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## An Early Crisis in Indiana History

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When Indiana became the nineteenth state in the Union in 1816, the country was approaching a financial crisis. Inflation continued until the latter part of 1818, to be followed by a real collapse in 1819. The early history of the new state was therefore marked by a boom, a panic and a depression. There was much hardship and discouragement as recovery was a slow process. How the pioneers who lived in the settled areas of the frontier commonwealth of Indiana passed through the years that centered around 1820 makes an interesting story.

It is helpful to realize that Indiana was once a colony of the United States as truly as the old thirteen states had been colonies of Great Britain. Though the colonial status of an American territory ended politically when statehood was attained, economically and socially, a colonial condition usually continued for some years. Indiana remained a colony almost to the Civil War in several respects. The white population of Indiana, at the time of admission to the Union, occupied a comparatively narrow belt along the Ohio extending up the Whitewater Valley at the southeast and up the Wabash at the southwest. In 1816 by far the greater portion of the state was unsettled except by Indians. This meant that most of the state was yet to be colonized by settlers from the older states and from Europe. As late as 1840, there remained in Indiana well above four million acres of unsold lands.<sup>1</sup> Thus a quarter of a century after statehood was conferred, less than four-fifths of the state had been colonized.

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<sup>1</sup> Total amount of land in Indiana, 21,565,440 acres. *American State Papers: Documents, Legislative and Executive* (38 vols., Washington, 1832-1861), *Public Lands*, XXX (1834), 497.

Colonists from widely different areas of the older portions of the United States and from foreign countries flowed into Indiana and into other new states and territories in a similar stage of development. These diverse elements brought in a variety of ideals, traits of character and customs and built a civilization where none had existed before. It was a fact of deep importance for any family to be a part of such a movement and process.

When the Teutonic peoples overran the provinces of the Roman Empire, they occupied a country long inhabited by civilized people. They found highly developed language, literature, laws, institutions, and economic systems. The invaders were in time absorbed by the civilization in the midst of which they found themselves, and, at best, did no more than modify it. In America, in the vast interior more than along the Atlantic seaboard, there was seemingly a grand opportunity to build a new regime such as the world had never seen. To many Americans, it has seemed that such a process was actually carried through, but such a notion will bear examination.

Partly from choice, but more from necessity, the builders of civilization in what is now the United States did modify accustomed ways of living and institutions. Daring, inventive, and ingenious minds were stimulated by the conditions that pioneers faced as long as frontier communities prevailed. Frontier forces did tend to be leveling and iconoclastic. On the other hand, it is characteristic of most people who are free to develop their own institutions that they are averse to any large amount of experimentation. That this truth has been widely exemplified is attested by the fact that whenever and wherever special groups attempted to establish communities unlike the familiar type in frontier regions, their members were regarded as cranks and their establishments as unique but impossible. Even colonies planted to be the homes of new religious faiths or new types of governments, were usually quite orthodox in regard to about everything else.<sup>2</sup>

Most pioneer men and women preserved as far as possible the traditions, the habits, and the methods of doing the

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<sup>2</sup> This idea was first developed by the author in an earlier paper. See "The Mississippi Valley and Its History," *Mississippi Valley Historical Review* (Cedar Rapids, Iowa, 1914- ), XXVI (1938-1939), 3-20.

ordinary things of everyday life from making garden and baking bread to conducting weddings and funerals. In most instances, pioneers who did not know frontier life until they had reached maturity changed their ways not from choice but because it was necessary. Those who were born on the frontier or were carried thither as young children, never having known an older society, more easily accepted pioneer habits and conditions as normal. It was this indigenous element, not those who came to the fringes of civilization from well-established communities, that included the real pioneers. In every frontier state, county, or neighborhood, there were, of course, both types, and leaders came from each.

There is something fascinating about this classification of pioneers and the fact that living on the frontier affected the two groups differently. Mature men and women who came to the Indiana frontier from Virginia, North Carolina, Kentucky, Pennsylvania, or Ohio, whose childhood and youth and often the earlier years of married life had been spent in some older area, were obliged to adjust themselves to crude living conditions. Their children started life on the frontier and knew nothing different until conditions in the new area were transformed with the passing of years. It should be remembered that these children of the frontier missed opportunities to which their parents had enjoyed comparatively easy access during childhood and youth. This was a trial to earnest and thoughtful fathers and mothers, and it caused them to long for and work for the time when advantages left behind in old communities could be furnished to their children.<sup>3</sup>

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<sup>3</sup> The author's paternal and maternal grandparents came to the raw frontier of north central Indiana (Carroll County). My grandfather John Lynch was born in Pennsylvania in 1800. He left his native state for Ohio while still a minor. He was married to Charity McGriffe in Ohio and his older children were born in that state. He brought his family to Indiana in 1835, where his younger children were born. My father, Isaac Newton Lynch, was born in Carroll County, Indiana, in 1840. My grandfather, Robert Franklin Connelly, came to Carroll County, Indiana, in 1835, or very near that year. He was born in 1804 in Scott County, Kentucky, where he married Frances Herndon. His older children were born in that state. He migrated to Indiana with his family and settled in Carroll County. His younger children were born there. My mother, Frances Jane Connelly was born in 1845. Each of my grandparents grew up in communities where there were advantages that were not open to my father and mother during their childhood and youth. No doubt many who read this article can find similar stories in their family histories.

The movement of colonists to the Old Northwest was slow in the early years of the nineteenth century, because of poor transportation facilities and the hostility of Indians to the transformation of their hunting grounds into farms. The natives were naturally hostile to the colonists who killed off and drove away their game and rendered impossible their accustomed manner of living. This the French and British furtraders had not done, but had instead enhanced the well-being of the Indians. It was the War of 1812 that largely solved the Indian problems of the Old Northwest, especially in relation to Ohio, Indiana, and Illinois. Following the military victories in 1813, the first real rush of settlers to Indiana Territory began. It was this onset of colonists that enabled the territorial leaders to speed up the movement for statehood, which, as everyone knows, came to fruition in 1816.<sup>4</sup>

It was necessary for a territory of the Old Northwest to show a population of sixty thousand free inhabitants, under the terms of the Ordinance of 1787, before statehood could be granted. A territorial census was taken in 1815, and the count revealed 63,897 persons in the thirteen counties that had been formed. Among these were 12,112 males over twenty-one years of age. Indians and unfree residents were not included.<sup>5</sup> It was indeed a generous government that permitted a province with such a meager population to become a state equal to the existing eighteen states in the Union. The great colonizing peoples of history—Greeks, Romans, Spaniards, French, Dutch, English—had none of them ever evolved anything comparable in the way of government for a colony to that embodied in the Ordinance of 1787.<sup>6</sup>

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<sup>4</sup> See John D. Barnhart, "The Democratization of Indiana Territory," *Indiana Magazine of History* (Bloomington, Indiana, 1905- ), XLIII (1947), 1-22, for an article which contains much about the movement of colonists to Indiana Territory. See also Chelsea L. Lawlis, "Settlement of the Whitewater Valley, 1790-1810," *ibid.*, 23-40, for further material relating to the same subject.

<sup>5</sup> Returns of the territorial census of 1815 were printed in the *Annals of Congress*, 14 Cong., 1 Sess., 460.

<sup>6</sup> The passage of the Ordinance of 1787 was one of the outstanding events in the political history of the world. It should be mentioned here that it was four score of years later when the Canadian Federation was created. This was the first of the self-governing confederations formed within the British Empire. It meant the beginning of a second enlightened modern method of dealing with colonies. It indicates what might have been the destiny of the colonies that became the United States of America had British statesmen avoided the American Revolution in 1775-1776.

After the framing of their first state constitution in 1816, the enthusiasts among the citizens of Indiana who yearned for statehood worked feverishly to finish their project.<sup>7</sup> In fact, they exceeded the speed limit as the new state government was a going concern more than a month before Congress passed the resolution admitting Indiana to the Union on December 11, 1816. The members of the General Assembly met in Corydon and organized on the fourth of November, the state officials were sworn in three days later, and Jonathan Jennings delivered his first message as governor on that day. It seems a bit strange, but it is true, that Congress sitting in the distant federal capital, acted readily in the matter of conferring statehood on Indiana, disregarding the fact that, out on the raw edge of the frontier in a crude village, a state government was already functioning. Since nothing ever came of it, there was no cause for worry over the premature launching of that government in the western wilderness.

On the theory that Indiana was already a state because a convention authorized by an enabling act of Congress had framed a constitution, the General Assembly participated in the presidential election of 1816-1817. Three presidential electors were chosen by the Assembly three weeks before the passage of the statehood resolution by Congress on December 11. The sealed votes of these three electors were sent to Washington to be opened on the first Wednesday in February of 1817, when the electoral votes of the country were to be counted. The two Senators from Indiana were seated on December 12, the day following the passage of the statehood resolution, but the lone Representative from the new state had been given the oath of office and allowed to take his seat on December 2, nine days before Congress acted on the matter of statehood.<sup>8</sup> Was Indiana a state before December 11, 1816? This question was raised when Congress met in joint session to canvass the electoral votes on February 12,

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<sup>7</sup> Not all of the leaders of Indiana Territory supported the ardent advocates of immediate statehood. The opposition argued that the population of the territory were not yet ready for statehood, stressing especially the financial burden that would be incurred. The opponents of statehood did not exert much influence. See Donald F. Carmony, "Fiscal Objection to Statehood in Indiana," *Indiana Magazine of History*, XLII (1946), 311-321.

<sup>8</sup> The two United States Senators chosen by the legislature of the new state were James Noble and Waller Taylor.

1817. The joint session adjourned temporarily and the Senators returned to their chamber. The House then debated the question warmly and two conflicting resolutions were offered, but both were indefinitely postponed leaving the question unsettled. The two houses again met in joint session, and Indiana's three votes were counted last. Had the election been very close, her votes could have been extremely important. As it was, the total vote stood 183 for James Monroe to 34 for Rufus King, instead of 180 to 34.<sup>9</sup>

The energy and haste displayed by the promoters of statehood for Indiana were in tune with the spirit that prevailed among the aggressive elements to be found in the scattered communities of the new commonwealth. The population of the territory, already reduced to approximately the present limits of Indiana, was only 23,890 when the federal census of 1810 was taken. Progress was extremely slow from 1800 to 1813. With the disappearance of the Indian menace in the latter year, settlers began to pour into Indiana so rapidly that the population trebled from 1813 to the end of 1816.<sup>10</sup> The incoming tide continued to increase until it was sharply checked by the financial collapse of 1819. The population of the new state increased but little during the first half of 1820, and the census figure of that year, which was 147,178, means that the population practically doubled during the years 1817, 1818, and 1819.<sup>11</sup>

Nothing produced more excitement and restless activity in a frontier state with few people and a vast amount of unoccupied land than a great inrush of colonists. To Indiana, in the boom period that ended in 1819, there came hordes of homeseekers and people seeking business opportunities, among whom were many speculators. At the time, the zeal of the speculators was greatly enhanced by the prevailing inflation and by the credit system under which lands were purchased at the government land offices. Farmers already established

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<sup>9</sup> *Annals of Congress*, 14 Cong., 2 Sess., 945-949.

<sup>10</sup> Exact figures are not available for the two years 1813 and 1816. The best estimates seem to be about 25,000 for 1813 and 70,000 to 75,000 for 1816.

<sup>11</sup> As a rule the westward flow of colonists was slack during every winter, and, since the winter of 1819-1820 followed the panic of 1819, the movement was below normal. Hard times had come with a vengeance by the spring of 1820 and there were few arrivals. The assumption that the population of Indiana when the census was taken in 1820 was practically the same as a year earlier is a fair one.

were furnished with a market right at home for their surplus grain, horses, cows, and hogs, since all newcomers had some money and nearly all of them were anxious to make some purchases. Even the poorest of those, who came in with the object of acquiring land to be converted into farms, were tempted to buy as much as possible. If they succeeded in purchasing at the minimum price of two dollars per acre, it was only necessary to pay one-fourth down, and to most buyers, it seemed good policy to buy four times as much as it would be possible to purchase with the resources in hand should full payment be made in cash. Men who came to the frontier to speculate, of course, took advantage of the opportunity to buy as heavily as possible in order to hold the lands purchased for sale later at a profit.

Everyone who had land for sale was very happy to see colonists swarm into the developing counties of Indiana. Then as now, men were stimulated by rapidly increasing population to expand businesses or engage in new ventures and were pleased to see prices go up. The same conditions that encouraged heavy land sales, the expansion of mercantile business and transportation also favored an undue development of banking. Aside from the general boom that spread over the country, there would have been a period of exciting prosperity in frontier Indiana from 1813 to 1819. With the added stimulus of widespread inflation, reckless speculation and overexpansion of trade, the boom in Indiana reached a much more dangerous height than would otherwise have been possible.

The system of selling public lands on credit was passing through its last stages during the years of the first great rush of settlers to Indiana. In that period, which extended from 1813 to 1819, it was possible to acquire title to 160 acres of land for a cash outlay of \$294.40, after the deduction of a discount of eight per cent.<sup>12</sup> In 1817 the Land Act of 1800 was amended so that as small an amount as eighty acres could be purchased,<sup>13</sup> minus the discount, a patent could be obtained for a tract of this size for \$147.20. The opportunity to obtain a farm so cheaply by paying for it entirely at the time of purchase with no future payments to be made was

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<sup>12</sup> *Annals of Congress*, 8 Cong., 1 Sess., 1290.

<sup>13</sup> *Ibid.*, 14 Cong., 2 Sess., 1280.

not attractive to buyers in the boom period, the preference being for the acquisition of four times as much land as could be paid for in full with the cash in hand, making only the required first payment of one-fourth at the time of purchase. In many instances, buyers of government land, in the years under consideration, made no payments whatever after the first, held the land for five years and then forfeited it.<sup>14</sup> In many cases, the buyer even borrowed the money with which to make the first payment of one-fourth. Such loans were often not paid off when due but renewed from year to year.<sup>15</sup>

Land debts were the most common in frontier Indiana in the hectic period that ended in 1819, but there was also much borrowing for other purposes—to construct business buildings, to set up sawmills, to erect gristmills, to build boats, to finance shipping operations, and to use in various other ways. While the period of swelling prosperity was on, it was easy to obtain loans. In fact, money was easy to create. Banks of the West and South had little specie and the legislation and rules governing banking operations were lenient. Banks could be organized without difficulty, and, once started, they could print bank notes and begin to loan money. Entirely too much money was loaned on real estate security, especially on town lots, and on other assets of pioneers. Some thrifty farmers used their income to meet deferred payments on their lands and had little use for banks. The income of less careful and more ambitious landowners and many businessmen was used in new speculative ventures.<sup>16</sup>

The two banks of Indiana Territory were the Bank of Vincennes and the Farmers and Mechanics' Bank of Madison. The constitution of 1816 recognized both of these financial institutions as incorporated banks and provided that either might be adopted as the state bank of Indiana. Should either become the state bank, the other could be made a branch bank. When a state bank should be established, the number of branches was not to exceed one for any group of three counties. A legislative enactment of 1817, made the Bank

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<sup>14</sup> See *Annals of Congress*, 6 Cong., 1516-1522, for a copy of the Land Act of May 10, 1800.

<sup>15</sup> See Payson J. Treat, *The National Land System, 1785-1820* (New York, 1910), chapter V, for a good treatment of land buying in the public lands states during the period of the credit system.

<sup>16</sup> *Ibid.* See also Ralph H. Catterall, *The Second Bank of the United States* (Chicago, 1903), 33-37.



of Vincennes the state bank. The counties of the state were grouped into fourteen districts and the designated state bank was authorized to establish a bank in each district.<sup>17</sup>

A plan was formed to organize thirteen new banks at once in addition to the two existing banks, which would mean fifteen banks to serve a population of about seventy-five thousand men, women, and children.<sup>18</sup> Since a great percentage of the families of the infant state made no use of banks, the plan of the promoters was certainly not unduly conservative. The undertaking was characteristic of the inflationary period, though, of course, the belief that population would continue to increase at an advancing rate was somewhat justified by the prevailing influx of colonists. There was, however, small need for any new banks at the time, but legislators were thinking, or rather dreaming, in large terms. It turned out to be impossible to find towns able to furnish business for thirteen new banks, but the Bank of Vincennes went through the motions of trying to establish them and asked the Farmers and Mechanics' Bank at Madison to come into the system as a branch. The directors and stockholders of the Madison institution refused to enter the organization, and only three of the proposed thirteen branches were actually established. These were located at Corydon, the capital, at Vevay in Switzerland County, and at Brookville in Franklin County.<sup>19</sup> With five banks, Indiana was well supplied as to number, though many citizens were located at very inconvenient distances from even the nearest of the five. Considering the small number of people who carried bank accounts in that day, comparatively few citizens suffered hardships.

The banking situation was precarious in the entire country during 1816 and 1817 and grew worse until the panic started at the very end of 1818. Congress had chartered the Second Bank of the United States in 1816, and it was set up in Philadelphia in 1819 with branches in sixteen cities to which another was soon added. The branches within easy range of Indiana were located at Cincinnati and Louisville. Started in a period of inflation, the Second Bank of the

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<sup>17</sup> Constitution of Indiana, 1816, Article X, Section 1.

<sup>18</sup> *Laws of the State of Indiana, 1816-1817*, p. 185. The total capital of the fifteen proposed banks was to have been \$2,225,000.

<sup>19</sup> Logan Esarey, *State Banking in Indiana, 1814-1873*, in *Indiana University Bulletin* (Bloomington, Indiana, 1903- ), X (1912), 226-229.

United States under a weak president helped to increase inflation and speculation for a year and a half. Then it was able to save itself by resorting to drastic measures. While doing so it hastened the coming of the panic of 1819 which was bound to come anyway.<sup>20</sup>

The panic brought greater distress to the newer West than to any other section. The United States Bank had made loans in the West that were much too large and local banks had also loaned so freely that "inflation and over-trading were unparalleled." Indiana was in the region where the financial situation was at the worst when the crash came.<sup>21</sup> The Indiana banks, like others could not obtain payments on loans, could not redeem their circulating notes, and could not continue making loans. Private enterprise was checked and then paralyzed. Farm products and merchandise could be sold with difficulty at any price. Laborers were without employment. In September, 1820, corn was sold in some parts of Kentucky at ten cents a bushel and wheat at twenty cents. In May, 1821, corn sold at Cincinnati at ten cents per bushel and wheat in some parts of Ohio at the same price.<sup>22</sup> A Pittsburgh newspaper, relative to prices at that place, published the following brief report:

Flour, a barrel, \$1.00; whiskey, 15 cents a gallon; good merchantable pine boards, 20 cents a hundred feet; sheep and calves \$1.00 a head. Foreign goods at the old prices. One bushel and a-half of wheat will buy a pound of coffee; a barrel of flour will buy a pound of tea; twelve and a-half barrels will buy one yard of superfine broad cloth.<sup>23</sup>

The prosperity, so largely artificial, which began in 1813 and increased for several years vanished in 1819 and a period of depression followed the collapse. It was the first time since the establishment of the United States as an independent nation that a business cycle ran its course—boom, crash, depression, slow recovery—but *not the last*. The outlook seemed very dark to the pioneers of Indiana in 1820—heavy debts, credit at zero, trade at a standstill, prices and wages at the bottom level. The incoming flood of settlers was drop-

<sup>20</sup> Catterall, *Second Bank of the United States*, 61-71.

<sup>21</sup> *Ibid.*, 61-62.

<sup>22</sup> *Journal of Banking* (1 vol., Philadelphia, 1841-1842), I, 2.

<sup>23</sup> *Ibid.*, 3. Numerous items relative to prices can be found in local newspapers of the early eighteen-twenties and in the issues of *Niles' Weekly Register*.

ping towards the minimum in 1820; there was due to the government land offices in Indiana for lands partly paid for a total of \$2,214,168.63 with dates of forfeiture for many pioneer citizens (including plenty of speculators) at hand or fast approaching.<sup>24</sup> There was no incentive for farmers to produce a surplus of hogs or grain, or for anyone to expand a business or start a new enterprise. The depression of the early eighteen-twenties was an added and general misfortune which pioneers had to bear along with the hardships that were so common to frontier communities.

There was, to be sure, another side to the picture. The population of Indiana had increased from 63,897 in 1815 to 147,178 in 1820. This population was widely scattered. There were now (1820) thirty-five counties, but only three had a population above ten thousand. The most populous was Wayne County, with 12,119. Certainly, Indiana society was not very complex at the time. Food was easy to produce. Building materials, fencing materials, and fuel were everywhere close at hand and abundant. Game was plentiful in the forests and fish in the streams. Even in towns, most families could supply themselves with food and shelter in the midst of hard times. Cows, hogs, and poultry could be kept by townspeople, and a family in need of milk or eggs was poor indeed. Clothing was more of a problem, but not really serious for most families. It cannot be denied that there was far less danger that the poor would go cold, hungry, or shelterless in the midst of abundance in that simple period than in our streamlined age.

The panic of 1819 and the succeeding depression could not eliminate the cleared fields, the forests, the cabins and other homes, nor the stables and barns. No matter what the total or per capita debt, and each was high, the tangible assets were right at hand. Though not worth much in dollars as compared with the expanded values of the very recent years, they could be employed to the extent that necessities were obtained by nearly everyone. Under the conditions that prevailed in Indiana in 1820, when such a large percentage of the families were practically self-sustaining economic units, the suffering could not be overwhelming.

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<sup>24</sup> *American State Papers: Documents, Legislative and Executive, Public Lands*, XXX, 645.

Americans accustomed to living under present conditions in urban or rural areas would not find it easy to state the differences between the prosperity of 1818 and the stagnation of 1820, if they could be given a glimpse of the everyday life in the two stages. Besides the saving factors mentioned as present in 1820, there was, of course, the necessity, then as in our day, to carry on somehow in spite of the calamities that had come, but the truth is that it was much less difficult, in that simple age, to face the problems of a period of depression than it is in the twentieth century. People who were alive and healthful reacted to adverse conditions and found ways to carry on necessary activities as normal conditions slowly returned.

In 1820 and as long as pioneer life continued in considerable areas, the populations of states in the process of being colonized included a larger proportion of stoics and predestinarians than can be found in American communities of our day. We have now more arrogance and misunderstanding among the "haves" and more bitterness and lack of hope among the "have-nots," and it is a question whether we produce the high percentage of sturdy men and women that were developed in pioneer times. Calamities and hardships were such common features of their everyday life that pioneers steeled themselves to meet the worst. Disasters, so many of them due to forces and conditions not understood, were apt to be regarded as inevitable and accepted with fortitude. The best was made of every situation, since the belief was common that what is to be will be. It is not to be wondered at that so many pioneers schooled themselves to meet troubles stoically.

There were rough characters in many pioneer communities. There was a rampaging side to frontier life about which considerable has been written in recent years.<sup>25</sup> There were also among the steady and sturdy pioneer folks many who had a sense of humor, which was a valuable asset. They liked stories of the type of Aesop's fables because they carried points which could be applied to life in frontier communities. They enjoyed telling and hearing stories that fitted types of people with whom they were familiar or which

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<sup>25</sup> Thomas D. Clark, *The Rampaging Frontier* (Indianapolis, 1939). This is an interesting and outstanding volume on the rougher phase of frontier life and manners.

were related to circumstances and characteristics of the community life about them.

There is the story of the man who was healthy but too lazy to work, whom we may call "Sam." Frequently this pioneer was found to be in dire need of food; and he was helped by his neighbors time after time. Finally, a group of men who had just aided him tried to cure him of his shiftlessness. They warned him that if he ever let himself get into such a predicament again with no reason, they would bury him alive. For a brief period he did better, then relapsed. The neighbor men assembled, grim and determined, made a litter, placed Sam upon it and carried him up a by-road towards a small burying ground. When the solemn march was about half over, one of Sam's neighbors relented and requested his comrades to halt, after which he addressed them, saying—"Men, we are about to do a very serious thing. I don't want to go through with it. If you will join with me and each give something, I will contribute a bushel of corn and Sam can have one more chance."

At this juncture, Sam aroused himself a bit, raised himself on his right elbow a little way, and inquired with a nasal drawl—"Is the corn shelled?"

"It is not," replied the kindly neighbor.

At this, Sam settled back on the litter, closed his eyes and murmured—"Carry me on."

A second story relates to a well-meaning, industrious frontier farmer, who was unfortunate enough to experience one calamity after another, until he was so nearly down and out that he had only one shirt left. Having worn it too long to suit his thrifty wife, she persuaded him to go to bed one day so that she could wash the shirt. After the garment had been hanging on the line for about an hour to dry, the wife went out in the back yard to get it, but ran back at once, calling out in great excitement—"John, oh John, the calf has chewed up your shirt."

Having learned through numerous hard experiences to take each new misfortune calmly, John responded with perfect control—"Thank the Lord, I have little more to lose."<sup>26</sup>

The majority of the people living in Indiana in 1820

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<sup>26</sup> I heard my father tell these two stories nearly three score and ten years ago, and he had first heard them at least twenty-five years earlier.

were persons of character and serious purpose. Most of the families held some tangible assets. There were fine possibilities ahead, though the picture seemed dark at the moment. Business and political leaders had not performed with caution during the boom years, finding it simpler and easier to swim with the current. Following the crash, some of them, having learned from hard experiences, acted with sanity for a period at least. Living in a region with an abundance of unoccupied land and almost untouched natural resources other than land, the economic possibilities were too great for most of the people to be despondent very long. America was young and recovery was certain to come to the pioneer population of Indiana within a reasonable time. Like the other states in the Union, the nineteenth state had an excellent constitution. One of the new states in a democratic nation, Indiana was truly one of the favored provinces of the earth. Though temporarily in a bad way, not too many tears should be shed over her plight in 1820.

While in the midst of a period of very low prices for local products and high prices for commodities obtained from the outside, the problem of improving transportation facilities became one of great concern. Profits from pork products would be greater even with low prices if the cost of getting hams, shoulders, bacon, and lard to markets could be cut down. Finished goods brought in from the outside could be purchased at much lower prices and greater quantities would be bought and used if transportation charges could be lowered. It was hard to build good roads and construct bridges without increasing taxes which there was little chance to do. The people of each neighborhood were accustomed to solve labor problems by co-operating with each other in raising cabins and stables, harvesting and threshing grain, rolling logs, cutting wood, and butchering hogs.<sup>27</sup> Taking a lesson from this, legislators provided that labor in lieu of money should be contributed in the matter of public works. Voters were required to donate time in the building and repairing of roads and smaller bridges. Larger bridges were constructed with funds

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<sup>27</sup> There were various other occasions where a pioneer gave help to get help in return. Log-rollings were neighborhood affairs and are best remembered, but there were many others. Often only two families were involved, in activities like cutting wood, splitting rails, building fences, planting corn, etc. Women co-operated too and held sewing bees, apple parings, quilting parties and the like.

raised by selling bonds. The money with which to meet interest charges on such bonds and with which to retire them eventually was often raised by collecting tolls from those who used the bridges.<sup>28</sup>

One of the most interesting experiments was the attempt to apply the system of calling out voters to work on the roads to the improvement of stream navigation as well. In 1820 the General Assembly declared most of the streams, little and big, that were found within the settled part of Indiana to be navigable, but did nothing to implement the measure. The main purpose of the bill seems to have been to prevent anyone from doing anything to obstruct the creeks and rivers involved. In 1826 several brief laws were passed relating to specific streams—Blue River, Sugar Creek, Busseron Creek, Laughery Creek, Log Lick Creek, Plumb Creek, Big Indian Creek, Lost Creek, the Muscatituck rivers, Patoka River, and the East and West Forks of White River—declaring each of them to be “public highways” and making it legal to “warn” out men of legal age living near such streams to work together towards improving them. Persons refusing to contribute labor were to be fined “fifty cents” each. The improvement of the creeks and rivers designated consisted in “clearing away the timber and other obstructions lying therein and to do and perform any other work which may tend to improve the navigation thereof . . . .”<sup>29</sup> Tree trunks lodged in creeks or rivers were usually referred to as “snags.” These were dangerous to boats, as they were often lodged in such a manner that an end would stick up slightly above the water or be barely hidden by it and be very difficult to see. Sandbars often formed during floods and had to be removed.

Not much ever came of this rosy scheme to make small streams navigable. In fact, there was mainly disappointment in store for hopeful pioneers in regard to every Indiana river save the Ohio, which washed the southern border of the state. One can understand, though, how men, despairing of building good roads for a long time, should hopefully look on the creeks and rivers as possible substitutes. The beds of many of them

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<sup>28</sup> *Laws of the State of Indiana, 1825-1826*, pp. 41-49.

<sup>29</sup> One is prone to wonder if the pioneers, hard pressed for transportation facilities, could have avoided constructing many of the roads that taxed their resources had they possessed motor-boats which could have been used to tug small flatboats and barges up and down the streams.

seemed to be highways already constructed for their use with nature furnishing the water. Years passed before the dream, that by building boats that would draw but little water and keeping the streams free of snags and sandbars, the transportation problem could be largely solved with creeks and rivers constituting many of the highways, was surrendered.<sup>30</sup>

The necessity to provide a transportation system continued to demand a solution and finally led the state to launch her great system of internal improvements. The act, known as the "Mammoth Bill," was passed in 1836 in the midst of another boom period that overshadowed the one which had collapsed in 1819.<sup>31</sup> The panic of 1837 well nigh wrecked the scheme embodied in the internal improvements measure of 1836. The near failure of this ambitious attempt to create an interlocking system of roads and canals left the state burdened with a vast debt which vexed the people and their leaders for a number of years. It is interesting that the extensive system projected in 1836 included but one railroad, the line from Madison to Indianapolis which was eventually completed.<sup>32</sup> The proposal to construct but one railway line, and that one comparatively short, is a testimony to the difficulty of foreseeing what is to happen even in the near future. Indiana was to have her transportation problem largely solved by the construction, within a few years of railways, and the little capital city at the mouth of Fall Creek on the West Fork of White River was to become a noted railroad center.

The New Purchase, an area comprising about 8,500,000 acres, was acquired from several Indian tribes in 1818. The land surveyors of the federal government began to run lines in the New Purchase in 1819. It was in 1820 that Congress abolished the credit feature of the system of selling public lands, which had been so much abused in all the public lands

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<sup>30</sup> For the internal improvements measure of 1836, see *Laws of the State of Indiana, 1835-1836*, pp. 6-27. This act was approved January 27, 1836.

<sup>31</sup> See Wylie J. Daniels, *The Village at the End of the Road* (Indianapolis, 1938). This monograph (112 pp.) which was published as No. 1, Vol. XIII, of *Indiana Historical Society Publications*, is an interesting study of Indianapolis in the early period of railroads. It deals with Indiana railroads prior to 1860, especially with the Madison and Indianapolis Railway and its relations with Indianapolis and with other railway lines.

<sup>32</sup> See *Annals of Congress* 16 Cong., 1 Sess., 2578-2580, for the public lands measure approved April 24, 1820.



states, including Indiana. Under the new regulations, the minimum price per acre was fixed at one dollar and twenty-five cents, the land purchased to be paid for in full at the time of purchase. This meant a salutary reform, and speculators were much opposed to it. A purchaser could now acquire a homestead of eighty acres for one hundred dollars, if no one should bid against him at the auction sale.<sup>33</sup> Following the modifications of 1820 in the land legislation, Congress passed several supplementary measures for the relief of those who had earlier purchased land on credit at two dollars per acre, paying one-fourth at the time of purchase. Where forfeiture was necessary, credit was given to those forced to give up land, to the extent of what they had paid, which they could apply on new purchases. The policy of the federal government aided farmers caught by the crash of 1819, and made it easier for them to make another start. The new policy of selling lands and the aid given to discouraged farmers and others in debt for lands purchased in the boom period that closed in 1819, relieved somewhat the gloom caused by the panic and depression. It should be added that much the greater part of the land of Indiana was reduced to private ownership between 1820 and 1860.

It was in the year 1820, when the economic conditions in the settlements of Indiana were so serious, that the General Assembly appointed a commission to select a site for a permanent state capital, for which Congress had voted to grant a free tract of four square miles. This commission selected the spot where Indianapolis now stands. At the time, the first colonists had just arrived in the vicinity.<sup>34</sup> The locations of many of the world's cities were selected by keen men who sensed the strategic importance of the sites chosen, and eloquent passages have been written about the foresight displayed in the locating of Rome, Constantinople, London, New York City, and other noted centers of population, com-

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<sup>33</sup> A good, brief account of the selection of the site of Indianapolis can be found in John H. B. Nowland, *Early Reminiscences of Indianapolis* (Indianapolis, Indiana, 1870), 9-10. The father of Mr. Nowland accompanied the commissioners who selected the site though he was not a member of the commission. The Nowland family located in Indianapolis very soon after the site was selected.

<sup>34</sup> Mildred C. Stoler (ed.), "The Removal of the State Capital to Indianapolis," *Indiana Magazine of History* XXVII (1931), 240-243. See for two accounts of the "removal," one by Mary Catherine Naylor and another by Samuel Merrill, state treasurer.

merce, culture, and power. One wonders whether any of the commissioners who helped to decide where the capital of Indiana should stand had even a dream that the point selected would become the "Cross-Roads of America." The government records and office furniture were moved from Corydon to the "village in the woods," late in the fall of 1824. The history of Indianapolis since that transfer of the state government makes it necessary to say that the leaders of the new state deserve high praise for performing so well when they selected a site for the permanent capital of Indiana in 1820, a year of unrest and discouragement.

Much time was required for the development of a banking system in Indiana, and the final outcome has been in reality more the work of the federal government than that of the state. This was more or less inevitable. As to business cycles, they have been nation-wide or world-wide. Certain it is that Indiana since 1820 has passed through the cycles centered around the panics of 1837, 1857, 1873, 1893, and 1929. In each instance, as in the case of the cycle of 1813 to 1825, there was a boom period, a crash, a depression, and then a slow recovery. The story is composed of a number of sad chapters, and it must be admitted that our business cycles grow bigger and worse, as the generations go by, not bigger and better according to the boasted American pattern.

Recovery has followed in the wake of each of the later depressions as was true following the hard times of the early eighteen twenties. What has been pointed out relative to the certainty of a return of prosperity following the dark year of 1820, is not to be taken as a defense of the long and persistently held American belief that no matter what happens to our country, the people will always work their way out. It is true that they have always done so, after a fashion, but this does not prove that such devastating economic experiences are beneficial to any people nor that they must be endured. Acceptance of booms, crashes, and depressions as inevitable is worthy only of a sluggish, unthinking people, unwilling to discipline themselves. It is not a sane policy

merely to permit nature to take her course. In truth the fundamental barrier in the way of conquering business cycles is that nearly everyone involved in business loves periods of rising prices, increasing production, expanding trade and greater profits. However, unless booms can be eliminated, panics and depressions are certainties. In other words, the only way to banish panics and depressions is to banish booms or regulate them rigidly.

It is easy to contend that business cycles run according to the natural laws of economics, hence nothing can be done about them. The truth seems to be that booms grow to dangerous proportions because of a false psychology that seizes the people, the greatest offenders being powerful economic elements who value great, present returns more highly than the economic safety of the general public. It is not necessary that self-interest shall be replaced by altruism, but that men shall be keen enough to recognize that even self-interest demands that prices, production, trade and profits shall be kept as steady as possible. Further, even greedy interests should realize that gigantic economic dislocations are a menace to the political and social order.

In a period of panic and depression there are some who seem to sustain great losses who really lose little, since what they are obliged to surrender is mostly paper wealth that has come easy and goes easy. There are many others whose misfortunes are real, but who after making adjustments, can again go ahead with a promise of reasonable success. There are other groups who lose much or all of what they have accumulated and are barred by advancing age or declining health from ever staging a comeback. Finally, there are hosts of people who lose their jobs or their businesses and have little or nothing to go on for longer or shorter periods. These classes have small responsibility for bringing on the calamities that overwhelm them and few opportunities to extricate themselves from the forces that grip them. Such conditions are destructive of the physical well-being, the morale and the civic pride of a large part of the population.

The sound old adage that an "ounce of prevention is worth a pound of cure" needs to be invoked and become a controlling factor at the beginning of every business boom, especially under the complex economic and social regime of today. When it does become the guiding principle, a vast

majority of American citizens will be willing and anxious to forego business booms in order to avoid panics and depressions. Deadly diseases such as smallpox, diphtheria, and tuberculosis have been brought under control, and we are proud of what has been accomplished. Unless we can do as much to control the forces that cause economic crashes and likewise wars, we cannot rate human intelligence very highly. Those of us who voice this contention are just sane, open-minded men and women, not alarmists.

In conclusion, I must add that I would feel guilty of being untrue to the American people were I not to say what the experiences of my life and the study of history have taught me—that democracy and capitalism are both in grave danger of destruction in this splendid country of ours, unless our captains of industry and our financial giants shall acquire the wisdom to join with other responsible citizens to control booms and thereby eliminate panics and depressions. So gigantic and paralyzing have periodic dislocations in our economic system become that it is perilous to risk another. It need not be pointed out that fundamental disturbances in our economic system are sure to be speedily reflected in our social and political life. It surely cannot be possible that Americans will permit the noblest and best results of new world history to be lost by speeding along a smooth, broad road towards a precipice when the stop-signs are all in plain view.