Banks, Politics, Financial Instability, and Fundamental Institutions in 19th Century America

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Since the early years of the Republic the United States has always had a large number of banks. The national government chartered two banks that operated throughout the country and while both were called the Bank of the United States, we identify them as the First Bank (1791-1811) and the Second Bank (1816-1836). They were "national" banks, not central banks. The remainder of the banks chartered before the Civil War were "state" banks, chartered by state governments. There were roughly 600 banks in the US in 1836; 1,500 in 1860; and 25,000 in 1914 when the Federal Reserve System was created (Table 1). The US was wracked by periodic financial crises, almost always associated with bank panics, throughout the 19th century and continuing up to 1933, when New Deal reforms introduced deposit insurance which has reduced the frequency and depth of crisis (but see 2008).

That the U.S. always had a fragile banking system has long been recognized and usually deplored. Charles Calomiris and Steve Haber laid out the history and put it in comparative context in *Fragile by Design*, their 2014 book. They lay the blame for the fragmented U.S. system at the feet of a "very strange and very determined, coalition of agrarian populists (who were opposed to corporations of any kind as well as to the elites that controlled them) and small bankers (who knew that they did not have a prayer of competing against big banks that could open branches as they pleased.)" (p.18) Calomiris and Haber's central point is to argue, with persuasive evidence, that banking systems around the world are intimately related to political systems and, in their argument, that many banking systems are "fragile by design" because of

this intimate relationship. This paper will not dispute their larger point at all, indeed it is an important insight into the political economy of banking and finance. But I will argue that the changes in the banking system that produced the unique plethora of banks and bank capital in the early U.S. were not the result of a strange and determined agrarian populist coalition, but instead was the result of one of the world's first large democracies trying to figure out how to order the relationships between their political and economic systems. While the result was banking and financial systems that were fragile, it was also an aspect of a fundamental institutional innovation that made American democracy safe for capitalism and development.

I will also address the comparison between the stable Canadian system and the fragile American system examined by Bordo, Redish, and Rockoff (and repeated by Calomiris and Haber, and others). Their argument is that the small number of large banks with nationwide branching enables the Canadian system wo withstand financial shocks that the American system cannot. Canada had mild banking crises in 1837 and 1839, while the U.S. had "major banking crises in 1837, 1839, 1857, 1861, 1873,1884, 1890, 1893, 1896, 1907, the 1920s, 1930-1933, the 1980s, and 2007-2009" (Calomiris and Haber, p. 5). Canada had an oligopolistic banking system, the U.S. did not. How was that related to the political economy of the two countries?

In brief, what I will argue is that the United States had to face the paradox that their democratically elected legislatures in every state, were designed in principle to give white male citizens not only an equal say in selecting governments but that the policies of those governments should not privilege one group of white males over another group of white males.[1] What mattered more for the politics of early banking politics was competition between the

[1] No state had absolute universal white male suffrage at the time of independence, most states had property or wealth qualifications. But most states quickly adopted universal white male suffrage by the 1830s (see Keyssar).

wealthy white males who belonged to the dominant party in a state versus the wealthy white males who belonged to the opposition party in a state. Such competition, or lack of competition, lays at the root of Calomiris and Haber's political economy of bank fragility. In the United States the conflict was gradually resolved, in state by state, by giving any citizen the right to form a bank. Indeed, the principle extended to grants of corporate charters and in Indiana in 1851, to the constitutional mandate that all laws passed by the legislature for 17 specific purposes apply equally to everyone and, whenever possible, that all laws apply equally to everyone, meaning all white male adult citizens.[2] Laws that applied equally to every citizen were called "general laws" in the United States, and constitutional provisions like Indiana's are called "general law provisions." By 1900 almost every state outside of New England had adopted general law provisions in their constitution, and the New England states had implemented general laws through legislative practice. This was an institutional change of enormous importance. Most countries in the world today cannot implement general law provisions (World Justice Report, 2018) and their laws apply differently to different people.

These notes will not expand on the importance of the general law provisions, but they are critical to the development of advanced capitalism and to advanced democracy.[3]

What happened in the early 19th century? I'll tell the story the way I learned it.

2. Revenues and Banks

[2] For Indiana see Wallis (2008) and Lamoreaux and Wallis (2021 and forthcoming). For the adoption of similar legislation in other states see Wallis (2005) and Hennessey and Wallis (2018).

[3] Lamoreaux and Wallis "Democracy, Capitalism, and Equality: The Importance of State Mandates for General Laws," (forthcoming) develops these ideas more fully.

Richard Sylla, John Legler, and I began a project in the mid-1980s to collect state and local financial statistics for from 1790 to 1920. Sylla, who is a banking and financial historian, was particularly interested in connections between banks and state finance. We found, somewhat to our surprise, that banks were an important part of state revenues in the early 19th century. Table 2 gives revenues from bank sources as a share of total state revenue. Bank revenues include dividends on bank stock, taxes on bank capital, fees imposed on banks, and any other revenue explicitly from banks (so the property taxes banks paid to states would not be included in these numbers). In some states by the 1830s, bank revenues were well over 25% of total state revenues. Notable in Massachusetts where the tax on bank capital generated 61% of state revenues between 1825 and 1834. (Wallis, Sylla, and Legler, 1994, p. 126) The point of our paper was to show that states that received large amounts of revenue from banks had incentives to increase or decrease the number of banks depending on how they raised their revenues.

For example, Massachusetts taxes on bank capital (more on this in a few paragraphs) and Pennsylvania sold bank charters. Massachusetts imposed the tax in 1812 and, as a result, maximized revenue by maximizing the number of banks. Pennsylvania maximized revenue by charging the optimum charter fee which required limiting the number of charters sold. Table 3 compare the share of population, the share of bank capital, and the share of banks in different regions. In 1830 and 1850, Massachusetts had roughly 4.5% of the nation's population, but roughly four times that share of the nation's banks and bank capital. Pennsylvania, in contrast, had roughly 10% of the nation's population but only 13.3% of the nation's bank capital in 1830 and only 8.5% of the nation's bank capital in 1850. Massachusetts encouraged bank formation, Pennsylvania limited bank formation to maximize state revenues from banks (Schwartz, 1947,

"The Beginning of Competitive Banking in Philadelphia, 1782-1809." *Journal of Political Economy*, 55: 417-31.) Both states had a policy with respect to banks, just different policies.

The Wallis, Sylla, Legler paper showed how the interaction of public finance and banking worked to increase or decrease the number of banks. After the public debt and banking crises of 1837, 1839, and 1841 the states began withdrawing their close fiscal associations with banks, which you can see in Table 2. 1840 is the peak of state revenues from banking.

3. Banks and Politics in Massachusetts

Massachusetts adopted the tax on bank capital in 1812. A graduate student of mine Qian Lu, wanted to understand why the bank capital tax had been adopted. It was a great question that was not easy to answer, which is why I didn't know the answer, but Qian figured it out. Before 1810 Massachusetts had more banks than any other state. It had begun by chartering the Bank of Massachusetts in 178(?). The charter was perpetual and intended to provide the state with banking services. It quickly became clear that more banks were needed. The state began chartering banks in Boston. In 1799 it required all note issuing banks to have charters, which produced a wave of bank chartering in 1800, 1801, and 1802. By 1810 there were roughly 23 chartered banks in operation (rough because not all banks with charters were in operation). Qian was able to use a collection of names and biographies of state legislators and match them to lists of bank presidents and directors in the Boston banks and bank presidents in banks outside of Boston in annual almanacs. What he found was striking.

Figure 1 gives the share of all bank presidents and directors that had been or would be members of the state legislature annually from 1790 to 1859. As you can see almost 80% of all bankers in 1790 had been or would become a member of the state legislature. There was no

difference between the economic elites and political elites, they were the same people! Moreover, when we could identify the party affiliation of the legislators (which was not always possible), they were predominantly Federalists, not Democratic-Republicans. Figures 2 gives the share of legislators who were legislators before they became bankers. Figure 3 gives the share of Boston bankers who became legislators after they became banker. Each figure identifies the party of the legislator. We cannot identify the party of the legislators in the 1790s, but when we can first identify legislators and bankers in 1790, Figure 1, over 75% of all bankers had been or would become a legislator in their lifetime.

In 1810, almost all of the 23 banks and their boards in Boston were dominated by Federalists. You can see from Figures 2 and 3, most of the legislators who were or who became bankers were Federalists, not Democratic-Republicans. This is particularly clear in Figure 3, where almost half of the individuals who became bankers in the wave of banks established between 1800 and 1802, eventually became Federalist legislators.[4] Democratic-Republicans could not get bank charters before 1810 because the Federalist party ran the legislature and denied them charters.

But in the legislative session that began in 1811 and ended in 1812, the Democratic-Republicans controlled the House, Senate, and Governorship of Massachusetts. All but one of the bank's charters were due to expire in 1812, and the existing banks expected that their charters would be renewed. Instead, the Democratic-Republicans refused to recharter any of the existing Federalist banks, and chartered a new bank, the "State Bank." The State Bank was enormous, $3

[4] The way to read the numbers in Figure 3 is that each year the graph indicates the proportion of people who became a bank president or director in that year, eventually became a legislator of as a Federalist or a Democratic-Republican. This is a downward biased estimate of the number of bankers who became legislators, because we cannot identify all of the legislators with parties in all of the years.

million in capital, of which the state invested a third. The State Bank charter imposed the .5% tax on bank capital. It also contained a provision requiring that all bank charters in the future contain the same provisions. That was where the tax on bank capital came from. But Sylla, Legler, and I had no clue as to the politics of the tax.

The state bank had 14 (?) directors, and 13 of those directors had already been Democratic-Republican members of the state legislature, Figure 3. The Democratic-Republicans refused to recharter the Federalist bank and created an enormous bank dominated by their own legislators!

The War of 1812 was breaking out and the political situation was fraught. The Federalist campaigned strenuously and retook the House and Governorship in the elections of 1812, whose winners took office in the fall of 1812. All of the Federalist banks were rechartered in the new session. Few banks were chartered during the war, but when the situation returned to normal, the new banks chartered no longer reflected party alignments. Both Federalists (who would disappear as a party in the 1820s) and Democratic-Republics were able to get charters. The share of bankers who had been or would become state legislators dropped steadily, Figure 1, although it never dropped below 35% before the Civil War. Banking remained an elite occupation, and bankers and politicians maintained close ties through the early 19th century.

The Federalists faced the threat of losing all but one of their banks in 1812, and the Democratic-Republicans had wielded the threat. Both parties realized that democratic competition posed a serious threat to banks, whatever their party affiliation, unless both parties were willing to forego the use of power when in office to weaken their political opponents. Massachusetts managed to stop giving bank charters to just one party after 1812. And in 1829 enshrined the principle that all banks should have the same privileges in the General Regulatory

Act which stated that any privilege given to a new bank in a charter automatically applied to all existing banks. But banks were still very valuable economic organizations that required a charter to operate.

Another way to see the connections is to look at the number of banks who president and directors included a legislator. Figure 4 gives the number of banks who had a legislator among its presidents and directors. It was always well less than half the banks (the number of chartered banks is shown in Figure 6). Remember, however, that the almanacs often only reported the name of the bank president and not the directors. If we look at just the Boston banks, in Figure 5, there was only one bank before 1840 that did not have a legislator among its directors or presidents. Massachusetts did not move to a "free banking law," a general incorporation law allowing open entry into banking (the "free" in free banking), until 1851, but access to banking had essentially been open since the 1820s. Even so, banking and politics remained closely connected, even as politics ceased to actively manipulate access to banks.

4. Banks and Politics in Other States

Massachusetts was not alone in its close relationship between politics and banks. New York was famous for the "Albany Regency:" the Democratic party organization that closely controlled access to banking in the 1820s and 1830s. Howard Bodenhorn has documented in great detail the close connection between politicians and banks in a series of books and papers. In New York banks were not a major source of revenue, unlike Massachusetts after 1812. Table 2 shows that clearly.

How states related to banking varied. In Pennsylvania the state sold bank charters. Charter fees were inversely related to the number of banks. To maintain high charter fees, the

state had to limited entry, and it did (see Schwartz, 1947 for some beautiful quotes). Banks were an important source of either government revenues, political influence, or both in many other states including Rhode Island, Maryland, Virginia, South Carolina, and Mississippi.

5. The advent of Free Banking: General Incorporation Acts for Banks

One of the unappreciated ironies of early American history is the significance of a political debate in which the question of banks or no banks, corporations or no corporations takes central stage in national politics. Whether there should be a bank, or no bank, became the formative issue in the emergence of the first party system of the Federalists and Democratic-Republicans in the 1790s. The bank, no bank issue was also the formative issue in the emergence of the second party system of the Democrats and the Whigs in the 1830s. In both cases the polarizing issue is the presence or absence of a nationally chartered bank: the Banks of the United States. In both cases it was not the chartering of the Bank that led to the division, but the continued operation of the Bank and its rechartering. Political parties appeared and organized around the "cleavage" of whether the government should promote financial development or not. This was often a debate about privilege and power. President Andrew Jackson, was vehemently anti-bank, anti-paper money, and anti-privilege. His campaign against the Second Bank of the United States and its president, Nicholas Biddle, led to the development of the first durable, permanent national political party: the Democratic Party.

There is no doubt that this banking history is true, but there is equally no doubt that it is incomplete. Anti-bank politics do not describe what happened in Massachusetts at all well. The debate and contest there was between two elite groups: the Federalists who used their control of the polity to charter banks only for their members, and the Democratic-Republicans who wanted

banks but could not obtain charters. In New York, the dominant political machine was the Albany Regency, who used control over bank chartering to consolidate its political coalition by only giving charters to supporters. The Regency's leader was Martin Van Buren, who would be Vice-President under Jackson during the years when Jackson was vigorously attacking the Second Bank of the United States, 1832-1836. In New York the conflict over banking was between the "Bucktails" (the name of the party the Regency formed) and the still nascent "Whigs" who were factions unable to get charters under the Regency regime. When an economic crisis it in the spring of 1837, centered in the banks in New York City, the Regency/Democrats lost control of the state legislature to the Whig factions, who then passed New York's free banking act in 1838. The first free banking act was Michigan's in 1837, which was essentially a copy of the bill being considered in New York, which is why the New York act of 1838 is usually considered the first free banking act.

Free banking meant that entry into banking, obtaining a bank charter, was open to any citizen who met certain criteria. It certainly did not mean that bank charters were free. Under Ohio's free banking law, for example, organizers needed a minimum amount of capital to get a charter—at least $25,000—and, as a result, only those who already possessed considerable wealth, or who had established the kinds of financial reputations that would enable them to attract investment, could found a bank.[5] It also did not mean that the banks were unregulated (as the current Wikipedia entry on "free banking" asserts).

What it did mean was that every bank charter would be the same and that obtaining a charter would involve an administrative process rather than a political process involving the explicit approval of the state legislature.

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[5] Ohio Legislature, "An Act to authorize Free Banking."

Free banking spread quickly. Although I do not currently have a list of states and when they adopted free banking legislation, by the early 1850s, Rockoff (1974) lists 18 states with free banking systems, as shown in Table 4.

Free banking did not mean that politics and banking had become separated. Free banking meant that any citizen of sufficient means could obtain a bank charter. Free banking was a general incorporation act for banks. In order to understand how free banking fit into the political debates of the 1830s to 1850s, therefore, we need to place free banking in the context of general incorporation and of general law provisions. Free banking laws, however, were the genesis of the fragmented banking system the U.S. developed and Calomiris and Haber described and deplored.

6. General Incorporation and General Law Provisions

If we only focus on banking, there is an obvious inconsistency between the anti-bank populist Jacksonian argument for eliminating banks as bastions of privilege and monsters of corruption. Why would a political system dominated by that debate decide to implement free banking legislation in 18 of roughly 30 states (there were 34 states in 1850) if people wanted to limit the number of banks and the extent of the banking system? But the inconsistency resolves itself if we take a broader view of the problems facing American states and stop focusing on the national political debates.

Every American state adopted a democratic form of government, with elections to select representatives who could make laws. While executive officers were sometimes chosen by legislators, by the early 1820s (?) all the states selected their governors through popular elections as well. Almost all states by 1830 had eliminated property or wealth qualifications for adult white male suffrage. What did these voters want? They wanted a government that would make

them better off, economically as well as socially. But unlike the fears of liberal opponents of democracy or of wider democracy, American voters had little taste for taxing the rich to transfer resources to the majority. It would, for one thing, be expensive, and Americans in general were leery of higher taxes.

The early nation need roads, banks, canals, and other public improvements (that were not necessarily public goods classically defined) in order to bring a larger share of the population into markets (Callender, 1902). The federal government proved incapable of approving, much less financing, those kinds of projects. The First and Second Banks of the United States, once chartered immediately drew a firestorm of political opposition, and neither charter was renewed.

The model of promoting public improvements the U.S. inherited from Europe involved granting privileges to private groups in return for the private group providing the public service. Sometimes the private privilege was a monopoly, as the case with note issue and the Bank of England, but there were many dimensions on which privileges could be created. As we have seen with banks in Massachusetts and New York, however, granting such privileges to one elite group inevitably meant denying them to other elite groups. Since all groups could mobilize voters to compete in such elections, such intra-elite conflicts posed inherent and possibly fatal problems for the first American democracies.

Although I cannot tell the story in any detail, the way early democracies worked was by passing laws and policies that benefitted specific individuals, organizations, and localities. Early American states called these private, special, and local bills respectively. Naomi Lamoreaux and I have been studying early state legislation and find that roughly 75% of all state laws are private, special, or local bills. Julian Hoppit finds the same for British Parliamentary bills between 1660 and 1800.

The political system was highly fragmented into political factions. The political process worked by forming fluid coalitions out of political factions by giving the factions the laws they wanted, laws that affected specific groups in the population, not everyone equally. That was how majority coalitions were formed. Those coalitions were, inevitably, unstable and transitory. That also meant that elite groups were constantly in competition with one another.

As the states attempted to provide public services, like banking or canals, they found that intra-elite conflicts were irrepressible. These were not conflicts between the masses and the elites, but within elites. The conflicts held the possibility of disrupting the entire society.

The solution gradually adopted was to give every elite, and every citizen, the right to form an organization. This began sporadically with banks and other business corporations in the 1810's. No state followed a general incorporation scheme for banks or manufacturing corporations for a long time. The free banking laws in 1837 and 1838 were induced, in part, by the financial crises in 1837. The 1837 crisis was followed by a larger, but less well know crisis in 1839, connected to the realization that state borrowing before 1838 had created a situation where states might be unable to service their debts (Wallis, 2001, 2003, 2005, and 2006; Wallis and Sylla, 1998; Kim and Wallis, 2005). State finances collapsed in 1841 and 1842, when eight states and the Territory of Florida defaulted on their debts. Several other states narrowly avoided default, and fears in all the states about the stability of democracy and democracy's ability to govern itself rose to prominence.

Almost half the states wrote new constitutions between 1842 and 1852 (12 of 26 states). Ten of the twelve addressed state borrowing, eight of the twelve mandated some form of general incorporation act for businesses and banks, and Indiana in 1851 included the first general law provision. The provisions were in three clauses. The first required the legislature to pass general

laws for 17 specific functions, the second required the legislature to pass general laws whenever possible, and the third mandated that the legislature could only create corporations through general laws, effectively banning special incorporation and mandating general incorporation, for banks as well as other corporations.

The changes in the Indiana Constitution had immediate results. Figure 7 and 8 show the composition of Indiana legislation before and after the Constitution, in 1850 and 1855. Figure 9 shows the volume of legislation passed each legislative session from 1830 to 1899. Private bills virtually disappear after 1851, and the volume of legislation drops precipitously.

Indiana's provisions banned special incorporation. That turned out to be an important part of the change in legislative dynamics. When special incorporation was banned, the number of corporate charters grew significantly.

7. Implications and Conclusions

In this preliminary draft I have tried to show why the United States adopted a system of fragmented and numerous small banks in the early 19th century, a system that continued well into the 20th century and parts of which persist in the 21st. Unlike Calomiris and Haber, who blame a "very strange and very determined, coalition of agrarian populists (who were opposed to corporations of any kind as well as to the elites that controlled them) and small bankers (who knew that they did not have a prayer of competing against big banks that could open branches as they pleased.)" for the fragmented system, I have argued that the movement to free banking was part of a solution to problems posed by democracy in the early 19th century.

The political economy of early democracy was "factional." Many small and fluid groups competing and coordinating in the electoral and legislative arenas. This process led to what I have called "identity rules:" rules and laws that applied differently to different groups. This was

the natural form early democracies took, and the results were occasionally catastrophic. The system of checks and balances did not work as the founders imagined. It did not prevent massive state defaults, it did not prevent political manipulation of economic privileges for political gain, it did not cure the evils of faction. On a national scale, the Democrats in particular turned these problems into a general debate about "privilege" and "corruption." But while that national dialogue informed what was going on at the state level, and there were a few states that banned banks for a short period of time, the real conflict was between groups of elites bankers or potential bankers, who used the political process to create economic rents for themselves at the expense of other elites. Parties at the state level organized around these issues, as we have seen explicitly in Massachusetts and New York.

Ultimately, the solution was not to limit the number of banks to a small handful, then insure that they were well and safely managed as in Canada. The solution was to let everyone have a bank who could afford one. This created a system of small banks and fragmented systems, particularly when free banks were prohibited from creating branch networks. Free banking was part of the response of American state governments to the problems of managing and promoting economic development in a highly democratic society where political factions could and did influence government policy. As result, those policies were governed by political dynamics, not economic rationales.

The free banking solution was not a unique, standalone institutional change. It paralleled a suite of changes that we collectively call general law provisions. For a large range of government functions and whenever possible, state legislatures were prevented from legislating specific rules for individuals, organizations, and localities and required to pass laws that applied equally to all citizens, at least all white male adult citizens. This transformed the political

economy of the United States in ways that promoted and developed both capitalism and democracy.

The fact that the banking system in the United States is fragile and subject to periodic crises does not make it unique. Very few banking systems are as stable as Canada's. But when Canada gained its independence from Britain, many of the institutional changes that had occurred in both Britain and the American states had already been implemented in Canada as a British colony. Canada's banking system may be more stable than the United State's, but then Canada did not have to solve the same difficult political economy questions that the United States did. America's banking system was part of a solution to a very difficult and complicated political problem: managing capitalism and democracy simultaneously. Few societies have managed to accomplish the task even in the 21st century. Canada did not have to solve the problem, the United States did on its own.

Table 1

TABLE 19.1 National and State Banks 1860–1914

Year	*Total*		*National Banks*		*State Banks*		*Percentage National Bank Assets of Total*
	Number	*Assets*[a]	*Number*	*Assets*[a]	*Number*	*Assets*[a]	
1860	**1,562**	**$ 1,000**	—	—	—	—	—
1861	**1,601**	**1,016**	—	—	—	—	—
1862	**1,492**	**1,012**	—	—	—	—	—
1863	**1,532**	**1,209**	**66**	**$ 17**	**1,466**	**$ 1,192**	**1.4**
1864	**1,556**	**973**	**467**	**252**	**1,089**	**721**	**25.9**
1865	**1,643**	**1,357**	**1,294**	**1,127**	**349**	**231**	**83.0**
1866	**1,931**	**1,672**	**1,634**	**1,476**	**297**	**197**	**88.2**
1867	**1,908**	**1,674**	**1,636**	**1,494**	**272**	**180**	**89.2**
1868	**1,887**	**1,736**	**1,640**	**1,572**	**247**	**164**	**90.6**
1869	**1,878**	**1,736**	**1,619**	**1,564**	**259**	**171**	**90.1**
1870	**1,937**	**1,781**	**1,612**	**1,566**	**325**	**215**	**87.9**
1880	**3,355**	**3,399**	**2,076**	**2,036**	**1,279**	**1,364**	**59.9**
1890	**8,201**	**6,358**	**3,484**	**3,062**	**4,717**	**3,296**	**48.2**
1900	**12,427**	**9,059**	**3,731**	**4,944**	**8,696**	**4,115**	**54.6**
1910	**24,514**	**19,324**	**7,138**	**9,892**	**17,376**	**9,432**	**51.2**
1914	**27,236**	**23,155**	**7,518**	**11,477**	**19,718**	**11,679**	**49.6**

[a]Assets are given in millions of dollars.

Source: Derived from *Historical Statistics,* series Cj 149–50, 158–59, 203–04, 212–13, 251–52. The data for state banks are for "nonnational" banks and include banks other than commercial banks.

Table 2

Table 4.2 Bank Revenues as Share of Total Net Revenues (decade averages)

State	1800	1810	1820	1830	1840	1850	1860
CT	0.00	0.09	0.09	0.27	0.37	0.34	0.45
DE	0.01	0.12	0.44	0.43	0.56	0.52	0.40
MA				0.61	0.45	0.34	0.21
ME	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NH	0.00	0.00	0.00	0.03	0.01	0.00	0.00
NJ					0.00	0.00	0.03
NY	0.04	0.06	0.06	0.01	0.01	0.01	0.01
PA	0.42	0.38	0.53	0.23	0.09	0.04	0.06
RI	0.00	0.02	0.02	0.24	0.41	0.46	0.46
VT	0.00	0.00	0.03	0.08	0.10	0.04	0.02
Average	0.06	0.08	0.15	0.21	0.20	0.17	0.16
MD		0.29	0.05	0.09	0.18	0.04	0.03
NC			0.31	0.34	0.44	0.01	0.00
SC	0.05	0.09	0.13	0.01	0.05	0.00	0.00
VA	0.00	0.12	0.02	0.00	0.09	0.13	0.10
Average	0.02	0.16	0.13	0.11	0.19	0.04	0.03
IL				0.03	0.04	0.00	0.00
IN				0.03	0.04	0.07	0.00
MI					0.03	0.01	0.01
MN							0.00
OH		0.00	0.00	0.01	0.04	0.01	0.02
Average		0.00	0.00	0.02	0.04	0.02	0.01
AK					0.06	0.00	0.01
MO						0.13	0.06
MS			0.00	0.04	0.02	0.00	0.00
TN					0.00	0.00	0.14
Average			0.00	0.04	0.03	0.00	0.04

Notes: Blank cells in the table are decades without data. The decades run from the year ending in five to the year ending in four, that is, "1830" is 1825 to 1834. The "Average" row is the simple average of states in each region.

Table 3

Table 4.3 Selected State and Regional Shares of U.S. Totals, 1820–60

State	1820 Population (%)	1820 Bank (%)	1820 Capital (%)	1830 Population (%)	1830 Bank (%)	1830 Capital (%)
MA	5.4	9.1	10.3	4.7	20.0	18.5
NY	14.2	10.7	18.6	14.9	11.2	18.2
PA	10.9	11.7	14.4	10.4	10.0	13.3
Region	30.6	31.5	43.3	30.0	51.2	50.0
MD	4.2	4.6	6.6	3.5	3.9	5.7
VA	9.7	1.3	5.1	8.1	1.2	5.1
SC	5.2	1.6	4.4	4.5	1.5	4.2
Region	19.2	7.5	16.1	16.1	6.6	15.0
OH	6.0	6.5	1.8	7.3	3.3	1.3
IN	1.5	0.6	0.2	2.7	—	—
MO	0.7	0.3	0.2	1.1	—	—
Region	8.2	7.5	2.2	11.0	3.3	1.3
U.S. Totals	9,638	307	$102	12,866	330	$110
State	**1850 Population (%)**	**1850 Bank (%)**	**1850 Capital (%)**	**1860 Population (%)**	**1860 Bank (%)**	**1860 Capital (%)**
MA	4.3	14.3	16.2	3.9	11.0	15.3
NY	13.4	22.5	21.3	12.3	19.2	27.1
PA	10.0	5.7	8.5	9.2	5.1	6.0
Region	27.6	42.5	46.0	25.4	35.3	48.4
MD	2.5	2.9	4.1	2.2	2.0	3.0
VA	4.8	4.3	4.5	3.9	4.4	4.1
SC	2.9	1.7	6.1	2.2	1.3	3.5
Region	10.2	8.9	14.8	8.3	7.7	10.6
OH	8.5	6.7	3.3	7.4	3.3	1.6
IN	4.3	1.6	1.0	4.3	2.3	1.0
MO	2.9	0.7	0.6	3.8	2.4	2.1
Region	15.7	9.0	4.9	15.5	8.0	4.7
U.S. Totals	23,192	830	$213.9	31,443	1,597	$422.5

Table 4

TABLE 2

LOSSES SUFFERED BY HOLDERS OF FREE BANK NOTES FROM THE FIRST YEAR OF FREE BANKING THROUGH 1860*

State	First Year	Loss (dollars)	State	First Year	Loss (dollars)
Vermont	1851	24,500	Michigan	1857	—†
Massachusetts	1851	0	Wisconsin	1852	0
Connecticut	1852	0	Minnesota	1858	96,900
New York	1838	394,700	Iowa	1858	—
New Jersey	1850	6,000	Georgia	1838	3,000
Pennsylvania	1860	0	Florida	1853	—
Ohio	1851	77,600	Tennessee	1852	0
Indiana	1852	227,900	Alabama	1849	—
Illinois	1851	21,300	Louisiana	1853	0
Michigan	1837	1,000,000		Total	1,851,900

*Each estimate is rounded off to hundreds. The dates refer to the years in which the free banking laws were passed and are taken from the statutes of the various states. In some states additional losses occurred during the Civil War due, generally, to the depreciation of southern bonds. For a list of leading references and assumptions used in estimating the losses, see the Appendix.

†—signifies that little or no banking was done under the free banking law.

Figure 1

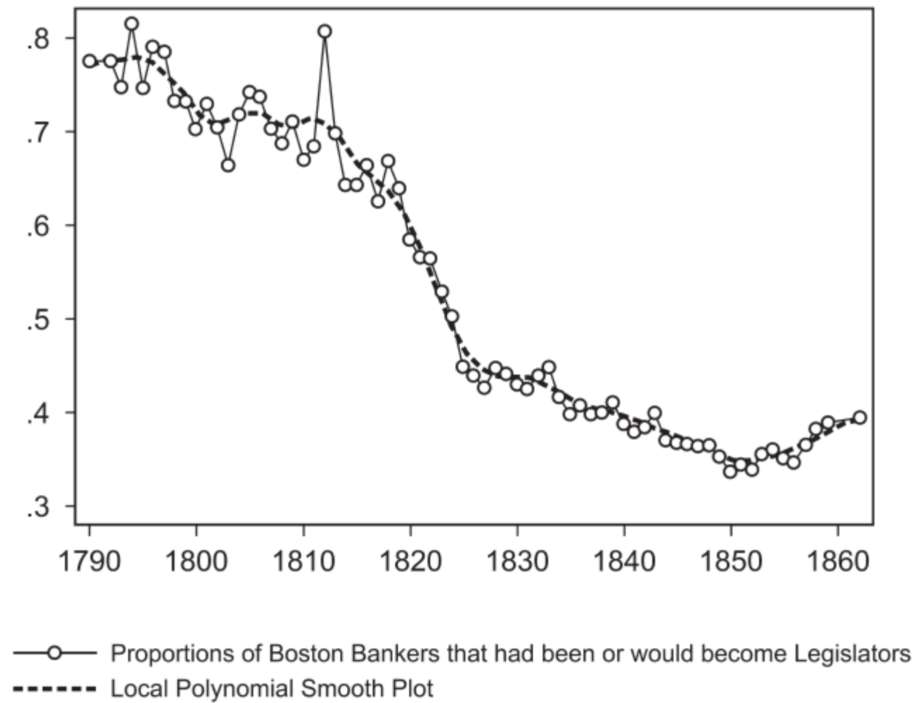


Fig. 4.10 Proportions of Boston bank directors and presidents who had been or would become legislators, and local polynomial smooth plot (1790–1859)

Source: Massachusetts Registers (1790–1859), and *Massachusetts Legislators Biographies* (1780–2003). Both are from Massachusetts State Library.

Figure 2

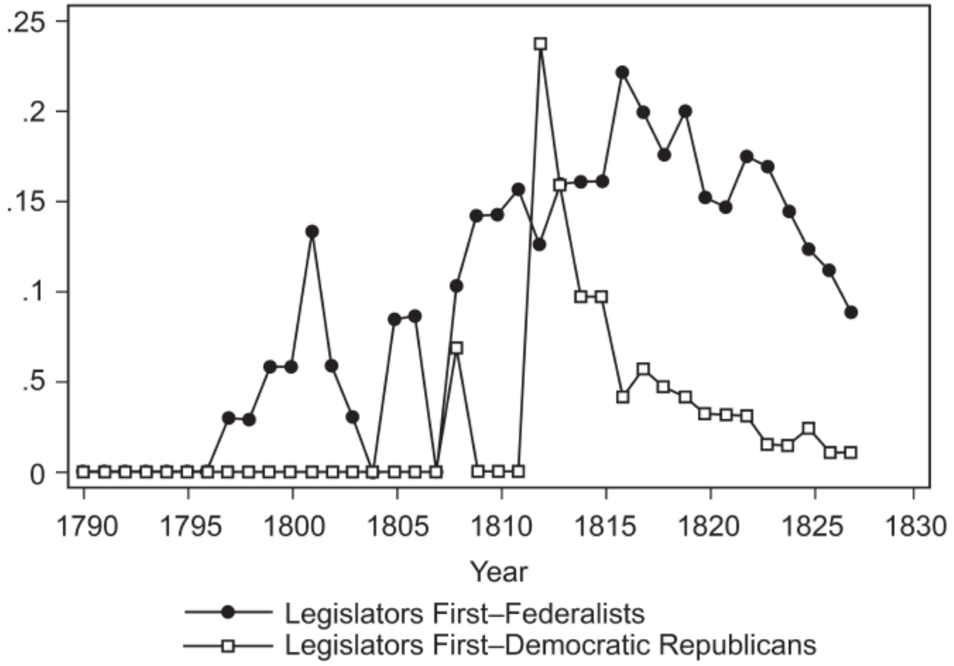


Fig. 4.12 Proportions of Boston bankers that had been Federalist or Republican legislators before they became bank directors and presidents, 1790–1827

Figure 3

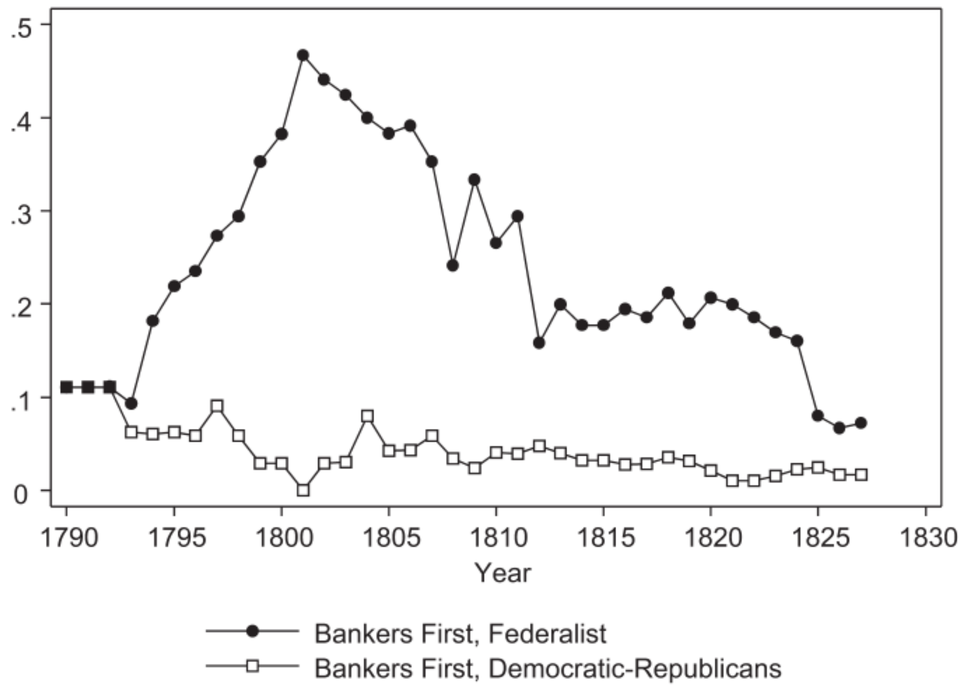


Fig. 4.13 Proportions of Boston bankers who became Federalist or Republican legislators after they became bankers, 1790–1827

Figure 4

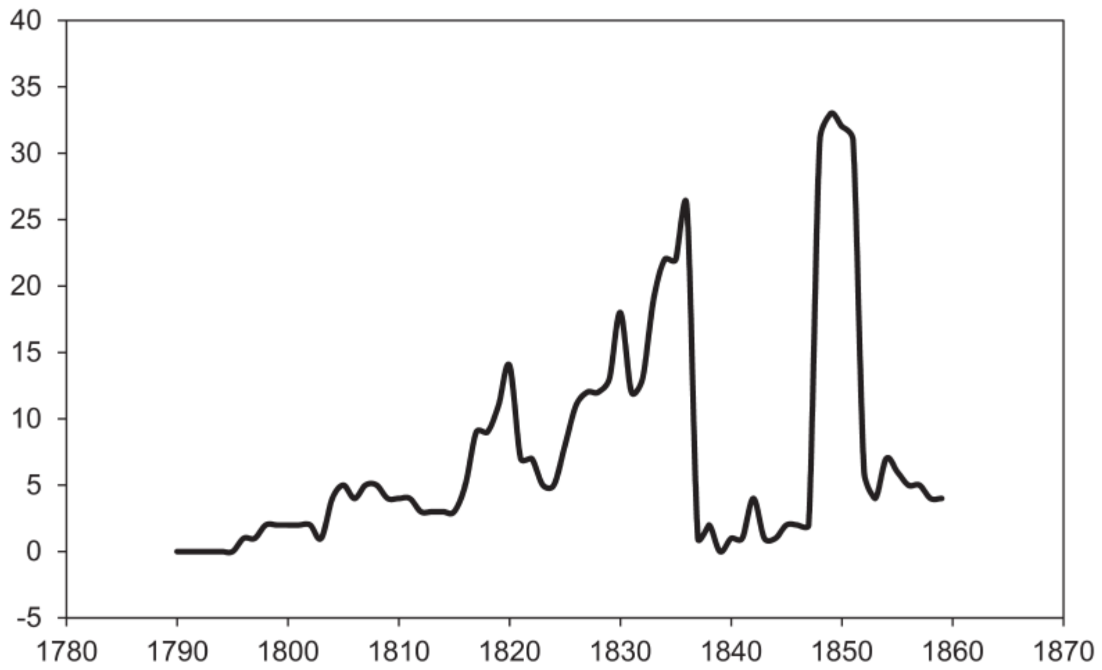


Fig. 4.15 The number of banks with no legislators as president or a director, all banks (whether they have directors or not), 1790–1859

Figure 5

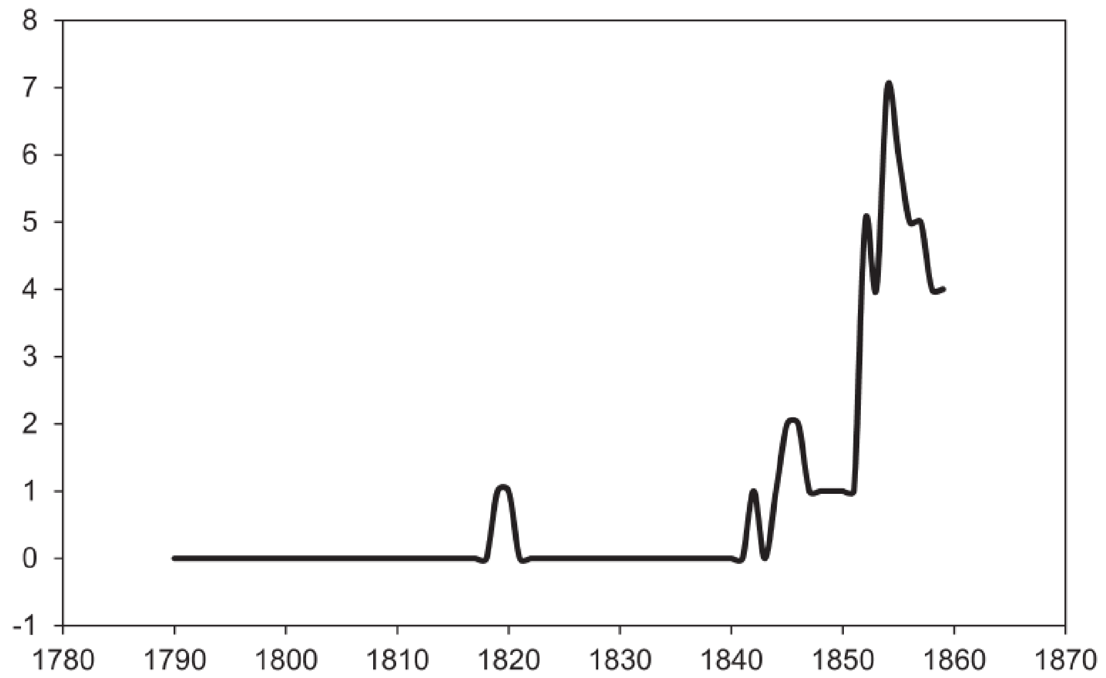


Fig. 4.16 Number of banks with directors who have no legislators, 1790–1859 (This sample excludes banks with only presidents in the *Registers*.)

Figure 6

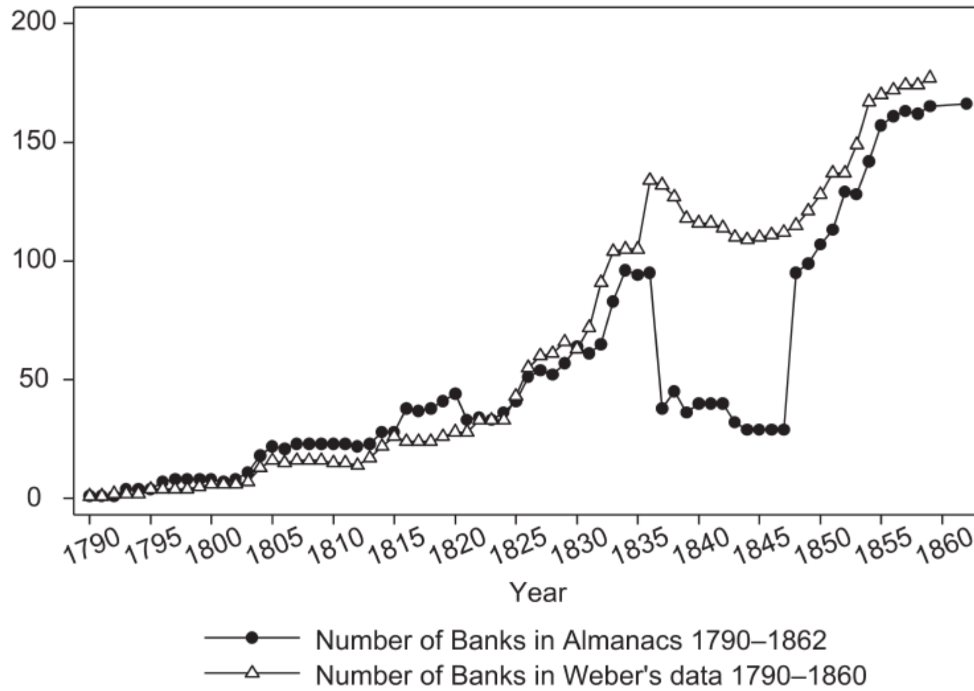


Fig. 4.6 Number of banks in the *Registers* and Weber's data, 1790–1862
Sources: Number of banks in the *Registers* comes from *Massachusetts Registers* (1790–1862), Massachusetts State Library. Number of banks in Weber's data comes from Weber "Census of State Banks" (2015).

Figure 7

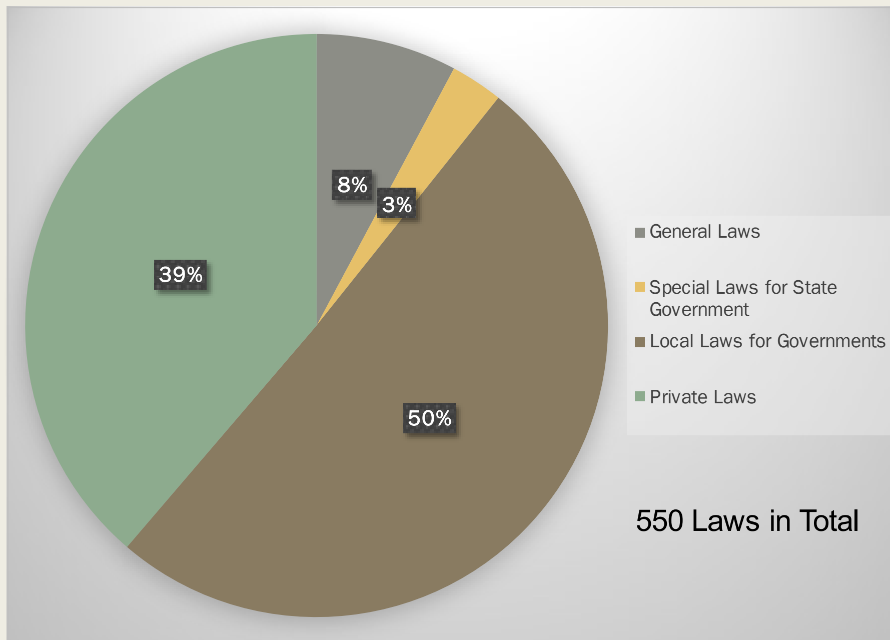


Figure 8

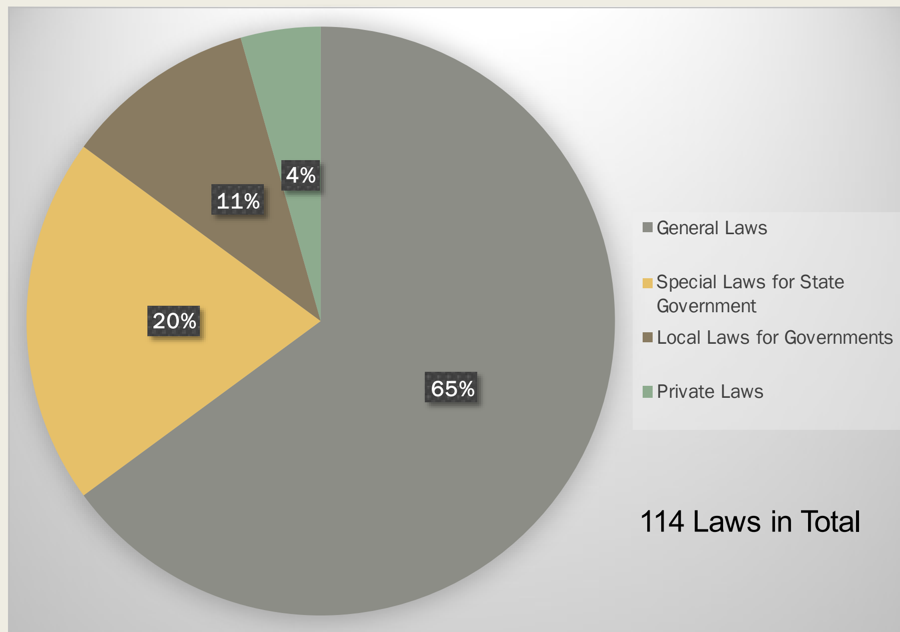


Figure 9

Laws passed per legislative session.

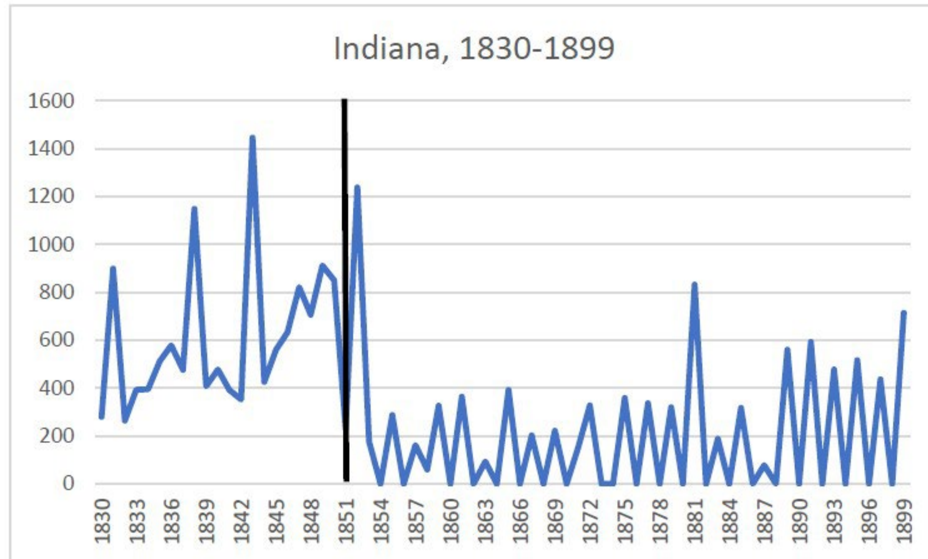
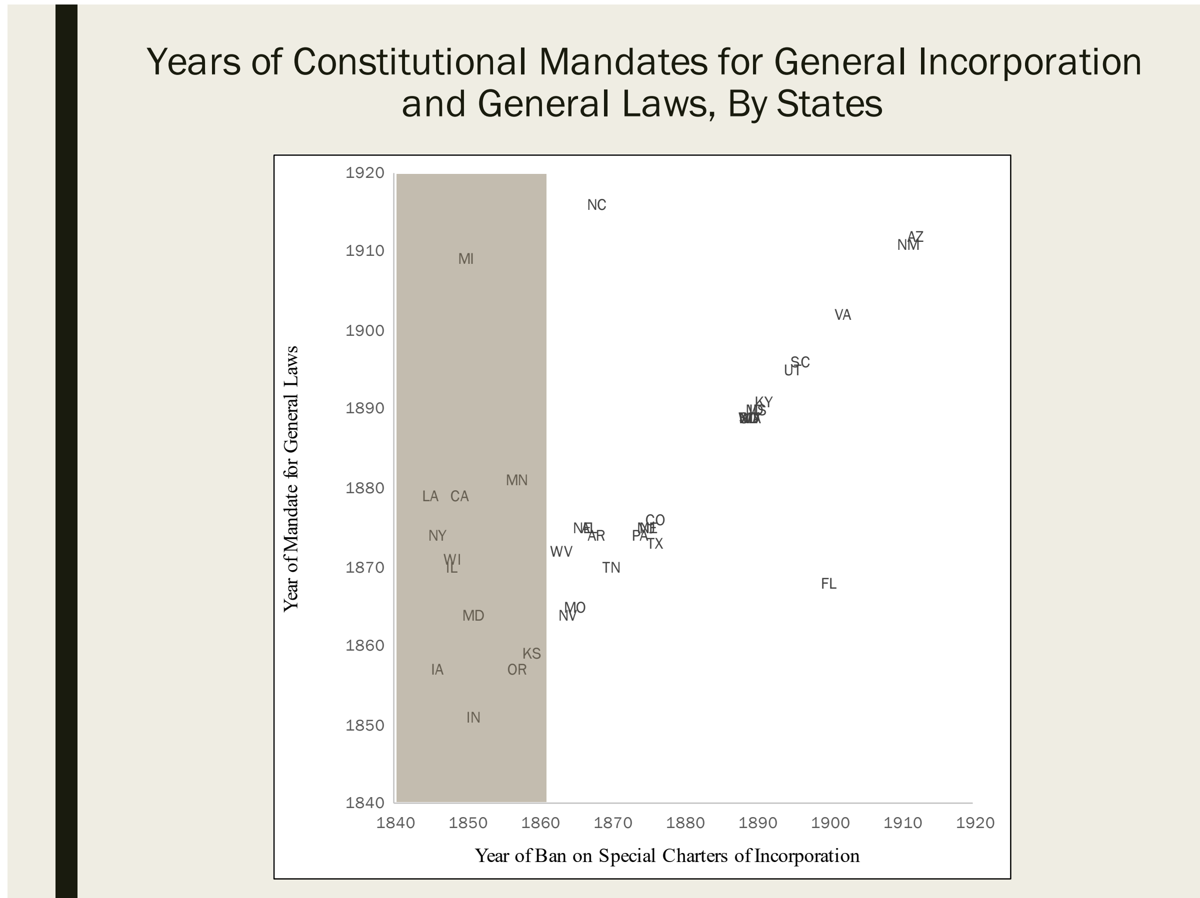


Figure 10



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