



Sectional Loyalties and Institutional Transformation in Missouri's Banks, 1861-1870

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In this paper, I present a case study in the transition from the state banking system that preceded the American Civil War to the national banking system that followed it. In Missouri, besides the macroeconomic forces at work, firm-level events hinging on communal relations resulted in a virtually complete turnover in the banks' officers, major shareholders, and customers. These changes were brought about not by the war or the new national laws, but rather by a massive financial fraud undertaken by the state's bankers at the outset of the war, in an episode previously overlooked in Civil War history.

In this paper, I present a case study of the transition from the state banking system that preceded the American Civil War to the national banking system that followed it. In the state of Missouri, besides the macroeconomic forces at work, firm-level events hinging on communal relations were responsible for a more drastic transition, resulting in a more complete break with the past. Though Missouri's banks, along with the railroads, were the only major antebellum firms to survive the War and become part of the postwar big business complex, the transformation was accompanied by a virtually complete turnover in the banks' officers, major shareholders, and customers. These changes, rather than a consequence of the war or the new national laws, were the result of a massive financial fraud undertaken by the state's bankers at the outset of the war in an episode previously overlooked in Civil War history. In 1861, Missouri's bankers diverted large sums of money from their institutions to support the rebellion, a scheme that collapsed and took down the bankers and many of the wealthiest families in the state. Other scholars have researched antebellum state banking and Missouri's economy; my contribution is a study of the people who ran the banks in 1861 and the decisions they made that involved the banks in fraud, bringing down the state's planter class.

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In 1861, Missouri's banks were very new, chartered under a comprehensive state banking law passed in 1857.¹ The law was intended to address an acute shortage of money in the state.² Throughout the mid-nineteenth century the interior states of the South and West were cash- and credit-poor, Missouri particularly so. Before the 1857 law, Missouri had one state-chartered bank operating in eight locations, with a total capitalization of \$1.2 million. Under the new law, nine chartered banks operated in forty-two locations by 1861, with a total capitalization of \$16.5 million, a thirteen-fold increase.³ These banks issued the only legally circulating paper currency in the state, for all practical purposes the state's entire money supply, absent any meaningful quantity of money issued by the federal government.⁴ Except for private bankers with their much smaller resources, these same banks controlled almost all the commercial credit in the state.

Banks of the day were mainly business-to-business enterprises. Missouri's two principal industries before the Civil War were providing for the material needs of western settlers passing through the state, and production of support commodities for the plantations of the cotton South.⁵ Both the western and the southern businesses were served out of St. Louis and the counties bordering the Missouri River to the west of the

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¹ "An Act to Regulate Banks and Banking Institutions, and to Create the Offices of Bank Commissioners," approved March 2, 1857. *Laws of the State of Missouri Passed at the Regular Session of the Nineteenth General Assembly, Begun and Held at the City of Jefferson, On Monday, the 29th Day of Dec., 1856* (Jefferson City, Mo., 1857), 14.

² John R. Cable, *The Bank of the State of Missouri* (New York, 1923), 244. Bray Hammond, *Sovereignty and an Empty Purse: Banks and Politics in the Civil War* (Princeton, N. J., 1970), 93.

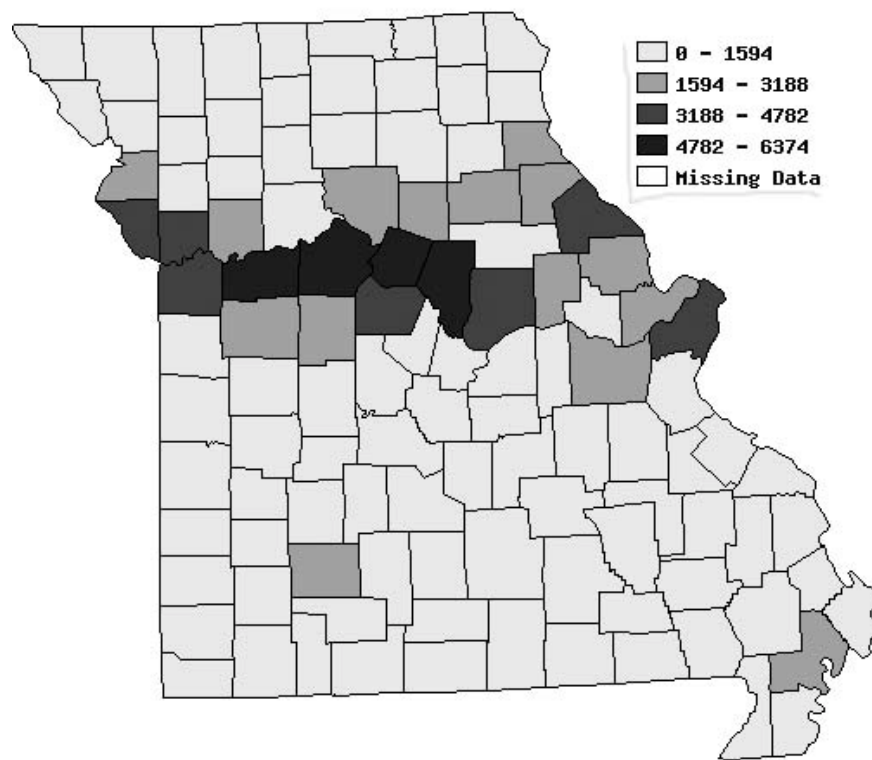
³ Timothy W. Hubbard and Lewis E. Davids, *Banking in Mid-America: A History of Missouri Banks* (Washington, D.C., 1969), 83-84.

⁴ Many states, Missouri included, had laws against accepting out-of-state banknotes in settlement of debts. "An Act to Prevent Illegal Banking, and the Circulation of Depreciated Currency Within This State," Enacted 8 Dec. 1855, *Journal of the Senate, Adjourned Session of the 18th General Assembly, Missouri State Legislature* (Jefferson City, Mo., 1855), 196.

⁵ Perry McCandless, *History of Missouri, 1820 to 1860*, 5 vols. (Columbia, Mo., 2000), 2: 143-44. James Neal Primm, *The Lion of the Valley: St. Louis, Missouri 1764-1980* (St. Louis, Mo., 1998), 128-36.

city, where a majority of the branch banks were also located.⁶ The southern trade was the more lucrative: Missouri produced corn and hogs to feed slaves; horses, mules, and oxen for draft animals; hemp for cotton baling; and tobacco for wrapper leaf in making cigars. Slaves made all these products on Missouri plantations organized on the southern model.⁷ Because this was the state's main plantation region, most of the slaves were held in this area (see Figure 1).

FIGURE 1
Slave Density in Missouri, by County, 1860



Source: Slave Schedules, Eighth Census of the United States. Historical Census Browser. Retrieved 2 Feb. 2005, from the University of Virginia, Geospatial and Statistical Data Center: http://fisher.lib.virginia.edu/collections/stats/hist_census/index.html.

⁶ *St. Louis Triweekly Missouri Republican*, 1 Feb. 1861, p. 1, Newspaper Archive, State Historical Society of Missouri, Columbia, Missouri.

⁷ R. Douglas Hurt, *Agriculture and Slavery in Missouri's Little Dixie* (Columbia, Mo., 1992), 13-14, 219-23.

These counties were where the money was (literally, because the banks controlled the money supply), as well as the locus of the greatest investment of capital and the main concentration of economic power. Overall, Missouri formed one point of a classic trading triangle: the South's sale of cotton to the mills of Old and New England earned hard currency used to pay Missouri's farmers and merchants, who remitted money to pay for eastern manufactured goods. Missouri's balance of trade was generally favorable with the South and West, and unfavorable with the East.⁸

Though each bank had a branch network, branches were semi-independent franchises, locally financed by the wealthy men of the neighborhood who were also the banks' major customers. In the river counties, this was the same business elite that dominated the economy and politics of the entire state, and had done so for decades.⁹ This group was very homogeneous and tightly knit; the rural gentry in the region were almost invariably from the Middle Border or Seaboard slave states (Kentucky, Tennessee, Virginia, Maryland, and North Carolina) and had a very narrow range of political, religious, and fraternal affiliations.¹⁰ These families intermarried extensively, creating multiple kinship ties. Family alliances often went back generations, to the pre-Revolutionary southern Tidewater region, and persisted through multiple migrations before reaching Missouri.¹¹ A bank, therefore, was a kind of extended-family

⁸ Hammond, *Sovereignty and an Empty Purse*, 27.

⁹ Hurt, *Agriculture and Slavery in Missouri's Little Dixie*, 274-75; McCandless, *History of Missouri*, 122-23.

¹⁰ Mark W. Geiger, "Missouri Banks and the Civil War" (M.A. Thesis, University of Missouri, 2000), 50-53.

¹¹ For example, Missouri's deposed governor Claiborne Fox Jackson was related to the Harwood, Marmaduke, and Sappington families: all four families resided in Saline County and nearby in 1860. These four families intermarried eleven times between 1804 and 1860, across three different states. Consequently, every member of the families had multiple kinship connections with every other. Besides ties of blood and marriage, members of the allied families were involved together in various business ventures at least back to 1835. Christopher Phillips, *Missouri's Confederate: Claiborne Fox Jackson and the Creation of Southern Identity in the Border West* (Columbia, Mo., 2000), 71. Jordan Dodd, "Kentucky Marriages to 1850," 1997, Ancestry.com, Inc.; viewed 8 Dec. 2004. URL: <http://search.ancestry.com/cgi-bin/sse.dll?db=eamky&gsfn=&gsln=smith&sx=&year=1820&yearend=1860&gskw=&gsco=2%2cUnited+States&gspl=20%2cKentucky&prox=0&rank=0&db=&ti=0&ti.si=0&gss=angs&submit.x=19&submit.y=15>. Jordan Dodd, compiler, "Maryland Marriages, 1655-1850," 2004, MyFamily.com, Inc.; viewed 7 Dec. 2004. http://search.ancestry.com/cgi-bin/sse.dll?db=mdmarriages_ga&gsfn=&gsln=&sx=&year=1820&yearend=1820&gskw=&gsco=2%2cUnited+States&gspl=23%2cMaryland&prox=0&rank=0&db=&ti=0&ti.si=0&gss=angs&submit.x=29&submit.y=15. Jordan Dodd, "Missouri Marriages to 1850," 1997, Ancestry. com; viewed 10 Dec. 2004. URL: <http://search.ancestry.com/cgi-bin/sse.dll?db=eammo&rank=0&gsfn=&gsln>

business with a closely related core of officers, principal shareholders, and customers. These banks did plenty of business with outsiders, but the in-group always took priority. As Naomi Lamoreaux and Howard Bodenhorn have shown, this sort of crony-capitalism was standard banking practice in the period and, equal opportunity aside, was a rational way of doing business.¹² Retail banking requires close knowledge of the circumstances and character of each customer; embedding business relationships in a broad matrix of family, neighborhood, and social connections provides that knowledge.

However, banking also entails relationships with other banks and business firms, sometimes thousands of miles away. Because Missouri had few banks before 1857, the new institutions recruited their officers from other occupations. Those with the most experience in extending credit and managing long-distance business relationships were the leading merchants, particularly wholesale merchants.¹³ With few exceptions, these were the men chosen by the shareholders to be bank presidents. There was very little old family money in this society, and most of the merchants were self-made men. By all indications they viewed banking as an intermediate rung on a social ladder on which the planter class occupied the top position. Merchants, bankers included, generally set themselves up as planters as soon as they had money to do so. Figure 2 shows two merchant/bankers who had “arrived.” The top picture shows William Breathitt Sappington and his plantation home “Prairie Park” in Saline County, Missouri. Sappington was the president of the Bank of the State of Missouri branch at Arrow Rock and the owner of 2,300 acres of land

[=&sx=&year=1820&yearend=1850&gskw=smith&gsco=2%2cUnited+States&gspl=28%2cMissouri&prox=0&db=&ti=0&ti.si=0&gss=angs&submit.x=26&submit.y=18](http://search.ancestry.com/cgi-bin/sse.dll?db=momarr1851&gsfn=&gsln=smith&sx=&year=1870&yearend=1870&gskw=&gsco=2%2cUnited+States&gspl=28%2cMissouri&prox=0&db=&ti=0&ti.si=0&gss=angs&submit.x=26&submit.y=18). Jordan Dodd, “Missouri Marriages, 1851-1900,” 2000, Ancestry.com; viewed 9 Dec. 2004. URL: <http://search.ancestry.com/cgi-bin/sse.dll?db=momarr1851&gsfn=&gsln=smith&sx=&year=1870&yearend=1870&gskw=&gsco=2%2cUnited+States&gspl=28%2cMissouri&prox=0&rank=0&db=&ti=0&ti.si=0&gss=angs&submit.x=55&submit.y=14>.

¹² Naomi R. Lamoreaux, *Insider Lending: Banks, Personal Connections, and Economic Development in Industrial New England* (New York, 1994), 1-4, 25-26, 49; Howard Bodenhorn, *State Banking in Early America: A New Economic History* (New York, 2003), 19, 223-26.

¹³ Geiger, “Missouri Banks and the Civil War,” 51-52. Starting in St. Louis and moving farther west as the tide of settlement advanced, merchants were a conduit through which the agricultural products of the region made their way east and manufactured items made their way west to supply frontier farmers and the Santa Fe trade. Moving from merchandising into banking thus represented a natural step. See Lewis E. Atherton, “The Pioneer Merchant in Mid-America,” *The University of Missouri Studies* 14 (1 April 1939): 30, 105, who notes how the pioneer merchants of the Midwest (which most of the bankers were originally) did not think much of their own occupations. They seldom kept their records or correspondence, and generally left merchandising as soon as they were able. In later life, 14 percent shifted to banking, their second interest after politics.

and thirty-eight slaves.¹⁴ The bottom picture shows Captain William Daniel Swinney and his home "Sylvan Villa" in adjoining Howard County. Swinney was president of the Western Bank of Missouri branch at Glasgow, Missouri, and owned 1,350 acres of land and seventy-nine slaves.¹⁵ Both men lived as country gentlemen while continuing to pursue their other commercial interests (a typical pattern): Sappington as co-owner of two stores and in the manufacture and sale of anti-malaria pills, and Swinney in the marketing of tobacco.¹⁶ Figure 3 shows a few of the banknotes issued by these banks; the artwork gives an idea of the bankers' aspirations and loyalties.¹⁷ This social climbing and the bankers' loyalty and affiliation to the planter class are important to the events that followed.

When the Civil War came the bankers almost unanimously backed the Confederacy and used their positions to support their politics. However, they went well beyond that, perpetrating a massive fraud against their institutions. In the summer and fall of 1861, Missouri's bankers handed over virtually all their banks' funds in unsecured personal loans to arm and provision the rebel army. These loans were almost all paid out to the bankers' own relatives, who constituted only a fraction of the banks' customers, depositors, shareowners, and holders of paper.¹⁸ The bankers' actions also cost many Confederates their money, and at least one enraged depositor killed a banker.¹⁹

¹⁴ "1860 U. S. Agricultural Census for Saline County, Missouri. 1860 U.S. Slave Schedules for Saline County, Missouri," *Marshal Democrat*, 7 March 1870, p. 2. Newspaper Archive, State Historical Society of Missouri, Columbia, Mo.

¹⁵ "1860 U. S. Agricultural Census for Howard County, Missouri. 1860 U. S. Census Slave Schedules for Howard County, Missouri," *Glasgow Times*, 7 March 1861, p. 3. Newspaper Archive, State Historical Society of Missouri, Columbia, Mo.

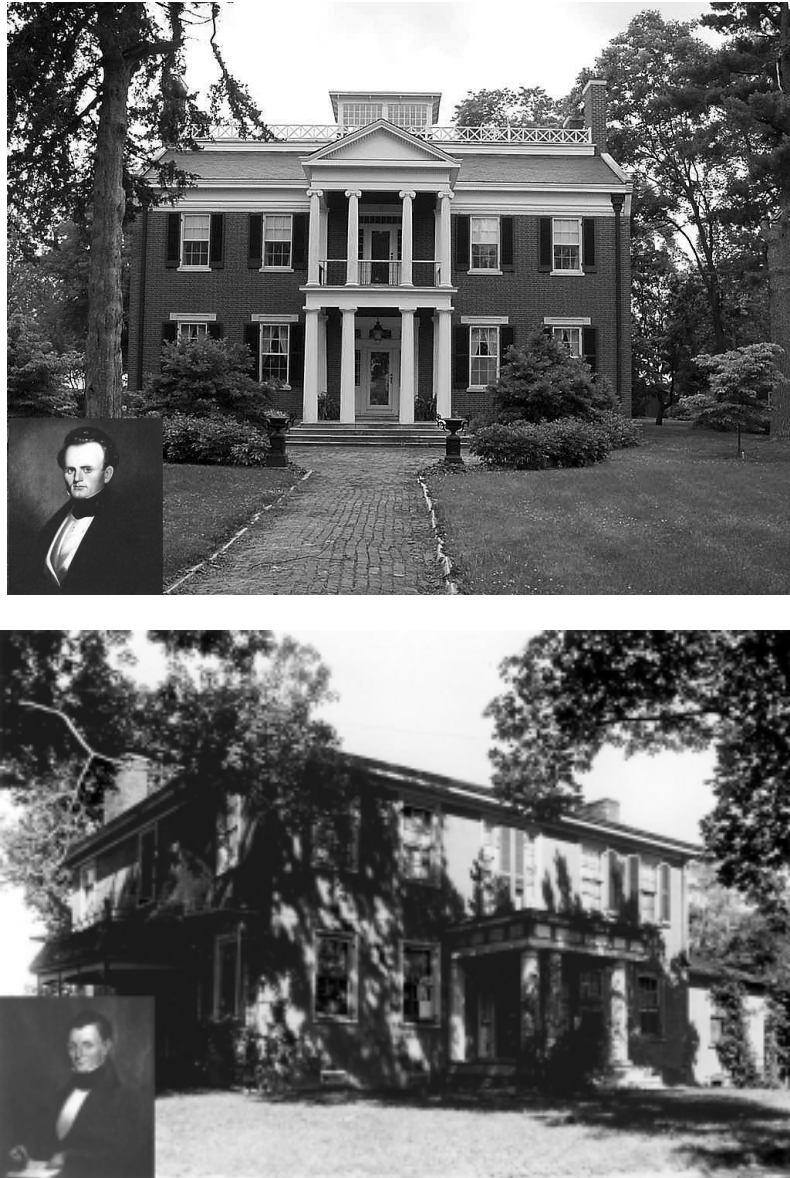
¹⁶ *History of Saline County, Missouri* (St. Louis, Mo., 1881), 571-72; Missouri volume, R. G. Dun & Co. Collection, Baker Library, Harvard Business School, Cambridge, Mass. E. Maurice Bloch, *The Paintings of George Caleb Bingham: A Catalog Raisonne'* (Columbia, Mo., 1986), 52, 158.

¹⁷ Douglas B. Ball, et al., cat. *The Dr. Joseph Vacca Collection of Missouri Currency et al.* (Munson, N.Y., 1981), 33, 35-37.

¹⁸ Mark W. Geiger, "Financial Conspiracy and the Origins of Missouri's Guerrilla War, 1861-1865" (Ph.D. diss. in progress, University of Missouri, 2005), 67-70.

¹⁹ On 1 Oct. 1861 in Osceola, Missouri, the local branch of the Merchants Bank of St. Louis was in the process of handing out all its money, as described. On that day, a depositor, Marcellus Harris, shot and killed the bank's president, William L. Vaughan, after Vaughan refused to give Harris his money. Harris was no Union man; he was a Virginian and a slaveholder, and his brother Edwin was an army surgeon with the Confederate military forces. 1860 U.S. Population Schedules, Slave Schedules for St. Clair County, Missouri. Kathleen White Miles, *Bitter Ground: The Civil War in Missouri's Golden Valley—Benton, Henry and St. Clair Counties* (Warsaw, Mo., 1971), 261; *History of Henry and St. Clair Counties* (St. Joseph, Mo., 1883), 834, 937.

FIGURE 2



Sources: Photograph of the house, "Prairie Park," Arrow Rock, Missouri, by permission of the photographer, Jeff Yelton. Inset: William Breathitt Sappington painted at Arrow Rock by George Caleb Bingham, ca. 1844-5, in the collection of Mr. Arthur Cardwell Sappington, Kansas City, Missouri ca. 1986; E. Maurice Bloch, *The Paintings of George Caleb Bingham: A Catalog Raisonné* (Columbia, Mo., 1986), 62. Photograph of the house "Sylvan Villa," ca. 1940, by permission of the State Historical Society of Missouri. Inset: Captain William Daniel Swinney, painted near Glasgow, Missouri by George Caleb Bingham, 1839-1840, in the collection of Mr. William Edward Royster, Kansas City, Missouri ca. 1986; Bloch, *The Paintings of George Caleb Bingham: A Catalog Raisonné*, 52.

FIGURE 3
Banknotes



Source: Auction catalogue published in 1981 by the now defunct Numismatic and Antiquarian Services Corporation of America, Inc.

All nine of the state's banks and a majority of their branches made approximately 2,800 such loans, for a total of about \$4 million. This was a huge sum in 1861, when one could purchase a state-of-the-art military

sidearm, a Colt Army .44, for \$13.75.²⁰ Bankers and borrowers alike expected the South to win quickly, and there was a secret understanding that the new Confederate government would reimburse the banks directly.²¹ With this supposed safety net in place, the borrowers signed for far more money than they could possibly repay and virtually drained the banks of cash by handing out such large sums.

Treason aside, in the twenty-first century we would use the RICO (Racketeer Influenced and Corrupt Organization Act) statute to indict the bankers and their institutions, which would be preferable to what actually happened. When the Confederate forces in Missouri were defeated, the loans fell due and defaulted. By the end of 1861, the banks were on the brink of insolvency, rendering the state's paper money worthless as well. The situation got even more calamitous. Beginning in late 1861 Union military authorities in Missouri began purging pro-Southern bankers (nearly all of them), from their positions. The Union men who took over the banks then proceeded to file civil suits against the borrowers of the defaulted loans. These borrowers, as I have said, were the bankers' own extended family members, and they included some of the state's wealthiest men. The amounts sued for were far in excess of the defendants' ability to pay, and by 1865, hundreds of thousands of acres of farmland were sold at sheriffs' auctions to satisfy adverse court judgments. This virtually wiped out the rural gentry of the river counties, and, because of close family connections by blood and marriage, the suits also dragged down many people not initially involved. Ironically, in Missouri this class suffered a harsher fate than their counterparts did in the Confederacy itself: there, the antebellum gentry were able to retain much of their land and social position after 1865.²² However, thousands of ex-Confederate Missourians

²⁰ "Weapons of the Civil War," 2005; viewed 2 Feb. 2005. URL: <http://m.s.tripod.com/~ProlificPains/wpns.htm>. One way to think about this comparison is that in 1861 \$4 million would purchase 291,000 Colt Army .44 revolvers. Since 1985 the U.S. Army sidearm has been the Beretta 92FS 9mm semiautomatic pistol, designated the M-9 by the U.S. military. As of this writing, Beretta's suggested retail price for the 92FS is \$715, making the cost of 160,000 Beretta M-9s, \$208 million; "Product Catalog," 2005, Beretta USA; viewed 2 Feb. 2005; http://www.berettausa.com/product/product_pistols_main.htm.

²¹ Phillips, *Missouri's Confederate*, 253 note 15. "An Act to Raise Money to Arm the State, Repel Invasion, and Protect the Lives and Property of the People of Missouri," approved 13 May 1861. *Laws of the State of Missouri Passed at the Called Session of the Twenty-First General Assembly, Begun and Held at the City of Jefferson, on Thursday, May 2, 1861* (Jefferson City, Mo. 1861), 52-55.

²² Jonathan Wiener summarizes views concerning social persistence among the planter class in "Planter Persistence and Social Change, Alabama, 1850-1870," *Journal of Interdisciplinary History* 7 (Autumn 1976): 237, note 6. Additional scholarship since Wiener's article includes Randolph B. Campbell, "Population Persistence and Social change in Nineteenth-Century Texas: Harrison County, 1850-1880," *Journal of Southern History* 48 (May 1982): 185-204; A. Jane

were stripped of their property and many left the state altogether, fanning out through the western territories and down into Mexico.²³ Consequently, to this day there is a relative absence of a traditional southern aristocracy in Missouri, compared to such states as Kentucky or Maryland.²⁴

As a result of this fiasco, by 1865 Missouri's banks owned few assets other than a great deal of near-worthless real estate and the right to collect on a mountain of defaulted debts from borrowers who were bankrupt, scattered, or dead. In effect, the banks had become shell corporations: possessing charters and licenses to do business but owning hardly any liquid assets. The banks' new managers had no option but to seek additional capital, and fortunately the National Banking Act of 1863 provided means to do so. Under that law, banking corporations could apply for a national charter rather than a state one, in the process reorganizing and selling new stock. Having nothing to lose, those who now controlled Missouri's banks applied for national charters and also formed many new banks. This floated the banks out of the insolvency into which the war and the actions of their former officers had thrown them.

As significant as the fraud was in Missouri, it is important not to overstate its effects. Even without the fraud, the war reshaped banking and currency. Congress passed, and President Abraham Lincoln signed, the first of several Legal Tender Acts beginning in 1862, and the new federal paper currency almost immediately marginalized the state banks' circulating money. The Internal Revenue Act and the National Banking Act followed in 1863. These laws wiped out the state banks' note-issue and

Townes, "The Effect of Emancipation on Large Landholdings, Nelson and Goochland Counties, Virginia," *Journal of Southern History* 45 (Aug. 1979): 403-12; and Lacy K. Ford, "Rednecks and Merchants: Economic Development and Social Tension in the South Carolina Upcountry, 1865-1900," *Journal of Southern History* 71 (Sept. 1984): 294-318. To employ Gavin Wright's terminology, the planters were able to transform themselves from "laborlords" before the Civil War, to landlords after the war; see Gavin Wright, *Old South New South* (New York, 1966), 47-51.

²³ For an account of conditions in postwar Missouri, see Michael Fellman, *Inside War: The Guerrilla Conflict in Missouri During the American Civil War* (New York, 1989), 231-42. Besides St. Louis and Kansas City, Colorado and California were the two most common terminus points. Others wound up in Texas, Arkansas, Montana, and a scattering of other places. A number of pro-southern bankers ousted from their positions early in the war immigrated to New York City. *Liberty [Mo.] Tribune*, 13 Dec. 1867, p. 2, Newspaper Archive, State Historical Society of Missouri, Columbia, Mo.; *The Daily News' History of Buchanan County and St. Joseph, Missouri, From the Platte Purchase to the End of the Year 1898* (St. Joseph, Mo., 1898), 516; *Boonville Weekly Eagle*, 9 Aug. 1872, Newspaper Archive, State Historical Society of Missouri, Columbia, Missouri.

²⁴ Geiger, "Financial Conspiracy," 139-48.

funds transfer businesses, and created a formidable new source of competition in the national banks. By the war's end, the South (previously Missouri's main customer) was also bankrupt. One of Missouri's major industries, hemp production, was also gone. But there were new ways to make money: the postwar industries of railroads, mining, light manufacturing, and construction needed short- and medium-term financing; farm and residential mortgages were soon added as sources of revenue.²⁵ New opportunities also emerged for doing business with the Northeast via the New York–Chicago trading axis that had replaced the older St. Louis–New Orleans one. Missouri banks were thus like the 100-year-old axe: the blade had been replaced twice, the handle three times.

As to the financial fraud of 1861, the bankers not only showed extremely poor judgment, but also egregiously violated their fiduciary responsibilities; in effect, they knowingly cashed a great many bad checks in order to lend money to a Confederate state government that had not yet been formed. In my opinion, this incident may be summed up in two ways: first, as a case study in groupthink effects on decision-making, and second, as a conflict between two very different value systems within which the bankers operated. Regarding the first point, groupthink is at its most basic the process of social influence leading to poor decision making. Groupthink typically occurs in high-prestige, tightly knit policymaking groups where members have come to value the group (and being part of it) more highly than anything else.²⁶ The result can be a distorted view of reality, excessive optimism, hasty, reckless decisions, and blindness to ethical issues. These deficiencies make a group particularly vulnerable to pursuing ill-conceived projects that turn into disasters.²⁷ Examples of groupthink influence on decision-making include the Bay of Pigs invasion, the Vietnam War, and the Watergate break-in.²⁸ The evidence of social climbing suggests that Missouri's bankers really wanted to belong to the planter class; this would tend to produce a hothouse atmosphere that would serve to make the bankers eager to please the prominent members of the planter aristocracy, also to encourage conformity and to suppress doubts.

²⁵ Hubbard and Davids, *Banking in Mid-America: A History of Missouri Banks*, 97-108. William Cronon, *Nature's Metropolis: Chicago and the Great West* (New York, 1991), 301-3.

²⁶ Irving L. Janis, *Groupthink: Psychological Studies of Policy Decisions and Fiascoes* (Boston, 1982), 259.

²⁷ Paul 't Hart, *Groupthink in Government: A Study of Small Groups and Policy Failure* (Baltimore, Md., 1994), 6.

²⁸ Bertram H. Raven, "Groupthink, Bay of Pigs, and Watergate Reconsidered," *Organizational Behavior and Human Decision Processes* 73 (Feb.-March 1998): 352-61. Episodes at Marks & Spencer and British Airways have been cited as examples of groupthink in the corporate sphere. Jack Eaton, "Management Communication: The Threat of Groupthink," *Corporate Communications* 6 (2001): 183.

Regarding the conflict of value systems, the bankers earned their livelihoods by brokering transactions between two very different worlds. The first was where they lived, a highly personal and traditional world of kin, clan, and neighborhood, where rules and relationships changed little from generation to generation. The second was the much newer world of the national market, which connected the banks through their funds-transfer and trade-financing business. Here relationships were largely impersonal, governed by institutional practice and legal statute, and continually evolving.

In the interior of the country in 1861, the gap between the two worlds was wide indeed, and the bankers were new to their jobs. Choosing merchants to be bank officers was the best fit of the available choices; however, a critical difference between bankers and merchants is that bankers have broad fiduciary obligations, while merchants do not. Banking also required mastery of an increasingly complex body of specialized knowledge that the Missourians had little time to learn.²⁹ When fighting broke out, Missouri's bankers seem to have shed their newer, still-unfamiliar roles entirely, and turned back to the traditional world of kith and kin. Sectional politics alone are not sufficient to explain the bankers' actions; the gravitational pull of a very traditional, tightly knit group also seems to be at work.

Money and banking in the United States changed profoundly during the Civil War. By 1865, the country had the first federal currency since the Revolution and a framework for a national bank system. Because of these changes and the war, Missouri's banks were rechartered and recapitalized, changed customers, industries, and profitability centers, and came to answer to a different regulatory regime. However, financial fraud was responsible for the near loss of the state's antebellum bankers and the wealthy elite to which they belonged, and the permanent alteration of the state's business, politics, and culture. The new men who took over the levers of power—in the banks as elsewhere—owed nothing to the prewar business establishment. In a way, the bankers of 1861 were perfectly poised to destroy themselves: the war came when the bankers had more power and fewer restraints on using that power to wreck their own fortunes, those of their extended families, and ultimately of the social class

²⁹ *Bankers Magazine and Statistical Register*, a trade magazine of a very modern type, had been published since 1845 and regularly contained articles on bankers' liabilities in different situations, reviews of legislation in different states, rights of trustees, crop liens, usury, banking in Europe, the balance of payments, and the causes of bank failure. For example, "Duties and Liabilities of Bankers to their Dealers in Collecting Paper," *Bankers Magazine and Statistical Register* 10, new series, no. 7 (Jan. 1861): 505-12; "Causes of Bank Failure," *ibid.* 11 new series, no. 1 (July 1861): 1; "Liabilities of Officers and Directors," *ibid.* 10 new series, no. 1 (July 1860): 1; and "Individual Liability," *ibid.* 10 new series, no. 6 (Dec. 1860): 422.

to which they belonged. Had the war come a decade earlier, in 1850, the bankers would not have had the means at their disposal to extend as much credit to their relatives as they did in 1861. If the war had come later, in 1870, the national banking system was both institutionally more robust than the state system and less under the control of a very few wealthy families. It is a great irony that the bankers unwittingly used the power they possessed in 1861 not to further strengthen their elite status, but to end it.