

### THE INTERNAL IMPROVEMENT SYSTEM OF INDIANA.

INDIANA'S great scheme for internal improvement which went into active operation with the famous internal improvement law of 1836, has, so far as our published histories show, never received more than superficial consideration. A thorough study of it, of the spirit that begot it and the lessons taught by its economic fallacies would, indeed, make a chapter of some magnitude, and an inviting field still remains open for some ambitious scholar to gather the substance and meaning of it into an elaborate thesis. Thus far, Elbert Jay Benton, in his "Wabash Trade Route," which has been cited in our previous article, has, perhaps, got the most out of it. This brief study claims to be little more than an outline, which may be of interest in connection with other articles of our series.

The internal improvement movement, as taken up by the State, can be better understood when we remember that it was but part of a more general one that swept over the country, and which had been gathering force for years. The situation in the United States was, perhaps, analagous to none other in the world at that day—a vast interior, still new and in the rough, predestined by climate, soil and natural resources to high development, and occupied by a race of boundless energy thoroughly bent upon progress. Almost with the founding of the nation the needs of transportation and the desirableness of facilitating it by government aid was agitated; and as population spread, forming sections, the needs became more imperative, both commercially and politically. There was a strong advocacy of federal aid. In 1806 the Cumberland or National road, to penetrate the West, was projected, and a year or two later Albert Gallatin, as Secretary of the Treasury, laid before Congress an elaborate scheme for federal works, consisting of roads, canals and river improvements. His suggestions were not carried out, but the fact that he had been instructed to prepare a report on the subject was significant.

But such aid as the general government rendered was insig-

nificant compared with the growing needs of the country; private enterprise likewise failed to keep pace with those needs, and the idea of State paternalism naturally grew up as the most promising means to the desired end.

As early as 1812 the legislature of New York voted five millions of dollars toward a canal to connect the waters of the Hudson and the lakes, and though the war with England, following soon after, put a quietus upon the proceeding for the time, a few years later saw the completion of the great Erie canal, to serve thereafter as an object lesson to other States. About the same period Pennsylvania appropriated many thousands of dollars toward various improvements; Virginia and North Carolina, alarmed by wholesale emigration from their borders to the valleys of the Ohio and Tennessee, attributed it to their insufficient transportation facilities, and sought to remedy it by State aid, and these were but the earlier steps in a movement which took possession of the country at large. Turnpikes, canals, navigable rivers, and a little later, railroads were things that people must have, and whatever promised to bring them made a strong bid for popular favor.

In the light of this prevailing and growing idea, then, it is not suprising that the citizens of Indiana, concerned to desperation by the difficulties of their situation, should have fallen in with the notion, and, beguiled by specious arguments, launched into a rash undertaking that afterward threatened to be the State's undoing. The sentiment within the State that culminated in the Act of 1836, with its reckless appropriation, was a growth. "For a period of more than ten years the expediency of providing by law for the commencement of a State system of public works had been discussed before the people of the State by governors, legislators and distinguished private citizens."\* In his message of December 8, 1835, Governor Noble said: "The first steps in most of the important works undertaken have met with opposition from those who entertain fears of taxation, bankruptcy and ruin, but of all the public works in other States there are none that have been abandoned, or that have proved burdensome or unpopular with the people, even under the highest rate of taxation: on the contrary they have uniformly become

\*Dillon p. 569.

sources of wealth and comfort, monuments of public spirit and enterprise, and objects of just pride and exaltation with the people. These triumphant successes have settled the question as to the practicability and utility of public works, and, encouraged by these examples, our citizens have manifested their willingness to enter with spirit upon a system that will contribute not less to their own prosperity than to the credit of the State."

The messages and addresses of Governors Hendricks, Ray and Noble (1822 to 1834) urged public works—the improvement of rivers and the construction of roads and canals. The financial success of such works in other States, particularly the Erie canal, in New York—where, according to the statement of Governor Marcy, of said State, the revenue from the canal would, within three years, more than pay off its cost—was often quoted. Ohio's canal system, also, had paid well, and facts and figures to prove the safeness of such investment were abundant. In a word, what the people needed the people would use when provided with it, and the returns from the tolls would take care of the necessary debt.

With the agitation public sentiment became educated to the idea, as is evidenced by the part the question came to play in politics. It became an issue in support of which politicians arrayed themselves, and not a few, among them James B. Ray, Governor from 1825 to 1831, may be said to have ridden into power on this wave.

In view of all the circumstances, the State, though it did the unwise thing, as the sequence proved, yet acted slowly, and not without prudence. The bill committing the State to the public works did not make its way through the legislature until preliminary surveys had been made, information made public and the will of the people determined by the ballot. "In 1836 the financial affairs of the country seemed to be in sound condition, and the minds of the people of Indiana were fully prepared to regard with favor the commencement of an extensive system of State internal improvements."\* It was only a question of time till this tide must have its way and it issued eventually in an elaborate law of forty-four sections, providing for a system

\*Dillon, p. 571.

of turnpikes, canals and railroads that should practically touch and benefit all sections of the State. These were to comprise:

1. The Whitewater Canal, extending from the National Road down the valley of the Whitewater river to Lawrenceburg on the Ohio and "above the National Road as far as may be practicable;" also a connection by canal or railroad between the Whitewater and Central canals.

2. The Central Canal, to connect the Wabash Canal above Logansport with the Ohio at Evansville, running by way of Muncietown and Indianapolis and down the White river valley.

3. The extension of the Wabash Canal (which under federal encouragement had been under course of construction for four years) from the Tippecanoe river down the Wabash valley to Terre Haute, and thence, by a practicable route, to connect with the Central.

4. A railroad from Madison through Columbus, Indianapolis and Crawfordsville, to Lafayette.

5. A macadamized turnpike road from New Albany to Vincennes by way of Greenville, Paoli, Mount Pleasant and Washington.

6. A railroad, if practicable, and if not a macadamized road, from Jeffersonville and New Albany to Crawfordsville by way of Salem, Bedford, Bloomington and Greencastle.

7. The removal of obstructions to navigation from the channel of the Wabash between its mouth and the town of Vincennes.

The total length of these roads and canals has been given as more than 1200 miles.\* The appropriations specified in the act was \$8,000,000, and the actual loan authorized on the credit of the State was \$10,000,000.

An eighth provision authorized a survey and estimate of a canal if practicable, if not, of a railroad, from the Wabash canal at or near Ft. Wayne, to Lake Michigan at or near Michigan City, by way of Goshen, South Bend, and, if practicable, Laporte. The State pledged itself to construct this work within ten years.

The machinery essential to so great an undertaking was organized, a Board of Internal Improvements was created, expert engineers were secured, and a large army of workers put into

\*W. H. Smith, *History of Indiana*.

the field. Through these experts and laborers the borrowed money found its way into circulation; prosperity instead of hard times "stared people in the face" and most of the people were more than satisfied. It was believed that the revenues from the public works would fill the State treasury and simply do away with taxation, and the dream of opulent times snuffed out the enforced prudence of the normal business world and begot a burning fever for more gain. "A period of wild speculation ensued. Those who owned one farm bought others, and those who owned none went into debt and purchased one."\*

But though the improvement bill was "hailed by its friends as the dawning of a new era in the history of our legislation, essential to the prosperity of our people, and highly creditable to the character of Indiana,"† there was a minority who saw breakers ahead, and even among its ardent supporters there was not lacking those whose foresight and sagacity begot premonitions, as is shown by this excerpt from Governor Noble's message of December 5, 1836 (House Journal, 1836, p. 19): "There must," he says, "be foresight and stability in our legislation so as to continue and increase the confidence of the people at home, and maintain the just credit of the State abroad. Until our success is complete our duties will not terminate, and whilst indulging our fancies with the prospect of a bright future, it should not be forgotten that during the progress of every public work like ours there has been a financial pressure from which we can claim no exemption. An overflowing prosperity will follow profuse disbursements of the public funds. With its current we will all be swept along, and, seduced by the times, we will live high, purchase freely, contract debts and plunge into other extravagances at which our present notions of economy would revolt. And when these disbursements are reduced, when the heaviest demands are made upon us for the support of the Treasury, we shall have parted with the means placed in our hands. Such a state of things will hardly fail to bring upon us a pressure, and when the dark period arrives, there may be some so forgetful of its past benefits as to complain of the system."

\*Smith, v. I, p. 280.

†Elbert Jay Benton's Wabash Trade Route, p. 54; quoted from *Lafayette Journal and Free Press* of January 29, 1856.

Despite these forebodings, however, the framer of the Message permitted himself to see only a bright and hopeful outcome, and he proceeded to point out the policy whereby there would be thrown into the Treasury each year, not only a sufficient supply for the demands upon it, but a continuous handsome balance that would prepare the State for any crisis.

But time proved the wisdom of the first and not of the second of these predictions. In a word, the sanguine hopes of the friends of the great system were but short-lived, and so swiftly did adversity follow that three years after the public works began they were deliberately abandoned in the midst of construction and after an expenditure of something more than five and a half millions of dollars, for at least one and a half millions of which there was no return. "The State abandoned outright three of its works: The Jeffersonville and Crawfordsville roads, after expending \$339,183.18; the Lafayette and Indianapolis road, after expending \$73,142.87; the work on the Wabash rapids, after expending \$14,288.42. The Whitewater Canal, projected from Lawrenceburg to the mouth of Nettle creek, 76½ miles, was completed for 31 miles between the Ohio river and Brookville. The work cost \$1,099,867. It was later completed by a private company and maintained in successful operation for some years. Rents and tolls had brought the State \$9,902.41. The northern division of the Central Canal was sold to private parties in 1850 and 1851. It had cost the State something over \$863,209.88. The State received in tolls and rent \$13,720.13. Similarly the Madison & Indianapolis railroad passed into private control after costing the State \$1,624,605.05, and returning \$63,182.32. No part of the Erie and Michigan canal was finished. A feeder and surveys cost the State \$156,324. The water power of the Northport feeder dam was available, and that was conveyed to Noble county for school purposes. On the Central Canal between Indianapolis and Evansville \$574,646.49 was expended, on the Cross Cut, \$436,189.88."\*

This abandonment "caused wide-spread disaster, bankrupting most of the contractors and leaving hundreds and thousands of laborers without pay for the work they had done,"† and it left

\*Benton.

†Smith.

the State under an enormous debt without the ability to pay even the accruing interest, which was honorably discharged only after years of financiering, and which all but resulted in the disgrace of repudiation.

The causes of this disastrous outcome were various. In part it is attributed to the financial distress that swept over the country in 1837. Another factor was unwise management. Instead of proceeding judiciously and slowly in the floating of bonds, and completing one work at a time, thus securing speedy returns from tolls, there was a politic attempt to satisfy the clamorous demands of the sections to be benefited and to supply them all at once with their canals, roads and railroads. Thus, to balance the vast expenditures there was no income, save a slight one from the Wabash Canal, which had previously reached a stage of service. "To add to the State's embarrassment, the price of labor, provisions and material increased the cost of the various works far above the original estimates," and yet again, bonds had been sold on credit, and, owing to the subsequent panic in the business world, sums amounting to more than three million dollars were a total loss. These and other causes that would seem to be inseparable from government paternalism\* operated fatally. Some of the works, such as the Whitewater canal, the Madison railroad and some minor features of this system, were transferred to private companies that extended and operated them. The Wabash canal was for the time retained by the State. The utter loss of the work on the unopened canals may fairly be considered as due to the succeeding era of railroads which speedily made canal construction practically obsolete.

For the better part of a decade legislation in Indiana was fronted by the State's huge and steadily accruing debt, and the seeming impossibility of lifting the burden. The solution was made possible, eventually, by the creditors themselves. In 1845-'46 the population of the State was estimated at 800,000, the taxable property at \$118,500,000, the voters' poll-tax at \$124,000. The total debt per capita was a little over \$20, and the wealth per capita about \$140. For five years Indiana's bondholders had received no interest on their investments, the ultimate re-

\*See Autobiography of Philip Mason, p. 172.

covery of the principal was a matter of serious doubt, and the depreciated bonds were being quoted at 40 cents on the dollar. Among the bondholders were not only large capitalists, but many persons of limited means that depended on their investments and were actual sufferers by the non-payment of their interest. Their straits demanded some remedy, if remedy were possible.

As an agent for these desperate creditors Charles Butler, a New York attorney, appeared at the legislative session of 1845-'46 with a plan whereby the State might satisfy its bondholders. This plan which, in substance was eventually accepted, is embodied in the law known as the "Butler Bill" (General Laws, 1846) and is to the effect that the bondholders should receive as part payment of the debt the Wabash and Erie Canal, then in operation from Lafayette eastward, with its tolls and unsold lands. A part of the stipulation was that out of the sales of these lands the new owners should also complete the canal to Evansville. The property was put into the hands of three trustees appointed, two by the creditors and one by the State, and with this transfer Indiana was happily rid of the most galling burden she has ever been saddled with.

G. S. C.\*

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### OLD BLOCKHOUSE STILL STANDING.

According to a newspaper correspondent† there still stands a half-mile west of Petersburg, in Pike county, a blockhouse of the war of 1812. The accompanying picture shows it to be a large, two-story cabin of heavy logs and provided with portholes. It was occupied during the war by Hosea Smith and family, together with his neighbors, who came to it as a refuge.

\*The unsigned article on the Wabash & Erie canal is also by the editor.

†*Indianapolis News*, March 9, 1907.