

Chartering the Kirtland Bank

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Dale W. Adams

Introduction

Few events have rocked the LDS Church more severely than the failure of the Kirtland Bank in 1837. In less than a year the acrimony caused by this affair split Church leadership and fragmented the Mormon community in Kirtland. Explanations for the bank's collapse range from condemning to absolving those involved; critics often charge speculation and fraud, while apologists stress prudence and events beyond the control of honorable men. In a recent study Hill, Rooker, and Wimmer shed considerable light on events surrounding the failure of the bank.¹ They correctly conclude that the lack of a state bank charter was the key factor leading to the quick demise of the bank and to much of the bitterness that followed.² In this article I explore the bank founders' attempt to obtain a charter and the reasons they were rebuffed in their efforts.

Background

Other writers have covered extensively many of the events surrounding the Kirtland Bank.³ A brief synopsis of the bank's history is useful, nevertheless, to provide a basis for the discussion which follows.

The period 1830–36 was a heady time for Mormons. Scriptures were written, revelations were received, missionaries were very active, a rapid expansion in Church membership occurred, newspapers were issued, farms were purchased, and various commercial businesses started. The completion of the Kirtland Temple in March 1836, was a high point in the expansion of Church activities. As might be expected, this growth involved costs. Expenses associated with temple construction, land purchases, business acquisitions, missionary efforts, and help to poor converts who migrated to Kirtland placed a heavy strain on the intertwined financial affairs of the Church and Joseph Smith, Jr. Although estimates of the outstanding debt jointly owed in late 1836 by Joseph Smith and the Church vary, most observers agree the debts were substantial.⁴ The value of jointly owned assets such as land, building, and business inventories almost certainly exceeded the total value of debts at the time the loans were made, but the debts were very short term. As was common at the time, almost all of the loans were due in less than 180 days and many in less than half that time.⁵ Since a very large proportion of the jointly owned assets were not

liquid, because they were in land and buildings, these short-term debts were extremely difficult to manage. During 1836 and early 1837 the Church and Joseph Smith faced continual cash flow shortages. In late December and early January alone they had notes coming due that amounted to more than \$7,000. The desire to start a bank was almost certainly heightened by these pressures.

It is not clear when the idea of forming a bank first emerged. It might have surfaced in early January 1836 when Oliver Cowdery attended a Democratic Party Convention in the state capital, Columbus.⁶ While there, he met several times with the auditor of state, John A. Bryan. The post-master position in Kirtland might have been the main topic of these discussions, but because Bryan's office had close contact with the banking community in Ohio, it is possible that the bank charter issue was also raised. Since Bryan was a member of the anti-bank branch of the Democratic Party, it is unlikely that Oliver Cowdery received encouragement from him on the possibilities of getting a bank charter.

The first recorded activity concerning starting a bank is in early August 1836 when Oliver Cowdery visited a firm in New York City to discuss acquisition of bank notes.⁷ During this visit, he may have arranged a line of credit, through a New York branch, with a firm in Philadelphia that later printed the Kirtland Bank script: Underwood, Bald, Spencer and Huff. A safe purchased by Joseph Smith in mid-October 1836 also was probably intended for bank use.⁸ The bank's stock ledger book shows that the first installment payments for some of the bank stock may have been made 18 October 1836.⁹ On 2 November 1836 a meeting was held in which a constitution was drawn up for the establishment of the Kirtland Safety Society Bank.¹⁰ At that meeting, Sidney Rigdon was elected president and Joseph Smith, Jr., cashier. Sometime after this meeting, Oliver Cowdery was dispatched to Philadelphia to obtain plates for printing script for the new bank, and Orson Hyde left for the state capital to petition the Thirty-fifth General Assembly for a bank charter.

Both Oliver Cowdery and Orson Hyde were reported to have arrived back in Kirtland on Sunday, 1 January 1837.¹¹ Oliver had plates for new script and a batch of freshly printed bills, but Orson Hyde came back empty handed. The organizers of the bank held a meeting the next day at which the previous bank constitution was annulled and then slightly altered to form corporation articles of agreement for a joint-stock association called the Kirtland Safety Society Anti-Banking Company.¹² The new association began to issue and distribute bills almost immediately. Since some of the bills were dated as early as 4 January, a Wednesday, it is likely the bank officially opened on 9 January 1837. Hill, Rooker, and Wimmer estimate that new bills with a face value of something less than \$16,000

were issued in January, mostly in \$1, \$2, and \$3 denominations.¹³ Almost immediately, questions were raised about the legality of the bank and its notes.¹⁴ Conforming to Gresham's law, the suspect script of the Kirtland Bank quickly replaces stronger script and coins in the Kirtland area. Only two weeks after the bank's opening, the bank officials were forced to refuse to exchange its script for coin and instead offered land held by the Mormon community. Very quickly the Kirtland Bank bills began to exchange at very sizable discounts from their face value. By 1 February they were being exchanged at only 12½ cents on the dollar.¹⁵

A month after the bank opened a writ was sworn out against Joseph Smith, Jr., and Sidney Rigdon by Samuel D. Rounds, a front man for Grandison Newell.¹⁶ The writ accused the two Mormon leaders of illegal banking and issuing unauthorized bank paper. A hearing on 24 March 1837 postponed the trial on this case until the fall session of the court. At the jury trial in October 1837, Joseph Smith and Sidney Rigdon were found guilty and fined \$1,000 each plus some court costs, a fine they appealed.¹⁷ A flurry of law suits, charges, countercharges, arrests, and threats of arrests swirled around the founders of the bank from March through December. The storm abated only when many of the founders of the bank and principal Church leaders fled Kirtland in 1837 and 1838.

The First Attempt to Charter

In the early 1800s a number of firms in Ohio issued money-like script. The first bank charter in Ohio was granted to the Bank of Marietta in February 1808, and it was not until 27 January 1816 that the state legislature passed a law prohibiting the issue and circulation of unauthorized money.¹⁸ But, for a number of years, unauthorized money was not clearly defined. Even in the late 1830s some commercial firms with state charters of incorporation interpreted their charters as allowing them to carry out banklike functions.¹⁹ The Granville Alexandrian Society Bank, for example, operated as a bank off and on from 1814 to 1841 under an act incorporating a library society.²⁰ In several of these years this "bank" paid state taxes levied on all banks in Ohio. Another example of a quasi bank was the Ohio Railroad Company, which was incorporated by the state legislature in 1836.²¹ Located near Cleveland, this company interpreted its charter as allowing it to issue and circulate script. It started to do at about the same time as the Kirtland Bank. Over a period of just a few months, it issued almost \$100,000 face value in script.

It appears that commercial firms were encouraged to conduct banklike business, even without state bank charters, by Whigs and people in the soft-money wing of the Democratic Party. Uniform opposition to these

quasi banks did not appear until after most banking establishments in Ohio encountered serious financial problems as a result of the economic turmoil that began in 1873.²²

In the mid-1830s the procedure in Ohio for getting a bank charter, a corporate charter, a church charter, and even a divorce was through passage of a bill by the Ohio General Assembly. Many of the bank bills originated in the House, but senators occasionally directly introduced bank proposals through bills or amendments. In most cases the bank bills were sponsored by legislators representing the county in which the new bank was to be located. Almost all of twenty-two House proposals for new bank charters submitted to the Thirty-fifth General Assembly in 1836–37, for example, were introduced by legislators living in or near the towns where the banks were to be established.²³ This also appears to have been the custom in the Senate.

Other things being equal, Oliver Cowdery, because of his involvement in Democratic Party politics and the contacts that he had likely made earlier in Columbus, was a more logical choice than Orson Hyde to carry out the political mission of procuring a bank charter. It may have been imperative, however, that Oliver be sent for the script and plates because of credit arrangements he had made earlier with the printer in Philadelphia. The political setting was probably critical in Hyde's selection and in his ultimate failure. In the elections of 1836 the Township of Kirtland, where many of the Mormons lived and voted, was an island of Democrats in a sea of Whigs. In the presidential elections of November 1836, Kirtland Township gave 396 votes to the Democratic candidate, Van Buren, and only 116 votes to the Whig candidate, Harrison.²⁴ Kirtland was the only township in Geauga County to give the Democrat, Van Buren, a majority vote. Overall, the county voted 3,274 to 1,487 for Harrison. All three legislators representing Geauga county in the Thirty-fifth General Assembly in 1836–87 were Whigs: Representatives Seabury Ford (later governor of Ohio) and Timothy Rockwell, and Senator Ralph Granger.

Orson Hyde was likely chosen to carry the application for a bank charter to Columbus because he was a Whig.²⁵ It is also possible that he knew one or more of the three legislators, as he had traveled widely in the county as part of his ministerial work prior to becoming a Mormon. He probably met Representative Ford while attending Burton Academy in Ford's hometown of Burton in 1828–29. Knowing any or all of these legislators would have been important to the Mormons' suit. The support of these three critical legislators for the petition was likely viewed as a key step in getting a charter.

In his diary, Wilford Woodruff reports that Orson Hyde was still in Kirtland on 27 November 1836.²⁶ He probably left for Columbus shortly

before the Thirty-fifth General Assembly opened on 5 December 1836. He may have gone in style, since he was on bank business, by riding the stage to Columbus, which took a day and a half from the Kirtland-Cleveland area. There was little need for him to arrive early since Columbus in 1836 was not much larger than Kirtland. Legislators probably arrived only a day or so before the assembly opened, and only one Mormon, Cyprian Rudd, is known to have been living in Columbus at the time.

One of Hyde's first orders of business must have been to contact Ford, Rockwell, Granger, and any other legislators whom he knew to see if he could find a sponsor for a bill to charter the bank. He must have met with cold shoulders from Representatives Ford and Rockwell, since neither of them submitted a bill for the Kirtland Bank. It is also obvious that Senator Ralph Granger did not react sympathetically, since he later voted against a Kirtland Bank proposal. Since Orson Hyde could find no sponsor, he must have been virtually certain of rejection of the first application for a bank charter when he returned to Kirtland in late December.

Joseph Smith's explanation for the lack of a charter—"Because we were 'Mormons' the legislature . . . refused to grant us those banking privileges they so freely granted to others"²⁷—may have been only partly self-serving. It is likely that Orson Hyde got a very frosty reception from Ford, Rockwell, and Granger. They may even have told him that under no circumstances would they support a charter for the "Mormon Bank" in Kirtland. Two reasons could have been behind the reaction. First, three Whig representatives could not have been enthusiastic about promoting a bank for Democrats in Kirtland. Even more importantly, all three of these Geauga legislators had close contacts with the rabid Mormon hater, Grandison Newell, who almost single-handedly drove the Mormons out of Kirtland. Both Rockwell and Granger were involved with Newell in building a railroad from Fairport to Wellsville, Ohio.²⁸ Rockwell later was also a trustee of the Western Reserve Teaching Seminary, which used the Kirtland Temple after Newell wrested ownership of the building from the Church. Newell was also an active member of the Geauga Agriculture Society along with Granger and Ford.²⁹ If Newell's attitudes toward the Mormons were communicable, it is difficult visualizing a warm reception from any of these three individuals for a Mormon proposal.

Another reason Orson Hyde had little chance to obtain a bank charter lay in national party politics.³⁰ For a number of years the mainstream of the Democratic Party, under Jackson's leadership, was strongly anti-bank. At the national level, the efforts to eliminate the Bank of the United States as a national bank captured most of the headlines. The refusal of Andrew Jackson in 1833 to renew the bank's charter when it expired in 1836 was the focal point of these efforts. Strong anti-bank feelings were also held by

many Democrats at the state level. This was expressed in refusals to grant new bank charters as well as in various forms of legislation aimed at controlling and restricting the operation of banks already in existence. This anti-bank position of the Democrats was due to party politics. The Whigs tended to represent the well-established business interests including banks, while the Democrats were strongly supported by the frontier settlers and new business interests.

The anti-bank policy of the Democratic Party became pluralistic at state levels. In the Thirty-third General Assembly of Ohio, which met in 1833–34, Democrats controlled both the Senate and the House, with majorities of four in the Senate and twenty-two in the House. In that Session, thirty petitions for new banks were reviewed by the assembly, ten new bank charters were authorized, and two previously operating banks were revived. The Ohio Democrats' pro-bank actions in the Thirty-third Assembly were at least partly to offset the pending demise of the Bank of the United States, which provided substantial financial services in Ohio. It also appears that Ohio Democrats may have been less well steeped in the anti-bank litany in 1833–34 than they were in subsequent years.

In the Thirty-fourth General Assembly, which met in 1835–36, the Democrats again held similar majorities in both the House and the Senate, and a Democratic governor, Robert Lucas, was in office. A large number of bills for new bank charters were submitted to the assembly, but only one very special case was approved.³¹ Much of the assembly's efforts in this session revolved around a border dispute between Ohio and Michigan. The assembly also passed legislation aimed at restricting the circulation of bank notes of less than \$5 in denomination. The actions of the Ohio Democrats in the Thirty-fourth Assembly appear to have been largely in tune with the national Democratic Party policy.

However, as Democrats are wont to do, they were divided in the Ohio Party in 1836, mainly over banking issues. Hard-money Democrats, those supporting the Jacksonian view of banks, held party power in many areas of the state. Soft-money Democrats, however, strongly supported by the Kirtland Mormons, controlled party power in Geauga County. This heated division in the Democratic Party contributed to Ohio's vote going to the Whig, Harrison, in the presidential election of 1836. A Whig governor, Joseph Vance, was elected, and the Democratic majorities in both the Ohio House and Senate were cut.

The increased power of the pro-bank Whig Party in Ohio in the elections of 1836, the pro-bank attitude taken by the soft-money wing of the Democratic Party in Ohio, and the growing strength of this wing of the party in the area of the state surrounding Kirtland may have raised false hopes among Kirtland Bank promoters that the Thirty-fifth General Assembly would be lenient in granting bank charters.

Intense conflict between Whigs and Democrats in the early days of the Thirty-fifth Assembly was a further reason why Orson Hyde failed in his bank charter mission. For almost six weeks after the opening of the Thirty-fifth Assembly, the minority Whigs blocked the election in the assembly of a U.S. senator to represent Ohio. The Whigs essentially went on strike until 18 January 1837 when they finally relented and a Democrat, William Allen, was elected to fill the Senate position. After this, the assembly began to handle routine matters like processing new bank charter applications. The report of the Senate Banking Committee came to the Senate floor five weeks after the Kirtland Anti-Bank began to issue money.

Prudence or Panic

The very short period of time between Orson Hyde and Oliver Cowdery's return to Kirtland and the opening of the bank says much about the financial pressures faced by the founders. As Hill, Rooker, and Wimmer suggest, the founders may have been prudent in attempting to form a bank to service the financial needs of their thriving community, but the pell-mell actions associated with opening of the bank after Hyde's cold reception in Columbus shows more panic than prudence. Orson Hyde returns on a Sunday, the anti-bank is formed on Monday, bills for circulation are signed on Wednesday, and the "bank" opens for business on the following Monday—these show how pressing the short-term debts must have been. Unless Orson Hyde returned to Kirtland before 1 January 1838, it is unlikely that the founders of the bank had time to seek significant legal counsel from friendly and informed lawyers like Benjamin Bissell in Painesville before they formed the new Anti-Bank Company on 2 January.

A further indication of rush is indicated by the bills issued. Despite the change in the organization's name to an anti-bank, only a few of the bills issued were over stamped with the new name. It is also interesting that Frederick G. Williams signed part of the notes as secretary pro-tem in place of Sidney Rigdon, who was president under the original bank proposal and secretary of the Anti-Banking Company. Did Frederick G. Williams try to help Sidney Rigdon and Joseph Smith get the bills out quickly? The fact that Sidney Rigdon and the Prophet sometimes switched their signatures to the cashier and president space on the bills also hints that bills were signed in a rush.

In the 1830s, few people in the United States understood how a bank worked. Firsthand reports coming out of the Mormon community in 1836–37, suggest that participants in the bank affair shared this ignorance. This is well illustrated by a story about Brigham Young's reactions to the bank. Brigham was reported to have deposited marked script in the bank and was shocked several days later to receive one of his marked notes as

part of a commercial transaction.³² He apparently thought that banks simply stored deposits and that because “his” notes were circulating, something dishonest was going on in the bank. If a careful businessman like Brigham held these views, others in the community must have been even less well informed.

It also appears that the founders of the bank felt their new script had intrinsic value.³³ In reality, the script was more like a personal check than money. That is, its value depended on the ability of the recipient of the script to convert it into coins which could, in turn, be converted into real goods, or to directly convert the scripts into real goods. The founders of the bank did not realize that because Oliver Cowdery arrived with pieces of paper with dollar signs and numbers on them which summed to \$150,000 this did not add one penny to Kirtland’s wealth. Money is valuable only if people trust its value. The absence of trust in the Kirtland Bank script, caused by the lack of a charter, quickly became apparent.

If, as suggested by Hill, Rooker, and Wimmer, the Kirtland Bank issued bills with only \$16,000 face value in script during January 1837, it probably had sufficient liquid resources at its disposal, under normal circumstances, to operate. On 2 January 1837, Joseph Smith signed a forty-five-day note with the Bank of Geauga for about \$3,000.³⁴ This, plus the payment for bank stock made from October through January 1837, possibly provided the founders of the bank with \$9,000 in goods, specie or strong currency. Warren Parrish claimed that \$6,000 in specie was collected.³⁵ The amount of so-called liquid assets available to the bank is hard to document. Part or all of the money obtained from the Geauga Bank loan may have been quickly used to pay other pressing debts. Also, it is not clear how much of the installment payment for bank share was made in coin or strong currency and how much was in kind. At least some of the payment may have been made in kind. In an appendix to their study, Hill, Rooker, and Wimmer report that twenty-five of the nearly 2000 investors in the bank each paid an odd amount of \$5.25.³⁶ This suggests that these twenty-five purchases may have been made with similar amounts of physical goods like five bushels of wheat. If Hill, Rooker, and Wimmer’s estimation of money issued and money collected is correct, a significant part of the money or goods brought in for stock purchases likely was used quickly, directly or indirectly, to pay outstanding debts. Otherwise, bank officials would have had sufficient liquidity to weather more than a couple of weeks of operations.

Second Attempt to Charter

The founders of the bank must have known they were skating on very thin legal ice when they began to issue script without either a state bank charter or at least a corporate charter that might be loosely interpreted as

authorizing circulation of company debt notes. No mention is made of any attempt to obtain a nonbank corporate charter for the Anti-Bank Company. It may have been that the founders faintly hoped to restrict the circulation of the script mainly to the Mormon community until a bank charter could be extracted from the state assembly. The founders must have been encouraged by someone they trusted, to think that a bank charter might be obtained. This encouragement may have come from the Democratic Party leaders in the Geauga area. Their help probably resulted in a Kirtland Bank Charter proposal which came up in the Ohio senate on 10 February 1837.

There are several pieces of evidence that suggest this proposal was not the one earlier carried to Columbus by Orson Hyde. First, both the constitution for the Kirtland Safety Society Bank and the specified a capital stock of up to \$4 million. While in Columbus, Orson Hyde must have realized that \$4 million in stock was far too large an amount to request. Most new banks in Ohio were authorized only up to \$100,000 in capital stock. The largest financial institution in the state, located in Cincinnati, was authorized to issue capital stock only up to \$2 million. The 10 February Kirtland Bank proposal only requested authorization for capital stock of up to \$300,000. While not conclusive, the differences in the amounts of authorized capital stock suggest two separate bank charter applications. It appears that the founders of the bank thought a request for a smaller amount of authorized capital stock would make their second application more palatable to the general assembly.

An additional piece of evidence supporting a second charter attempt comes from the diary of Wilford Woodruff. He mentions a meeting held in the Kirtland Temple on 31 January 1837 at which a bank charter was discussed. The timing of the meeting was such that the founders of the bank could have recently learned that the impasse over appointment of a new U.S. senator by the Ohio assembly had been broken on 18 January. The product of the Ohio assembly had been a second Kirtland Bank charter proposal which surfaced during discussion on 10 February 1837 of a Senate banking bill essentially recommending that no new banks be chartered by the Thirty-fifth Assembly. Samuel Medary, Democratic state senator from Clermont County (near Cincinnati) offered an amendment to that bill that would have authorized a charter for the Kirtland Bank.³⁷ The amendment failed with Ralph Granger, state senator from Geauga County, voting against it. Amendments to add twelve other bank charters to the Senate Bank Bill were also submitted at the same time Samuel Medary proposed the Kirtland Bank Amendment.³⁸ Only four of these amendments passed. Ultimately, no new bank was chartered in 1837.

The names attached to this 10 February proposal are a third piece of evidence supporting a second-charter hypothesis. Of the eleven names

mentioned in the amendment submitted by Medary, six were Mormons (J. Smith, Rigdon, Whitney, W. Cowdery, H. Smith, and O. Cowdery). Five were non-Mormons (Adams, Allen, Bissell, Kingsbury, and Sharp). There is no published reference to non-Mormons being associated with the first charter proposal. These non-Mormons were probably added to the petition so the bank would appear to be nonsectarian. The two Smiths, Sidney Rigdon, Newel K. Whitney, and Oliver Cowdery are well known to students of Mormon history. Some background on the other six individuals may help to clarify how and why this bank charter proposal was submitted.

Benjamin Adams was postmaster in Painesville and also leader of the local Democrats. Nehemiah Allen lived in Willoughby, Ohio, was its first postmaster, later served as judge, and was also president of the earlier mentioned, ill-fated Ohio Railroad Company started in 1836. Benjamin Bissell is remembered as Joseph Smith's lawyer. He was a prominent Democratic Party leader in Painesville and later served as both judge and state senator. Horace Kingsbury also lived in Painesville, owned a variety and jewelry store, and served as justice of the peace, mayor, and postmaster. He was also an active Democrat. Warren A. Cowdery was Oliver's older brother. He practiced medicine, was a postmaster at one time, and also served as judge. H. A. Sharp lived in Willoughby, Ohio, was its first mayor, and later was a justice of the peace.

Two common threads connect the individuals on the second Kirtland Bank charter application. The first is politics; it appears that all were active in Democratic Party politics. The other common thread is that all eleven men were prominent individuals in their respective communities. The fact that five prominent non-Mormons would affix their names to the second application for a bank charter lent respectability to the attempts to establish a bank.

Why Samuel Medary?

There is no obvious reason why Samuel Medary, a partisan Democrat and later governor of two states, should go out of his way to help people in Kirtland get a bank charter.³⁹ He represented a county that is about as far away from Kirtland as it is possible to get in Ohio, and he had no known formal affiliation with Mormons. His amendment for the Kirtland Bank must have been based on his soft-money attitude, because of party reasons, or based on personal relationships he may have had with some promoters of the bank.

Samuel Medary was a supporter of the soft-money Democrats and may have sponsored the amendment on general principles. It is also likely that he did it to show appreciation and support for the soft-money Democrats, especially those in Kirtland who were living in the Western Reserve.

Also, he may have felt some personal obligation to Benjamin Adams, Benjamin Bissell, or Oliver Cowdery. Both Benjamin Adams and Oliver Cowdery likely met Samuel Medary in the Democratic Convention held in Columbus in January 1836. Samuel Medary and Oliver Cowdery also had mutual interest, both being editors of papers. The most plausible connection was through Benjamin Adams.⁴⁰ It may have been that Benjamin Adams and the other soft-money Democrats involved in the application imposed on Medary as a political favor to submit the amendment. The non-Mormons may have been trying to bail out in early February 1837 their fellow Democrats who just happened to be Mormons.

Conclusions

Even with a charter the Kirtland Bank likely would have failed during the economic turmoil of 1837–42. At best, a charter would have allowed the bank to survive a few months longer, to close without raising a flurry of law suits and apostasy, and to be known by posterity as a simple business failure rather than as a shady venture. It is also clear that, with or without the bank, the economic turmoil that began in 1837 would have wrecked the Mormon community in Kirtland because of its highly levered position and the extremely short-term nature of its debts. Grandison Newell, Eber Howe, and other passionate enemies of the Church would have used this, plus other excuses, to purge the Mormons from their communities. Painful as it was, the bank affair probably did little to alter the course of Mormon history.

Several useful lessons can be drawn from this bank fiasco. First, we should not expect perfection in religious leaders. They may be well versed in scriptures and ethics yet make economic decisions that are less than prudent. Scriptures are a particularly poor source of guidance on how to set up viable financial institutions, and religious leaders are not (and probably should not be) noted for being shrewd money managers.

Second, it seems clear that too much time has been spent evaluating the individuals involved in the Kirtland Bank and trying to absolve them of blame, or to ascribe some moral defect to them because of the bank's failure. Thousands of firms and individuals in Ohio were unable to meet their debt obligations in the late 1830s and early 1840s. A number of the banks in Ohio and virtually all of the banks in Michigan failed in the late 1830s.⁴¹ The fact that founders of the Kirtland Bank repaid the bulk of their debts shows their intentions were honorable, even if their banking activities were based on panic and false hopes.

Third, the most important lesson to be drawn from this affair is that the attempts to open a bank in Kirtland were not isolated events. They were the result of tremendous financial pressures that were building all along the American frontier. Answers to questions like the following are

necessary to understand clearly this process: Why were hundreds of communities along the frontier trying to form banks and expand their money supplies in the late 1830s? Why did bank charters receive such intense political concern? Why did numerous firms issue money like script without bank charters during this period? Why did financial markets fail to provide a significant amount of medium- and long-term credits when large amounts of such loans were needed to buy land?

Answers to these questions will not come from further analysis of individuals. One must look for answers through study of defects in the U.S. financial system. Some students of the Kirtland Bank fiasco have assumed that the 1830s were a wild period of speculation in Ohio when foolish people paid foolish prices for land, and Shylocks tried to form banks to pass worthless script.⁴² Too often these students have ignored the growth in real economic activities that occurred in this part of the U.S. during the early 1800s. So-called "land speculation" was a way of life for many who settled the frontier. Few other geographic regions in the world have experienced such explosive growth in population, area cultivated, output, transportation systems and commerce as Michigan, Ohio, Kentucky, and Tennessee during this period. Ohio's population, for example, exploded from just 42,000 in 1800 to over 1.5 million in 1840. A very extensive canal, river, and lake system linked Ohio with the outside world by the mid-1830s. Because the role of money in the development process was poorly understood, national leaders followed policies that seriously curtailed the growth in loans and financial services during the early 1800s. All too often these services were tied to a very limited amount of gold and silver.

Erroneous banking policies caused financial services to expand much more slowly than the growth in real economic activities, retarded the growth process, and forced people to create illegal mediums of exchange to substitute for inefficient barter. Most frontier settlers found it virtually impossible to pay for land, pay taxes, and buy a few necessary goods through barter. Can you imagine most stagecoach riders trying to barter for their ticket with sacks of wheat, pigs or chickens! Ironically, Jackson's attack on the Bank of the United States and the Democrat's hard-money policies damaged his frontier supporters far more than it harmed the Whigs. Missions of poor people in the frontier suffered the same financial fate as the Kirtland Mormons because of the extreme shortage of money and adequate loan services.

Those of us with a half dozen credit cards, overdraft privileges, membership in credit unions, long-term mortgages, and several banks and savings and loan associations within easy walking distance of our homes have a hard time understanding how the lack of financial services can complicate life. The founders of the Kirtland Bank would have avoided their

distress if national and state leaders had allowed financial markets to grow in an orderly manner. One medium-sized, twenty-year mortgage would have solved most of the financial problems faced by these founders.

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1. Marvin S. Hill, C. Keith Rooker, and Larry T. Wimmer, "The Kirtland Economy Revisited: A Market Critique of Sectarian Economics," *Brigham Young University Studies* 17 (Summer 1977).

2. *Ibid.*, p. 435.

3. In addition to Hill, Rooker, and Wimmer, "Kirtland Economy Revisited," see Fawn M. Brodie, *No Man Knows My History: The Life of Joseph Smith, the Mormon Prophet*, 2d ed. (New York: Alfred A. Knopf, 1975); R. Kent Fielding, "The Growth of the Mormon Church in Kirtland, Ohio" (Ph.D. diss., Indiana University, 1957); Max H. Parkin, "Conflict at Kirtland: The Nature and Causes of Internal and External Conflict of the Mormons in Ohio between 1830 and 1838" (M.A. thesis, Kent State University, 1971); and Scott H. Pattridge, "The Failure of the Kirtland Safety Society," *BYU Studies* 12 (Summer 1972): 437–54.

4. Brodie claimed joint debts of over \$150,000, (*No Man Knows My History*, p. 202), while Hill, Rooker, and Wimmer conclude that \$46,000 may be too high an estimate ("Kirtland Economy Revisited," p. 416). With the information that is available, it is impossible to clarify when certain debts were only \$15,000 to \$20,000, the financial pressure would still have been intense. Then the price of a bushel of wheat or the wage for a full day of work by an adult male was only about \$1.00.

5. Hill, Rooker, and Wimmer, "Kirtland Economy Revisited," pp. 420–23.

6. Leonard J. Arrington, "Oliver Cowdery's Kirtland, Ohio Sketch Book," *BYU Studies* 12 (Summer 1972): 414–16.

7. *Messenger and Advocate* 2 (September 1836): 375.

8. Hill, Rooker, and Wimmer, "Kirtland Economy Revisited," p. 462. The safe measured only 25 by 24 by 29 inches. The dimensions of the safe cast a serious shadow on the validity of stories of various apostates cited by Brodie (*No Man Knows My History*, pp. 196–97). They claimed that the shelves of the bank vault were lined with many boxes each marked \$1,000. These many boxes were supposedly filled with sand, lead, old iron, and stone with only a thin layer of coins on top. As will be pointed out later, the founders of the bank probably had enough genuine specie when the bank was opened to fill the several small boxes that might have occupied this very modest safe.

9. D. Paul Sampson and Larry T. Wimmer, "The Kirtland Safety Society: The Stock Ledger Book and the Bank Failure," *BYU Studies* 12 (Summer 1972): 427.

10. *Messenger and Advocate*, Extra, December 1836.

11. Brodie, *No Man Knows My History*, p. 196. I could not confirm this from any other source. It is possible that Orson Hyde returned to northern Ohio before the first of January, since the General Assembly transacted little business between Christmas and New Year's. He may have spent time with his in-laws in Hyrum, Ohio, before returning to Kirtland.

12. *Messenger and Advocate* 3 (January 1837): 441–43.

13. Hill, Rooker, and Wimmer, "Kirtland Economy Revisited," p. 445.
14. For example, *Cleveland Weekly Gazette*, 1 February 1837.
15. Brodie, *No Man Knows My History*, p. 198.
16. *Ibid.* Grandison Newell claimed to have spent \$1,000 in court actions against the Mormons during 1837, and in addition gave Samuel Rounds \$100 for his trouble (see unpublished manuscript by Mrs. Mary Newell, "Thomas Newell and His Decendants," dated 1878, on file in the Lake County Historical Library, Mentor, Ohio).
17. See Court of Common Pleas, *Record Book U*, Geauga County, Ohio, pp. 353 ff.
18. Charles Clifford Huntington, *A History of Banking and Currency in Ohio before the Civil War* (Columbus, Ohio: Ohio Archaeological and Historical Publications, 1915).
19. One reference that discusses legal script in Ohio is Rowland H. Rerick, *State Centennial History of Ohio* (Madison, Wis.: Northwestern Historical Association, 1902), p. 273. He cites a state auditor's report dated 1843 that said nine concerns in Ohio were engaged in illegal money circulation.
20. Henry Busnell, *The History of Granville, Licking County, Ohio* (Columbus, Ohio: Hann and Adair, 1889), pp. 285–86; see also *Report of the Auditor [of Ohio] to the Thirty-sixth General Assembly*, Doc. No. 30, 1838, pp. 56–57.
21. *Special Report of the Auditor of State [of Ohio]: Railroad Companies*, Pub. Doc. No. 44, 5 January 1843, p. 17–40.
22. *Ibid.*
23. General Assemble of Ohio, *Journal of the House of Representatives of the State of Ohio, Thirty-fifth Assembly*, and *Journal of the Senate of the State of Ohio, Thirty-fifth General Assembly*, 1836–37 printed in 1837, pp. 360–66.
24. *Painseville, Ohio Republican* 24 November 1836.
25. Marvin S. Hill, "An Historical Study of the Life of Orson Hyde, Early Mormon Missionary and Apostle from 1805–1852" (M.A. thesis, Brigham Young University, August 1955), p. 106.
26. Dean C. Jessee, "The Kirtland Diary of Wilford Woodruff," *BYU Studies* 12 (Summer 1972): 372.
27. Joseph Smith, Jr., *History of the Church of Jesus Christ of Latter-day Saints*, ed. B. H. Roberts, 2d ed. rev., 7 vols. (Salt Lake City: Deseret Book Co., 1974), p. 468.
28. Elizabeth G. Hitchcock, "Grandison Newell, a Born Trader," *Historical Society Quarterly*, Lake County, Ohio, 10 (May 1968): 3; Lake County Historical Society, *Here Is Lake County, Ohio* (Cleveland: Howard Allen Publishers, 1964), pp. 78–79.
29. *History of Geauga and Lake Counties* (Philadelphia: William Brothers, 1878), pp. 39, 41.
30. For an excellent discussion of these political issues, see Bray Hammond, *Banks and Politics in America: From the Revolution to the Civil War* (Princeton, N.J.: Princeton University Press, 1957).
31. This was the Bank of Manhatten (near Toledo), organized under an Ohio charter by the Thirty-fifth Assembly in 1836–37 (*No Man Knows My History*, p. 196).
32. Andrew Jackson, *Historical Record* (Salt Lake City: Published by author, 1888), 5:433–34.
33. Long after the bank failed, the script did take on intrinsic value as a collector's item (for example, see Mary Audentia Smith Anderson, ed., *Joseph Smith III and the Restoration* [Independence, Mo.: Herald House, 1952], p. 304). Here Joseph Smith III reports that he tried to buy a \$10 Kirtland Bank note in the late 1800s from a station-master in Kirtland who claimed the money was part of a swindle. The owner of the bill refused to sell it for its face value, thus admitting that its intrinsic value at that time was in excess of \$10.

34. Hill, Rooker, and Wimmer, "Kirtland Economy Revisited," p. 42.

35. Hill, Rooker, and Wimmer report that almost \$19,000 was paid for stock through January 1837 (*Ibid.*, p. 454).

36. *Ibid.*, pp. 466–70.

37. Ohio General Assembly, *Journal of the Senate of the State of Ohio*, Thirty-fifth General Assembly, 1836–37, pp. 360–66.

38. Samuel Medary voted *yes* on eleven of these amendments and *no* on two. Ralph Granger voted *yes* on three of these, *no* on seven, and did not vote on three other amendments. (*Ibid.*)

39. For more detail on Samuel Medary, see Helen P. Dorn, "Samuel Medary—Journalist and Politician, 1801–1864," *Ohio State Archaeological and Historical Quarterly* 53 (1944): 14–38.

40. Whoever prepared the petition for the second chartering attempt may have made several errors in spelling names of people included on the petition. Benjamin Bissell's name was spelled with only one *l*. Newl Whitney's initial was given as *R* rather than *K*, and both Cowdreys had their names spelled without an *e*. While these may have been printing errors, I suspect they indicate that someone like Benjamin Adams drew up the petition. (Ohio General Assembly, *Journal of the Senate of Ohio*, p. 365.)

41. Lynn M. Woofter, "Ohio in the Panic of 1837" (M.A. thesis, the Ohio State University, 1940).

42. Hill, Rooker, and Wimmer make the important point that most of the increase in land values in the Kirtland area during the 1830s can be explained by the increase in population in the area ("Kirtland Economy Revisited," pp. 404–5).