always. A false step taken in 1821 revealed its true condition. In a short time it refused specie payments and was later forced into liquidation. Then it was learned that of the \$210,000 capital, the directors had given their notes for over one half or \$108,795. They had borrowed on real estate to an additional amount of \$79,569 and had endorsed paper to the extent of \$37,310, thus owing a total of \$285,869, an excess over the capital of \$75,869. The

(1) The statements concerning the condition of the bank are found as follows: for 1818, Missouri Gazette, Nov. 6, 1818; for 1819, House Executive Doc. 25th. Cong. 2nd. Sess. #79, p. 842-3; for 1820, Missouri Intelligencer, Sept. 30, 1820. The figures concerning its condition in 1821 are from Niles' Register, vol. 21, p. 38, Sept. 15, 1821.

bank then had notes in circulation to the amount of \$84,301, and had on deposit only \$152,407. Niles' Register speaks of the affair as a "blow-up" and the name was certainly not **inappropriate**.

ST. LOUIS EXCHANGE BANK. It is worth noticing in passing that St. Louis had other institutions that did more or less of a banking business other than the two banks which we have been describing. Chief among these institutions was S.R. Wiggins' "St. Louis Exchange and Land Office", which was opened in January 1818. In his announcement, printed in the Missouri Gazette for Jan. 9, 1818 Wiggins announced that he would "purchase and sell Houses and Land, United States Stock, Bank Stock of Either Territories (Illinois or Missouri) Bills of Exchange, Notes of hand, if negotiable, New Madrid Claims, Pre-emption rights &c. &c. &c. Also uncurrent Bank Bills (if of Chartered Banks) such as are not received in the Banks of this Town, or the several land offices adjacent, on any Bank in the union will be purchased on the most moderate terms. . . . Persons wishing small bills (for CHANGE) issued from this office can obtain the same if

paid for in specie, Missouri or St. Louis Bills only."

We have already seen that its notes were current in
 (1)
 1818 and that they were received at par in St. Louis in
 (2)
 1819. It is probable that other institutions of a similar nature existed, but we have no direct allusion to them. The legislature in 1820 passed an act to prevent
 (3)
 the circulation of the notes of such institutions.

SUMMARY. During this period Missouri grew from a territory composed of sleepy village communities of French and scattered rural settlements of Americans into a prosperous and progressive commonwealth. At the instigation of her leading citizens two banks were established to assist in the commercial development of the territory. The charters of these two institutions were as conservative as could have been expected. They were inadequate in that they failed to make proper provision for the examination and publicity of the bank's accounts. The banks conducted themselves after the prevailing fashion

(1) Cf. ante, p. 58.

(2) Cf. ante, p. 90.

(3) "An act to prevent the circulation of private Bank Notes". Approved, Dec. 12, 1820. Territorial Laws of Missouri, vol. i, p. 713.



in other states. They encouraged speculation by furnishing money to individuals who should have been denied its use. Reverses came and the banks, along with hundreds of their kind in other states, were swept off their feet bringing ruin and misfortune to many.

But the people of Missouri had gained some valuable experience; this they did not soon forget. So inflamed was the popular mind that for sixteen years all efforts to secure the establishment of another bank by the state were futile. When a bank was finally chartered it was hedged in by all manner of restrictions.