Business and Politics in Indianapolis: The Branch Bank and the Junto, 1837-1846

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Controversies over banking provided much of the fuel for the political fires that raged during the Age of Jackson. Bank wars occurred on national, state, and local levels throughout the era. These struggles often reached heroic proportions, especially in the West after the Panic of 1837 when hard money Democrats mounted strong, steady, and often successful attacks against existing banking institutions and practices.¹

The Indianapolis Branch of the Second State Bank of Indiana was not immune to the successive waves of antibank activity. At first glance the local bank war in Indianapolis shows a familiar Whig-Democrat struggle, with Democrats linking their opponents to an aristocracy of merchants, bankers, and politicians, all deriving wealth and power from the Indianapolis Branch Bank. Although Democratic criticisms of the Branch Bank were heavily infused with the inflated rhetoric common to antebellum America, Jacksonian attacks on the institution and on the political and business aristocracy associated with it did contain elements of truth. Unlike many similar struggles, however, the Indianapolis bank

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¹James Rogers Sharp, The Jacksonians versus the Banks: Politics in the States after the Panic of 1837 (New York, 1970); William G. Slade, Banks or No Banks: The Money Issue in Western Politics, 1832-1865 (Detroit, 1972), 60-111; Bray Hammond, Banks and Politics in America from the Revolution to the Civil War (Princeton, 1957), 605-30. For a good case study of a successful western antibank movement see Erling A. Erickson, Banking in Frontier Iowa, 1836-1865 (Ames, 1971), 36-50.
war ended not with the destruction of the Branch Bank by political opponents nor even with substantial modifications in the charter or the regulations affecting banking practices. The result was instead a private, nonpolitical solution, formulated and implemented by leading—and mainly Whig—members of the Indianapolis business community. These businessmen succeeded in stealing much of the thunder of local Jacksonian politicians as they substantially curtailed criticisms directed against the Branch Bank and the business community.

There were no banks in Indianapolis and few in Indiana prior to 1834. The Indiana legislature had established a state bank with branches in 1817, but the institution had died an infamous death in the early 1820s. Most of the banking services available to Indianapolis residents in the 1820s and early 1830s came from the Second Bank of the United States. No branches of this federal institution existed in Indiana, but branches outside the state, especially those in Cincinnati and Louisville, provided banking services for Indianapolis. These services included supplying most of the paper currency circulating in the Hoosier capital during the 1820s and early 1830s. Largely because of the absence of alternative banking facilities, Indianapolis residents showed strong support for the Second Bank of the United States, especially when President Andrew Jackson and his political followers began their sustained war on the institution in early 1832. But Jackson's veto of the bank bill that summer and his victory in the fall election seemed to spell doom for the national bank and threatened to leave Indianapolis and most of Indiana with little or no access to banking services.

Although there had been some agitation for a new state bank during the late 1820s, Jackson's attack on the Bank of

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2 Logan Esarey, *State Banking in Indiana, 1814-1875* (Bloomington, 1912), 221-42. The state chartered system of 1817 was basically an extension of a bank charter approved by the territorial legislature in 1814. See ibid., 222-28.


the United States prompted the Indiana legislature in its session of 1832-1833 to begin serious consideration of a state banking system. The lawmakers adjourned without agreeing on a bank bill but in the next session again took up the issue. In January, 1834, the legislature passed and the governor signed an act establishing the Second State Bank of Indiana. The charter gave exclusive banking privileges to the new State Bank and, to add to the institution's public character, stipulated that the state was to own one half the bank's capital stock. The new institution, as it was organized, consisted of ten branch banks, each with separate officers and directors, and a central State Bank Board. The State Bank Board was composed of the president of the State Bank, four persons appointed by the legislature, and one delegate from each of the ten branches. The board's primary responsibility was to conduct periodic examinations of the branches to insure compliance with charter provisions. The officers of the State Bank, who carried out most of the board's responsibilities, were the president, Samuel Merrill, and the cashier, James M. Ray. Both were prominent Indianapolis businessmen. In addition to the control exercised by the State Bank Board and officers, the branch banks were also bound together by provisions for mutual liability whereby all were liable for the debts of any branch that failed. In actual operation the ten branch banks enjoyed a large degree of independence. Each branch retained its profits and had its own stockholders who elected the majority of the branch directors. (The State Bank Board elected three of a total of between ten and thirteen branch directors.) The directors chose the branch's officers and were responsible for managing the branch. Branch directors or officers decided, for example, who would receive loans and the kind and amount of security to require.

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6 Indiana, Laws (1833-1834), 12-38; Redlich, Molding of American Banking, part II, 22; Harding, "The State Bank of Indiana," 3-10; Esarey, State Banking in Indiana, 252-53; Henry F. Baker, "Banking in the United States: An Historical Sketch of Banking in the State of Indiana," Bankers' Magazine and Statistical Register, VII (September, 1857), 162-84; Leonard C. Helderman, National and State Banks: A Study of Their Origins (Boston, 1931), 46-49; Hammond, Banks and
The State Bank Board chose Indianapolis as the location of one of the ten branches established in 1834. Indianapolis residents—Democrats as well as Whigs—were enthusiastic over the prospect of a bank in their town. Even before the branch was in operation, several enterprising persons foresaw the possibilities of using to advantage its credit and exchange facilities and decided to enter merchandising. Others planned land investments with expectations of receiving Branch Bank credit. The subscription books for stock in the Indianapolis branch were opened in early April, 1834. By early May investors had subscribed for all the stock and soon were able, if they wished, to sell it at a premium. The institution was off to an excellent start.

The first duty of new stockholders in the Branch Bank was to elect directors. An examination of the eight men they chose provides valuable insights into the nature of the institution. The eight directors were Hervey Bates, James Blake, Benjamin I. Blythe, Homer Brooks, Samuel Henderson, Alexander Russell, John Wilkins, and David Williams. All had signed a memorial in early 1832 urging the rechartering of the Bank of the United States. They were undoubtedly convinced of the value of banks and, after realizing the impossibility of retaining a national bank, shifted their interests to a state bank. Four directors (Bates, Blake, Henderson, and Russell) owned property assessed at $5,000 and above in 1835, which placed them among the wealthiest three per cent of the citizens of Indianapolis. Of the six directors

*Politics in America from the Revolution to the Civil War, 605-30. The discussion that follows is concerned primarily with the Indianapolis Branch Bank and the term Branch Bank applies only to the Indianapolis branch. The term State Bank is used for the entire banking system and specifically includes the Indianapolis branch.

7 Gayle Thornbrough, ed., The Diary of Calvin Fletcher, Volume I, 1817-1833: Including Letters of Calvin Fletcher and Diaries and Letters of His Wife Sarah Hill Fletcher (Indianapolis, 1972), 186-87, 189-90; Samuel Merrill to David Merrill, August 10, 1834, Samuel Merrill Papers (Indiana Historical Society Library, Indianapolis); Indianapolis Indiana Journal, January 2, 1833, April 5, October 10, 1834.

8 Indianapolis Indiana Journal, April 5, 19, May 10, November 14, 1834; Calvin Fletcher to John Tipton, April 19, 1834, Nellie Armstrong and Dorothy Riker, eds., The John Tipton Papers (3 vols., Indiana Historical Collections, Vols. XXIV-XXVI; Indianapolis, 1942), III, 51.

9 Indianapolis Indiana Journal, November 14, 1834.

10 Ibid., February 18, 1832, November 19, 1841; Madison, “Businessmen and the Business Community in Indianapolis, 37-41.

11 The figures here cited were calculated from Eliza G. Browning, ed., Lockerbie's Assessment List of Indianapolis, 1835 (Indianapolis, 1909).
whose party identification in the mid-1830s can be ascertained, five (Bates, Blythe, Henderson, Russell, and Williams) were Whigs and one (Blake) a Democrat. At least four directors (Bates, Blake, Russell, and Williams) were engaged in mercantile businesses.\textsuperscript{12}

The large proportion of directors who were also merchants indicates the close relationship between mercantile and banking activities in antebellum Indianapolis. The nature of this relationship is more clearly illustrated in the reactions to the Panic of 1837. As early as January, 1837, various Indianapolis businessmen were expecting "great pecuniary distress."\textsuperscript{13} But in the spring, as in preceding years, many of the town's merchants traveled east to purchase goods with credit from the three year old Indianapolis Branch Bank.\textsuperscript{14}

During the prosperous years of the mid-1830s Indianapolis merchants had extended large credits to their customers and, in turn, had received credit from eastern wholesalers or loans from the Branch Bank. Because of threatening financial conditions in early 1837, however, seaboard wholesalers were less willing to grant new credit and were presenting notes for payment as soon as they came due. Had Indianapolis merchants attempted to meet all the demands of their eastern creditors, they would have been unable to pay the debts they owed the Branch Bank. By mid-May economic crisis seemed imminent. Six of the town's leading merchants decided to meet and "consult as to the general welfare of the mercantil [sic] interest" in Indianapolis. They gathered on May 13 at Nicholas McCarty's countinghouse and agreed not to discriminate against any single creditor, "but to pay them all an equal portion as it becomes due & especially to pay the Bank here as fast as any other creditor."\textsuperscript{15} Two days later the merchants met again and renewed their pledge to treat their creditors equally. Aware of "the present approaching crisis," they vowed "to sustain the Bank in case of pressure . . . ."\textsuperscript{16}

\textsuperscript{12} Party identifications and occupations were derived from various contemporary sources, especially the Indianapolis Indiana Democrat and the Indianapolis Indiana Journal.
\textsuperscript{13} Calvin Fletcher to John Tipton, January 17, 1837, Armstrong and Riker, Tipton Papers, III, 345.
\textsuperscript{14} Thornbrough, Diary of Calvin Fletcher, I, 413.
\textsuperscript{15} Ibid., 426-27.
\textsuperscript{16} Ibid., 427-28.
News of the "pressure" expected by the merchants reached Indianapolis on May 18; banks in the East had suspended specie payment. The State Bank Board immediately advised the branches to stop payment of specie. The next day Indianapolis merchants met again, this time more formally. They elected officers and passed resolutions expressing confidence in the State Bank and approving the decision to suspend specie payment. They also resolved: "That we will continue to receive at par in payment of debts due us and for merchandize at the usual prices, the paper of each of the Branches of the State Bank . . . ." Forty-one Indianapolis merchants signed the proceedings in order to make public their support. Their newspaper advertisements soon repeated the message that they would accept State Bank paper at par and, as one merchant noted, would sell "particularly low for silver or Hoosier bills."

The desire of merchants not to slight the Branch Bank in payment of their debts and their attempt to keep the currency circulating at par illustrate their dependence upon the bank. Without the institution's credit facilities many merchants would have been driven out of business or at least would have been required to reduce their scale of operations. With a currency that circulated below par they would have been forced to pay close attention to changing discount rates and to risk losing profits by accepting a note at more than its value or gain the ire of their customers by demanding too high a discount. In their collective and public support of the Branch Bank during the crisis of 1837 Indianapolis merchants made clear that they believed their own self interest to be very much entwined with that of the bank. The close relationship between merchants and bankers soon became an important element in criticisms directed against the Branch Bank.

The state banking system had been established during a period of intense partisan conflict over national banking; yet, the Indiana banks had aroused no serious opposition during their first years of operation. When the State Bank suspended specie payment in 1837, an Indianapolis citizens’
meeting fully approved and expressed its confidence in the institution, as did both the town’s Whig and Democratic newspapers. But the economic crisis continued during the summer and fall of 1837, and as eastern creditors pressed for payment of claims, Indianapolis merchants and other residents became convinced that “hard times” had arrived. In the midst of this economic difficulty the attack on the State Bank of Indiana began.

Criticism leveled against the State Bank in late 1837 and early 1838 was based in part on the traditional hard money agrarianism that distrusted all banks, especially after the suspension of specie payment. The most significant attacks, however, centered not on hard money arguments but on issues of economic and political discrimination. The political charge was straightforward; the State Bank and particularly the Indianapolis branch was a Whig institution. In 1837 eleven of the twelve officers and directors of the branch were said to be Whigs. Because Democrats were understandably more willing to find fault with an institution controlled by their political opponents, any charge made against the bank was a potential issue for public debate. The charge of economic discrimination centered on the issue of who received and who was denied Branch Bank credit. One Democratic editor summarized the criticisms of both Whigs and Democrats when he asserted: “The heavy merchant, land speculator and bank director are generally accommodated by the bank with as much as they wish.”

In December, 1837, and January, 1838, a committee of the Indiana House of Representatives conducted an investigation of the State Bank. The committee learned that over one half the total money loaned by the Indianapolis branch had been granted to branch directors and stockholders, indicating that the branch gave these persons “an improper

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20 Ibid., May 20, 1837; Indianapolis Indiana Democrat, May 31, 1837.
21 George Lockerbie to Elizabeth McOuat Elgin, June 30, 1837, George Lockerbie Papers (Indiana Historical Society Library); Sarah H. Fletcher to Joseph Hill, June 11, 1837, Calvin Fletcher Papers, ibid.; Samuel Merrill to William Polke, September 15, 1837, William Polke Papers (Lilly Library, Indiana University, Bloomington).
22 Samuel Merrill to David Merrill, July 1, 1837, Samuel Merrill Papers.
23 Indianapolis Indiana Democrat, September 27, 1837.
24 Ibid., August 30, 1837. See also Thornbrough, Diary of Calvin Fletcher, I, 458.
When questioned about the basis for deciding which notes and bills to discount, the cashier of the branch, Bethuel F. Morris, refused to answer. The cashier of the State Bank and friend of many branch directors, James M. Ray, privately dismissed these charges by the House committee as part of “the effort to rebuild on the prejudices against Banks, and against those whose industry & talent have been blessed with success in the world ...”

The charges against the State Bank had little immediate effect. Public discontent with the institution declined, and the legislature took no action on the House committee report of January, 1838, in part because of the return of apparent prosperity and the resumption of specie payment in August, 1838. State Bank President Samuel Merrill noted in early 1839: “Last year the very dogs seemed to bark at all concerned in the Bank but this year we are almost too popular.” Merrill’s optimism proved to be short lived. The attack on the State Bank during 1837 and 1838 was only a preparatory skirmish, and the quiet period of late 1838 and early 1839 was but a lull prior to full scale conflict.

The renewed and more vigorous attack on the State Bank grew out of political and economic events of late 1839 and 1840. The election of 1839 produced a Democratic majority in the Indiana House, thereby stimulating visions of greater state—and perhaps also Democratic—control of the bank. Indiana Jacksonians were also looking to the election of 1840 and welcomed any hint of bank corruption or mismanagement that they could blame on Whig directors and officers. In addition to partisan politics the bank war was fought against the background of severe economic depression.

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26 Indiana, Documentary Journal (1837-1838), 16.
29 Samuel Merrill to David Merrill, January 17, 1839, Samuel Merrill Papers. For Samuel Merrill’s earlier difficulties as president of the State Bank see Samuel Merrill to David Merrill, June 12, December 11, 1837, January 5, 1838, ibid.
30 Sharp, The Jacksonians versus the Banks, 200-201.
which included a second suspension of specie payment, lasting from November, 1839, until June, 1842, an “explosion” of the state sponsored internal improvements system, and a general curtailment of commerce and other economic activity. These political and economic forces nurtured a variety of attacks on practices of the Indianapolis branch, especially in regard to the extension of credit and the relationship between bankers and merchants.

The skirmishes of 1837 and 1838 had only hinted at the indebtedness of merchants to the Branch Bank. In 1840, near the low point of the economic depression, critics pushed this issue into public view. A committee appointed by the Democratically controlled House of Representatives investigated the State Bank and reported in January, 1840, that in making loans, officers and directors of several branches had shown “extreme partiality to merchants over farmers . . . .” Part of the evidence for the committee’s conclusion came from Morris, cashier of the Indianapolis branch. On the evening of January 9, 1840, Morris appeared before the investigators to respond to their “interrogatories.” He informed the committee that loans due the branch from individual debtors amounted to over $400,000 and that almost $225,000 of this sum had been loaned to merchants. Large merchant debts indicated, Morris admitted, that “but a small portion of the community are directly accommodated with loans, yet,” he added, “the indirect accommodations of the bank are very generally distributed among the people . . . .” Referring to the credit extended to customers by Indianapolis businessmen, the cashier asserted that “an inquiry recently made” showed that there was then “due to the merchants, mechanics and manufacturers of the town of Indianapolis from the citizens of the surrounding country above three hundred and fifty thousand dollars, and almost exclusively from the farmers.” Without “bank accommodations,” he concluded, “the merchants and others in the town could not permit [this credit] to remain in the hands of their customers . . . .” The Indianapolis *Indiana Journal*, a Whig organ, agreed with Morris’ defense of loans to merchants

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33 *Indiana, House Journal* (1839-1840), 555.
and on the basis of its own informal survey reported that 1,800 persons were indebted to one Indianapolis merchant, 700 to another, and 600 to a third. And, the Journal added, most of these debtors were farmers from Marion and adjoining counties.\footnote{Indianapolis Indiana Journal, February 8, 1840.}

The investigating committee agreed that farmers received credit through merchants. Unlike Morris, however, the committee did not approve of this arrangement but favored instead direct loans to farmers to encourage agricultural production and to increase the shipment of surplus farm products. Lending money to merchants instead of farmers, the committee argued, had enabled the businessmen to purchase large quantities of goods, most of which were “articles of show and luxury, beyond the wants and the ability of the community.” The committee concluded that the result had been “to stimulate a love of indulgence and display, and to increase the consumption of the country beyond its production. The State therefore is impoverished, [and] the habits of the people vitiated, by the policy of stimulating the import trade . . . by bank credit.”\footnote{Indiana, House Journal (1839-1840), 498-99.}

In addition to criticizing large loans to merchants the committee of 1840 also renewed earlier charges of discrimination in favor of Branch Bank officers, directors, and stockholders.\footnote{Ibid., 553-54.} The Democratic Indiana State Sentinel repeated the criticism and noted: “very few, if any of the common people, the farmers and mechanics, can get a discount; yet it is well known that bankrupts . . . and particular favorites, can get almost any amount called for . . . .”\footnote{Indianapolis Indiana State Sentinel, October 26, 1841. See also ibid., September 14, 1841.} These charges were soon given explicit documentation.

Early in 1842 the legislature appointed Nathan B. Palmer to conduct an extensive examination of the State Bank. Palmer was a Democrat, but his report contained little of the hard money, antibank philosophy often associated with western Jacksonianism. His criticisms were instead directed to specific instances of mismanagement, most importantly the practice of “granting large accommodations to favorites and men of influence . . . .” Palmer especially
Business and Politics in Indianapolis

 singled out the Indianapolis branch as having "greatly erred in the practice of favoritism, and exorbitant loans and large debts." To substantiate this charge his report included a list of debtors and the amount each owed.38

The largest debtor to the Indianapolis branch as of April 15, 1842, was Nicholas McCarty, who owed $32,614.39 McCarty had borrowed most of the money during the 1830s when he was the town's leading merchant, operating seven or eight branch stores in Indianapolis and nearby communities.40 During the boom years of that decade he had invested large sums in land speculation. He was also a stockholder and president of the Indianapolis Insurance Company and a stockholder, director, and president of the Washington Hall Hotel Company, which built the hotel of that name by means of a $25,000 loan from the Indianapolis branch.41 McCarty also sat on the State Bank Board, and although he was not a director of the Indianapolis branch, he doubtless had a voice in its management through director David Williams, his cousin, merchant partner, and—according to at least one observer—"mere instrument."42 Even without Williams, McCarty would have been influential in the branch for he was its largest individual stockholder, owning over one fourth of the private shares.43 McCarty was unequalled as a merchant-entrepreneur in Indianapolis. The economic crisis of the late 1830s made him the town's leading debtor, unable to pay for merchandise bought on credit and unable

39 Indiana, Documentary Journal (1842-1843), 166, 173, 287.
to collect from many of his Indiana customers. And, as his friend Calvin Fletcher noted, the money he had “invested in lands & building hotels &c. . . . [was] now dead capital.”

Although McCarty was the most indulged Branch Bank “favorite,” other Indianapolis businessmen with close ties to the branch had also obtained loans and like McCarty were unable to repay them because of depressed economic conditions. Palmer’s bank report in 1842 included a list of these unpaid notes which were under protest. Most debtors on the list owed sums of only a few hundred dollars, but three persons stand out as owing large amounts: James Blake owed $13,400; Samuel Henderson, $10,000; and Daniel Yandes, $7,236. All three were large stockholders and directors of the branch during the 1830s.

Palmer’s report was made public in early 1843, and although it caused considerable excitement in Indianapolis, its contents were not a revelation to some residents. By setting forth in embarrassing detail the exact amount owed by each debtor to the Branch Bank, however, the report substantiated what many persons had long suspected. The large loans to a select few had been a subject of conversation for several years, and the names that had been heard in the streets were those of McCarty, Blake, Yandes, Henderson, and others of the town’s leading businessmen—known favorites of the Indianapolis branch and men who had used their position and prominence to obtain large loans that they were now unable to repay.

The issue of favoritism by bankers to themselves and to other merchants was part of and helped lend credence to a broad and virulent attack on the Indianapolis business community in the early 1840s. This antibusiness campaign was politically motivated as it was largely the work of Democratic politicians eager to discredit their Whig opponents. One of the first steps in their effort was the assertion that most...
Indianapolis businessmen were Whigs. "In this town," the Indianapolis Indiana Democrat noted, "all the mercantile houses, with the exception of three or four, are whig, and all the mercantile community are combined against us . . . ." Jacksonians also emphasized Whig control of the Indianapolis Branch Bank. In 1837, they claimed, only one Democrat was included among eleven officers and directors. Four years later there were said to be only two.

If most Indianapolis merchants and bankers were Whigs, a logical next step for Democrats was to publicize the moral shortcomings of businessmen. An editorial in the Indianapolis Indiana Democrat illustrates the tactics used. Referring to businessmen in general and to merchants in particular, the writer asserted: "the nature of their business is such that selfishness and self interest become their leading incentives to action," and "they lose to a great extent the feeling of expansive philanthropy which look[s] to the interests of all." With proper Jacksonian rhetoric the editor concluded: "constant hankering after profits has an evil influence upon the mind. This class of men opposed Jefferson, they opposed Jackson, they now oppose Mr. Van Buren. They never did as a body, belong to the democracy. Taught from early life to look upon wealth and goodness as the same thing, they will of course unite with the aristocracy." Businessmen were dangerous not only because they were selfish or evil but also because, in the words of a leading Indianapolis Jacksonian, they were "in possession of the two great elements of power, KNOWLEDGE and MONEY." They had, therefore, "the means of exerting an immense influence in public affairs." Democratic rhetoric and propaganda thus created a Whig business community powerful enough to carry out its own measures of self interest and special privilege to the detriment of the common man. The label they attached to this Whig business community was the "Indianapolis Junto."

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48 Indianapolis Indiana Democrat, July 11, 18, 1840.
49 Indianapolis Indiana Democrat, September 27, 1837; Indianapolis Indiana State Sentinel, August 31, 1841.
50 Indianapolis Indiana Democrat, July 11, 1840. See also ibid., March 5, 12, 1841.
51 W. W. Wick to "My Constituents," February 23, 1841, ibid., March 5, 1841.
Jacksonians had raised the cry of "Junto" as early as 1837.\textsuperscript{52} By 1840 they were often warning the people of the Junto's political and economic power. One editor described the group as a "combination of men who have made Marion and a part of the surrounding counties their hewers of wood and drawers of water . . . ."\textsuperscript{53} Although Democrats excelled at describing the general results of the Junto's power, they were usually unable or unwilling to explain exactly how the alleged clique of businessmen operated. An editor could deplore "the dishonorable means resorted to by the federal Junto, the merchants, bankers and clerks of Indianapolis to deceive the people . . . .," but beyond vague and unsubstantiated allegations of voting frauds he could offer few examples of this deception.\textsuperscript{54} When, despite these warnings, a large majority of Indianapolis and Marion County voters cast ballots for Whig candidates, the Indianapolis \textit{Indiana Democrat} weakly explained that the people were blinded by the "glare of aristocracy" and "supposed when they saw the merchants and bankers on the whig side that it was the decency side . . . ."\textsuperscript{55}

Much of this antibusiness Junto campaign was no more than the thin rhetoric of partisan politics. In an effort to frighten voters into the Democratic party Jacksonian politicians and editors fabricated a monster, a junto of businessmen united to deprive the people of their economic and political liberties. It was a poor imitation of the tactic used earlier by President Jackson; the monster now was not the Second Bank of the United States but local merchants and bankers.

Although much of the campaign against the business Junto was partisan rhetoric, there was one area in which Democratic accusations had credence. Democrats had hinted at the relationship between Branch Bank loans and Junto power as early as 1837.\textsuperscript{56} In 1840 and 1841 they made

\textsuperscript{52} Ibid., October 18, 1837, January 12, 1838; Indianapolis \textit{Indiana Journal}, January 14, August 5, October 14, 1837; Calvin Fletcher to John Tipton, January 17, 1837, Armstrong and Riker, \textit{Tipton Papers}, III, 345.

\textsuperscript{53} Indianapolis \textit{Indiana State Sentinel}, September 14, 1841. See also Indianapolis \textit{Indiana Democrat}, February 26, April 1, 1840; Indianapolis \textit{Indiana Journal}, May 2, 1840.

\textsuperscript{54} Indianapolis \textit{Indiana Democrat}, July 18, 1840. See also \textit{ibid.}, August 1, 1840.

\textsuperscript{55} \textit{Ibid.}, September 25, 1840.

\textsuperscript{56} \textit{Ibid.}, October 18, 1837.
effective use of this issue. When, for example, the Branch Bank installed a new combination lock for its vault, the Democratic Indianapolis Sentinel asserted that “each member of the Junto has a key to suit the combination lock;” and all loans were “distributed to the Holy Alliance of Indianapolis.” Another Sentinel editorial on the Junto noted that the “monuments of their pride and mischief” included the Indianapolis steam mill, the Washington Hall Hotel, and the Indianapolis Insurance Company. None benefited the people, yet all were financed with loans from the Branch Bank—“the people's money.” And although they had acquired their wealth through Branch Bank credit, “a large portion of the Indianapolis Junto are now standing on their reserved rights: that is, the right to have large houses, stores, farms, &c. without paying their debts.” Merchants, bankers, and Whig politicians could not easily dismiss Democratic criticism of Branch Bank loans to alleged Junto members. Rumors about the loans and several reports of legislative investigating committees provided evidence for the charges and lifted them above the level of political mudslinging. Even the Indianapolis Journal admitted: “Many Whigs believe that the Branch at this place is not conducted as it should be . . . .” The issue had become a political liability to Whigs and a means of providing substance to attacks against businessmen. By making evident economic and political favoritism on the part of a public institution, Democratic criticism prepared the way for a movement to change Branch Bank practices. Unlike the experience of some other states, however, Indiana Jacksonians did not participate directly in formulating or instituting these changes. Instead, members of the Indianapolis business community—mainly Whigs—quietly and privately modified Branch Bank practices.

The leader of the Branch Bank “reform” movement was Calvin Fletcher. Born in Vermont in 1798, Fletcher left New England for the West at the age of nineteen. He studied

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51 Indianapolis Indiana State Sentinel, August 31, 1841.
52 Ibid., September 14, 1841. The term “people's money” was doubtless based on the fact that the bank was a public institution in which the state owned one half the stock.
53 Ibid., September 27, 1842.
54 Indianapolis Indiana Journal, September 24, 1841.
55 The words reform and reformers are used here because Calvin Fletcher and his associates referred to themselves in those terms and were so referred to by others. See Thornbrough and Riker, Diary of Calvin Fletcher, II, 313.
law in Urbana, Ohio, but because of an abundance of lawyers there decided in 1821 to move to the future capital of Indiana. Fletcher was the first lawyer in Indianapolis and practiced law there for several years. With the aid of his friend McCarty he became a collection agent for many eastern merchants, and by the early 1830s debt collection was the largest and most profitable part of his business. But Fletcher soon acquired other interests and gradually diminished his law and collection activities, turning much of this work over to partners. He served in the Indiana Senate from 1826 to 1833. In the mid-1830s he spent much of his time and money on investment projects, including the Washington Hall Hotel, the Indianapolis Insurance Company, the Branch Bank, and large land speculations with McCarty. The hard times of the late 1830s and early 1840s left Fletcher with large debts, including some to the Branch Bank. At the same time, however, his collection business prospered, and unlike many other debtors Fletcher was soon able to meet most of his obligations. By 1842 he possessed enough financial security to abandon law and debt collection, and from then until his death in 1866 much of his attention was devoted to banking. During the 1830s Fletcher had been a member of the State Bank Board and the attorney for the Indianapolis branch. His interest in the issue of loans to branch favorites brought about a closer association with the institution.

Fletcher’s concern over Branch Bank credit antedated the Panic of 1837. In early March, 1837, he noted: “Several of our Merchants are going East & have been accommodated to an extravagant [sic] length at [the] Bank.” He added: “it has been resolved by several of us that we will put a stop to such extravagant [sic] loans.” But Fletcher and his unidentified associates apparently took no action at this time, and the intensive Branch Bank reform movement did not begin until 1840.

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82 Thornbrough, Diary of Calvin Fletcher, I, 413.
In late 1839 Stoughton Fletcher, Calvin's youngest brother, was elected to a directorship in the Branch Bank. Stoughton had arrived in Indianapolis in 1831 and had soon become a successful merchant and later a broker and banker. Encouraged by Calvin, Stoughton began in early 1840 to vote against extensions and further renewals of loans to directors and other favorites. Though urged by his brother to persevere, Stoughton soon abandoned bank reform. In early October, 1840, the two brothers had a conversation that marked the beginning of an estrangement between them. “He insists,” Calvin lamented, “on getting very rich & thinks I am too scrupulous on the subject of buying notes . . . .”

Friction between two brothers was only a small part of the conflict caused within the Indianapolis business community by the issue of Branch Bank reform. Calvin Fletcher made his first substantial move toward reform in mid-1840, when, in his position as a member of the State Bank Board, he obtained the appointment of Ovid Butler and Corson Vickers as Branch Bank directors. Butler was Calvin Fletcher's partner in the collection agency, and Vickers was a successful businessman interested in several enterprises, including merchandising. Both were sympathetic to Calvin Fletcher, who stated that the purpose in their appointment was “to check the merchants influence in the Branch” and to end large loans to merchants, directors, and stockholders. Other directors viewed their two new colleagues with disapproval and fear. As for himself, Calvin Fletcher noted: the attempt at “reform has brought me into bad odor with some of my best friends.” McCarty especially was “so injured in his feelings that he does not wish to see me on the Subject.”

Appointment of two new directors did not immediately change Branch Bank practices. In late August, 1840, the branch approved large discounts for merchants “to go to Philadelphia for goods.” Calvin Fletcher was dismayed. “It must be stopped,” he vowed.

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65 Thornbrough and Riker, *Diary of Calvin Fletcher*, II, 140-41.
66 Ibid., 236. See also ibid., 353.
67 Ibid., 237. See also ibid., 157, 216.
68 Ibid., 216-17.
69 Ibid., 217.
70 Ibid., 218, 219.
After planning his strategy, Calvin Fletcher met on December 15 with Alexander Worth and Samuel Herriott. Both had been branch directors since 1834. Fletcher gained their support for an attempt to replace as directors his wayward brother, Stoughton, and McCarty’s representative, Williams. On the same day and with the support of Worth, Herriott, Butler, and Vickers, Calvin Fletcher attended “a meeting of old friends,” held in Alfred Harrison’s dry goods store. The informal gathering had been “very prudently called” by Ray, cashier of the State Bank and a large stockholder in the Branch Bank. According to Fletcher, Ray was, throughout the reform campaign, the “promoter of peace” and the intermediary between the reformers and the people they alienated. His pacificatory talents were especially needed at the December 15 meeting. In attendance were Benjamin I. Blythe, A. W. Russell, Bates, Blake, Harrison, McCarty, Ray, and Fletcher, all leaders of the business community and all debtors to the Branch Bank. They argued long over the question of discounts to merchants, and while there was considerable disagreement, a majority eventually conceded the necessity of reducing loans. Calvin Fletcher also presented his proposal not to reelect his brother and Williams. This, too, generated “much heat,” but most of those present eventually consented.

Although the meeting of December 15 was a major victory for the reformers, they continued their fight for several years, gradually effecting measures that substantially reduced criticism of the Branch Bank. In late December, 1840, Butler persuaded his fellow directors to ascertain the total amount owed by Blake and to set rates for systematic repayment. McCarty and other large debtors also agreed to repayment schedules, and although it required several years, these debtors eventually repaid their loans. The reformers’
policy of reducing discounts to merchants was also put into effect, although the achieved reduction was undoubtedly due largely to the depressed nature of the economy. In a direct attempt to mollify political discontent with the Branch Bank the reformers gradually succeeded in replacing old directors with new ones, some of whom were Democrats and none of whom was a large debtor. The old officers were also forced out. Bates had been president of the branch since its organization, but the reformers considered him too willing to extend credit. In early 1844 they met, again informally at Harrison's store, and decided "they would invite H. Bates to resign the Presidency . . . ." Bates accepted the invitation, and the reformers succeeded in getting Calvin Fletcher elected in his place. Later they also replaced Morris as cashier.

By the mid-1840s Fletcher and his associates had completed their reforms. They had corrected the major abuses of personal favoritism by setting and obtaining agreement to loan repayment schedules for long standing debtors and by curtailing new loans to merchants and bank directors. And they had reduced partisan discrimination by adding Democrats to the bank's board of directors.

In carrying out these measures the reformers stole much of the Jacksonians' thunder and perhaps prevented more far reaching changes. Democratic criticism of the Branch Bank had been sufficiently strong and valid in the early 1840s to threaten drastic changes in the institution and perhaps even the entire state banking system. Such indeed was the result of Jacksonian attacks in many other western states where the failure of reform efforts contributed ultimately to successful movements to abolish banks. That Indiana was spared drastic measures in the early 1840s was doubtless the result of many factors, most notably the strength of the Indiana Whig party, the weakness of hard money sentiment

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56 Indiana, Documentary Journal (1842-1843), 167, 168-69, 170-71; Thornbrough and Riker, Diary of Calvin Fletcher, II, 272, 539, III, 437; Samuel Merrill to Hervey Bates [August, 1843], Letterbook, State Bank of Indiana (Archives Division, Indiana State Library).

57 Indianapolis Indiana Journal, November 12, 1843; Calvin Fletcher Diary, November 11, 1849, February 3, 1865, Calvin Fletcher Papers.

58 Thornbrough and Riker, Diary of Calvin Fletcher, III, 38. See also Samuel Merrill to Calvin Fletcher, August 28, 1843, ibid.; Hervey Bates to Bethuel F. Morris, March 31, 1842, Box 27, Indianapolis Branch Bank Papers (Archives Division, Indiana State Library).

59 Thornbrough and Riker, Diary of Calvin Fletcher, III, 42, 204-205.
in the Jacksonian party, and the eventual return of prosperity. Yet failure to change the banking system dramatically was due also to the shrewdness of Fletcher and his associates. Quietly and privately these Indianapolis businessmen effected measures that met most of the valid criticism directed against the Branch Bank and the business community. The success of these reform measures is indicated by the fact that from the mid-1840s until the charter expired in 1859 neither the bank nor the business community was subject to the kind of vituperative criticism that plagued them in the late 1830s and early 1840s. The Democratic press in these later years was nearly silent on such subjects as large loans to bank favorites and the alleged Junto of businessmen using the bank for selfish purposes. The Indianapolis Junto was dead, even in Democratic rhetoric, and the Indianapolis business community and the Branch Bank were no longer easy targets for partisan politics.81

80 Sharp, The Jacksonians versus the Banks, 201.
81 For an unsuccessful attempt to revive the Junto see Indianapolis Indiana State Sentinel, July 14, 1847; Indianapolis Indiana Journal, July 13, 1847. Although Branch Bank practices were no longer the subject of political debate in the late 1840s and 1850s, other aspects of banking were debated, especially the issue of free banking. See Esarey, State Banking in Indiana, 265-82; Madison, “Businessmen and the Business Community in Indianapolis,” 187-202.