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The Yankee West

COMMUNITY LIFE ON THE MICHIGAN FRONTIER



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peded by the Bank of the United States, pumped great quantities of paper money into the economy and vastly extended easy credit. Sales of public lands boomed. Poorly capitalized new banks readily issued loans in notes, payable to bearers in specie, to borrowers who used them to purchase government land, which they quickly resold as land prices soared. The specie circular was intended to curb the inflationary spiral by requiring that purchasers of government land pay in specie. Bona fide settlers were allowed until December 15 to acquire up to 320 acres with bank notes.²

In any event, the specie circular did little to slow sales of public lands, and the closing of the Kalamazoo District Land Office in June provided only a respite from but no solution to the backlog of applications for the weary staff. The office had closed once before in April, after total sales for the first quarter of 1836 topped \$467,000. During the hiatus, the registrar yielded to demands that he continue to take applications and mark tracts as sold on office maps. The decision immediately prompted speculators to apply for land they neither wanted nor intended to pay for and then to auction their entries, the top bidders to purchase their parcels when the office reopened. Business for the latter half of April and May, however, exceeded \$720,000, an increase of over 50 percent from the first three months of the year. In the crush, the office staff found it impossible to keep track of the unpaid-for parcels and continued to list many of them as sold.

But the worst—or best—was yet to come, for when the land office reopened after its June recess, it took in over \$550,000 in sales. Again the office closed, this time for most of August and all of September and October until November 10. In total, the Kalamazoo District Land Office was open only 169 days in 1836, yet it took in \$2,043,866.87; as the editor of the *Kalamazoo Gazette* marveled, “The *average* amount of daily sales was the upward of TWELVE THOUSAND DOLLARS; but sales to the unparalleled amount of SEVENTY THOUSAND DOLLARS have been made in this office in a single day.”³ He had every reason to marvel, for the receipts of the office at Bronson exceeded those of any other land office in the United States in 1836. Michigan was a locus of the great land boom of the 1830s, and the Kalamazoo Land District was the center of the territorial buying frenzy of 1836, the peak year of the boom. Acreage sold in Michigan in 1836 comprised slightly under 20 percent of the public domain transferred to private hands in that year. Nearly 6 percent of the alienated government land lay in the Kalamazoo Land District, the area south of the baseline and west of the principal meridian.⁴

By 1836, absentee speculators like New York City banker Arthur Bronson and his associate Charles Butler, soon to be major owners of real estate in an

infant Chicago, and Baltimore lawyer and banker John Montgomerie had descended upon the Kalamazoo Land District. Gordon, who admired prairie land, passed through Gull Prairie on his way to Gratiot country in late October 1836, but he declined to buy land in the territory. He was interested in large tracts, unencumbered with settlers, and Gull Prairie was “in most respects exactly similar to those [prairies] we have seen before”—owned, occupied, and selling for ten times the government standard of \$1.25 per acre. First settled in 1830, Gull Prairie was, according to Gordon, home to “old farmers” in 1836.⁵ His judgment confirms the principle of the land boom, to which the pattern of purchasing in Gratiot, Climax, and Alamo also attests: the best land sold first to resident

In 1836, however, few Michigan residents were pondering the distinction between local and absentee speculation in federal lands. Like the editor of the *Kalamazoo Gazette*, most simply celebrated the extraordinary sales, convinced that it augured the rapid development of Michigan territory. Such optimism pervaded the first meeting of the state legislature in 1837. To perpetuate the boom, the legislature authorized the implementation of a system of free banking and a program of internal improvement. The timing of these inherently flawed schemes, enacted on the eve of the panic of 1837–39, guaranteed a peculiarly harsh end to the boom.

Intended to make paper cheap and credit easy, free banking had the effect of destroying Michigan banking for the better part of the 1840s. As the land boom began, a single bank, the Bank of Michigan, established to serve the territory. By the end of 1836, the territorial legislature had authorized nineteen banks, yet still the clamor intensified for more of these territorial pumps of the land boom. Free banking was designed to satisfy demand. The General Banking Law of March 15, 1837, enabled any landowners to form a banking association on application to a court, a notary or clerk. To guarantee security, the new banks were required to have a capital stock of at least \$150,000, 30 percent in specie, a small portion of which was to be deposited in a state safety fund.

Of the forty-nine banks rapidly organized under the General Banking Law, the forty that opened for business went to great lengths to avoid using any specie into their capital funds—showing the banking inspectors boxes filled with nails topped by a layer of gold and silver coins or, one another the requisite hard money in advance of the inspector’s arrival. At a time, the getting was good for “wildcat” banking. Sales of government land in Michigan, although far below the record set in 1836, remained high in 1837, comprising nearly 14 percent of all federal land alienated in the United States. The Kalamazoo Land District’s share of these sales was