

## *The Role of the Land Speculator in Western Development*

THE land use pattern of the twenty-nine public land states of the South, the Middle West and the Far West is the result of a long process of development and adaptation in which such factors as speculation, absentee ownership, credit, usury, farm mechanization, transportation and government controls have played important roles.<sup>1</sup> Only recently has the United States come to realize the monstrous errors it permitted to develop in this land use pattern. Likewise, only recently has it become apparent that this pattern is the product in part of mistaken land policies which were once thought to be establishing a democratic system of land ownership. Wishful thinking, unwillingness to face the facts and political oratory combined to obscure the appearance of ominous signs that a democratic pattern of ownership was not being achieved. A few notable spokesmen protested against policies which permitted concentration of land ownership; but Americans, big and little, were too much concerned with the accumulation of wealth through land speculation to listen to their Cassandra-like predictions.

From the seventeenth to the nineteenth centuries European immigrants, many of them from classes to which actual land ownership was denied, brought with them to America a craving for land. Land for a home and a competence was first desired; then land to assure wealth and social position was wanted. This craving for land ex-

<sup>1</sup> This paper is, in part, a synthesis of a number of articles previously published, as follows: "The Homestead Law in an Incongruous Land System," *American Historical Review*, XLI (1936), 652-681; "Land Policy and Tenancy in the Prairie Counties of Indiana," *Indiana Magazine of History*, XXXV (1939), 1-26; "Land Policy and Tenancy in the Prairie States," *Journal of Economic History*, I (1941), 60-82. The data concerning land entries was compiled from the abstracts of land entries in the General Land Office, now in The National Archives. Acknowledgment is made to the Social Science Research Council and Cornell University for financial assistance which made possible the research embodied in this article.

plains much in American history and is one of its central themes. It was the motivating force which sent hordes of settlers into the expanding frontier and it drew forth large sums of money for investment in America's unsettled areas. Until the modern corporation came to be the dominant factor in American economic life, the principal opportunity for investment was in real estate. All persons seeking land for investment rather than for a farm home have been called land speculators, and the term, loose as it may be, has an important position in our terminology.

The term "land speculator" meant different things to different people and different sections. To a frontiersman it meant an eastern capitalist who bought large quantities of newly offered land in anticipation of settlers to come; or it meant a railroad or canal construction company to which had been given alternate sections of land in a strip ten or twenty miles wide paralleling the line of the improvement; or it meant a pineland baron who acquired 5,000, 10,000 or 50,000 acres of rich timberland. The frontiersman distinguished between resident and absentee speculators. Only non-resident owners of land who were not contributing to the development of the West by making improvements upon their lands were regarded by him as speculators and were the object of his resentment. Land grants for internal improvements were strongly favored by the frontier which thirsted for connections with the outside world but the frontiersman expected these lands to be sold promptly and on the preemption system.

To an urban worker the term "speculator" meant some one who laid out towns or additions to them, donated lots for churches and schools, attracted industries or state institutions to the new communities and peddled out building lots at high prices to newcomers. To Horace Greeley the term meant, in addition, the thousands of persons settling the West who sought a stake in the land greater than they could expect to use personally. Greeley also applied it scornfully to those westerners of means who purchased wild lands as an investment, as did their eastern associates. All were speculators; all contributed their share to the pattern of ownership which exists today.

Although frontiersmen, as a rule, possessed little or no capital they were anxious to own as much land as possible. The first wave

of settlers who followed the fur trader squatted upon choice locations, made rude improvements, and, when new arrivals came in, sold their claims and moved on to a new frontier before the government auction took place. These squatters were in a sense speculators. They sought to engross a half section or more and established claim associations to protect their rights. Henceforth these quasi-legal claims were bought and sold just like patent titles.

The second wave of settlers remained on the land until the auction sale on which occasion they borrowed to the hilt to buy as much land as possible. The more successful who had brought considerable money with them, or who had accumulated something from land and barter exchanges on the frontier, might have sufficient credit at the western banks to enable them to purchase 320, 480, or 640 acres. Loose banking policies made credit easy to secure and everyone attempted to borrow for land speculation. Rosy dreams of profits to be made distracted the attention of frontiersmen from the business of making farms in the wilderness. An English observer shrewdly remarked:

Speculation in real estate . . . has been the ruling idea and occupation of the Western mind. Clerks, labourers, farmers, storekeepers, merely followed their callings for a living, while they were speculating for their fortunes. . . . The people of the West became dealers in land, rather than its cultivators.<sup>2</sup>

Calvin Fletcher, an Indianapolis banker and large landlord, deplored the granting of credit for speculative purchases of land. "The consequence is," he said in 1838, "that for the last 4 years say 6 years there has scarcely been the extension of a farm. No new fields opened & at the same time an enormous increase of consumers—What Son will go to work or what farmer will draw out the energies of his family where they can dress them, clothe them & feed them on the glorious anticipations of a years accidents which may or may not pay the debt without an effort."<sup>3</sup>

On every frontier the settler-speculator was present. He rarely learned from experience. By claiming 320 acres instead of 160 he separated himself that much more from his neighbor. He had to bear a heavier proportion of the cost of road construction and main-

<sup>2</sup> D. W. Mitchell, *Ten Years in the United States: Being an Englishman's Views of Men and Things in the North and South* (London, 1862), 325-328.

<sup>3</sup> Entry of August 22, 1838, manuscript diary of Calvin Fletcher, Indiana Historical Society, Indiana State Library.

tenance; his school costs were increased or the establishment of schools was delayed and his children were denied educational opportunities; the expense of county and state government, in a period when the land tax was the principal source of government income, was burdensome. Other social institutions like churches, granges, and libraries came more slowly because the population was so dispersed. Furthermore, railroads, which all settlers wanted in their vicinity, could not be pushed into sparsely settled areas without large subsidies. State and county subsidies required special assessments upon the already overburdened taxpaying farmers and land grants, whether by federal or state governments, created a near land monopoly. Careful observers like Greeley saw many of these results and urged settlers to be content with smaller tracts which they could conveniently cultivate.

The chance of making a fortune in wild lands or town lots in the rapidly expanding communities of the West was an allurements difficult to resist. Fantastic stories of the profits others had won were printed in the newspapers and retold in letters from the West. Here, in 1818-1819, 1835-1837, or 1850-1857 was the lodestone to quick wealth. Touched by the fever of land speculation excited people throughout the country borrowed to the extent of their credit for such investments. Men from all walks of life permitted their dreams to overcome their better judgment. Politicians, bankers, writers, ministers, planters and poets, everyone, it seemed, who had any resources at all undertook to invest in western lands. Levi Beardsley, a prominent New Yorker who went West in 1836 to invest some \$20,000 in wild land has left an interesting description of the speculative excitement of that year:

Every one was imbued with a reckless spirit of speculation. The mania, for such it undoubtedly was, did not confine itself to one particular class, but extended to all. Even the reverend clergy doffed their sacerdotal, and eagerly entered into competition with mammon's votaries, for the acquisition of this world's goods, and tested their sagacity against the shrewdness and more practiced skill of the professed sharper.<sup>4</sup>

The existence of a class of professional land agents facilitated land purchases by absentee capitalists. Eastern papers with a wide circulation among the wealthy contained numerous advertisements

<sup>4</sup> Levi Beardsley, *Reminiscences: Personal and other Incidents* . . . (New York, 1852), 252.

of these land agents during the years from 1830 to 1857. In every enterprising community on the frontier were found agents who were prepared to buy or enter land for others with cash or warrants.<sup>5</sup> For a commission of five per cent or a share in the transaction, generally from a third to a quarter, they would select land, sometimes by personal investigation, sometimes by a superficial search of the entry books and make purchases for their principals.

Some of the more important of these land agents were Henry W. Ellsworth of Lafayette, Indiana, Cook and Sargent of Davenport, Iowa, and Henry C. Putnam of Eau Claire, Wisconsin. Ellsworth published a booklet, *Valley of the Upper Wabash*,<sup>6</sup> to attract attention to western Indiana and eastern Illinois and he and his father, Henry L. Ellsworth, Federal Commissioner of Patents, were able to induce hundreds of easterners, mostly New Englanders, to invest in the West. Cook and Sargent maintained offices in each of the eight land-office towns in Iowa where they entered nearly 200,000 acres.<sup>7</sup> Putnam's entries in Wisconsin exceeded a half million acres.<sup>8</sup>

These western land agents rank with the registers and receivers of the land offices as among the most important people on the frontier. They dealt in land warrants and scrip, ran a local note-shaving business, purchased exchange, sometimes operated a bank of issue with funds provided by eastern capitalists, loaned eastern funds to squatters at frontier rates ranging from twenty to sixty per cent, bought and sold land, paid taxes for absentee owners and undertook to protect their lands against depredations. At a later date, they arranged for renting land, made collections, and sold produce received in payment of rent. Small investors in the East were obliged to work through these agents, to submit to their exactions, and to suffer from their inefficiency and could not

<sup>5</sup> A writer in Janesville, Wisconsin, in 1855, speaks of the "hundreds of land agents and dealers watching to show some new comer . . . and all manner of tricks to gull the unsuspecting." *Rutland* (Vermont) *Herald*, Nov. 16, 1855.

<sup>6</sup> New York, 1838.

<sup>7</sup> For advertisements of Cook and Sargent, see *Iowa Sun* (Davenport), May 16, 1840; *Davenport Democratic Banner*, Feb. 10, May 5, 1854; *Davenport Democrat and News*, Nov. 2, 1859. Circulars of Cook and Sargent dated Oct. 15, 1847, October 15, 1850, are in the Corcoran and Riggs papers, Library of Congress.

<sup>8</sup> The Woodward-Putnam letters are in the Prudence Risley vault, Cornell University.

effectually protest against their obvious neglect. The agent could take his commission from rents or sales before any money was remitted to the owner, could sell his own land to prospective purchasers, rather than that of the owners he represented, could neglect tax payments and get the title involved, or could pay taxes on the wrong land. In numerous cases western agents took advantage of their clients, used the prestige which their contacts provided for personal interests, and constantly minimized the value of the land they represented in order to increase sales and thereby commissions. In this way absentee investors whose eastern responsibilities did not permit them to give personal attention to their possessions in the West were imposed upon and victimized.

A case in point is that of Senator Henry H. Hubbard of New Hampshire who, in association with Daniel Webster and other Yankees, invested well over \$50,000 in western lands. Hubbard sent Moses B. Strong of Vermont to Wisconsin Territory in 1836 to invest a part of this money. Land was acquired and some sales were made by Strong before the crash of 1837 put a stop to the business. Thereafter the investment went from bad to worse. Strong's charges for the slight services he rendered after the actual purchase were so heavy that Hubbard was forced to sell part of the land at distress prices. When sales declined Strong neglected the business for politics and Hubbard was obliged to supplant him.<sup>9</sup>

An analogous case is that of Cyrus Woodman who represented a group of New England capitalists organized as the Boston and Western Land Company. This company invested \$100,000 in 60,000 acres of wild land and in numerous embryo towns in Illinois, Wisconsin and Missouri in 1835 and 1836. The crash of 1837 broke the market; lands could scarcely be sold at any price and interest, taxes, and agents' costs further discouraged the Boston promoters. Woodman, who was sent to the West to retrieve something from the wreck of the company's once ambitious scheme, made no effort to put the investment in its best light but, from the first, filled his letters with pessimistic forebodings of ever greater contraction in

<sup>9</sup> The papers of Moses Strong in the Wisconsin Historical Society Library contain the story of the Hubbard-Strong land business. Joseph Schafer used them in the preparation of an article entitled "A Yankee Land Speculator in Wisconsin," *Wisconsin Magazine of History*, VIII (1925), 377-392.

prices accompanied by rising taxes. It is small wonder then that the owners became discouraged and sold their property to Woodman for a fraction of its cost. The land was that good prairie and timberland which in the fifties was to bring prices that almost justified the optimistic hopes of the thirties; but the original purchasers were not to share in the prosperity.<sup>10</sup>

One of the most successful agent-speculator relationships was that of William A. Woodward and Henry C. Putnam who were natives of New York State. Both were shrewd judges of land values and both knew thoroughly the techniques of the land business. Putnam went to Wisconsin in the fifties where he invested funds of Woodward and other New Yorkers in short term loans to settlers and in timber and prairie land. The fees Putnam received for the numerous services performed for his eastern principals made him a leading businessman in the rising town of Eau Claire. He aided in selecting the university, school and swamp land, became land agent for a land-grant railroad, was elected register of deeds and county surveyor, and appointed deputy United States assessor, and with others founded the leading bank in Eau Claire. When Ezra Cornell was looking for someone to help him locate the million acres in land scrip which New York State had received under the Agricultural College Act, Woodward and Putnam persuaded him to let them make the selections in the Chippewa Valley where, Cornell was assured, Putnam virtually controlled all land entries by means of his position in the United States land office at Eau Claire. Cornell gave them the agency and from it they both made substantial profits.<sup>11</sup>

A great impetus was given to land speculation in the mid-thirties by federal and state banking policies. The failure to recharter the Second Bank of the United States removed the curbs on state bank policy while the lure of federal deposits led to a scramble for such easy funds and to a mushroomlike growth of new banks in the South and West. Loans on real estate at inflated valuations were easily secured. Rising land values and easy credit attracted unprecedented

<sup>10</sup> Cyrus Woodman was a methodical businessman who kept his papers, including impression copies of letters he wrote. They are now in the Wisconsin Historical Society Library and comprise one of the most valuable extant collections on the land business.

<sup>11</sup> See note 8.

quantities of capital from the East for investment in wild lands and corner lots. The federal surplus produced by increased land sales was distributed among the states, thereby providing funds for elaborate schemes of internal improvements. Canals, railroads, highways were projected throughout the newer states, regardless of their feasibility. This combination of an easy banking policy with large government expenditures on public works came at a time when emigration to the western country was greatly accelerated. The total purchases of the hordes of immigrants and the speculators who were attempting to anticipate settlers' needs made the public land sales of these years the largest in American history.

Between 1835 and 1837, 38,000,000 acres of public lands were sold, 29,000,000 of which were acquired for speculation. A minimum speculative investment of \$36,000,000—exclusive of agents' costs, interest and taxes—was thus tied up in unimproved lands. To this figure should be added perhaps as large an amount for investments in town and city lots.

Much of this land purchasing was done by banks or bankers. For example, Isaac Bronson and his sons Frederick and Arthur, prominent bankers of New York, together with Charles Butler, brother of the attorney general of the United States, and a group of New York capitalists, used funds of the New York Life Insurance & Trust Company and other banks with which they had connections to buy a third of a million acres in eight states and territories. The prominence of the promoters and the fact that some of them were closely identified with an administration which favored land reform and denounced land speculators gave the Whigs an opportunity of showing how hollow were the pretensions of some Jacksonians.<sup>12</sup>

Another group whose purchases of land were made with credit of banks it controlled consisted of such well-known Massachusetts financiers as John Tillson, Jr., John Shaw Hayward, Charles Holmes, Jr., Winthrop Gilman, and Griggs, Weld & Company. These men controlled the state bank of Illinois from which they

<sup>12</sup> Aside from the publications and advertisements of the American Land Company and the numerous attacks upon it which may be found in the *United States Telegraph*, quoted in the *Indiana (Indianapolis) Journal*, July 23, 1836; *Havanna Republican* (New York), Nov. 27, July 31, 1839; and *Chicago American*, Aug. 12, 1839, the William B. Ogden papers in the Chicago Historical Society Library, and the Butler papers in the Library of Congress are important.



were able to borrow for their extensive land speculations. When the bank itself undertook to loan funds to squatters and to buy large quantities of land it came to be regarded as the great financial octopus of Illinois and Iowa against which numerous antimonopoly tirades were directed.<sup>13</sup>

A group whose operations in banks, land and railroads was scarcely to be matched consisted of Alvah Buckingham and Solomon Sturges of Zanesville, Ohio, and their numerous children. They acquired or established banks of issue in Ohio, Indiana and Illinois, some of which received federal deposits. The banks made it possible for them to pyramid their land purchases until they ultimately reached 275,000 acres, or the equivalent of 1,760 quarter section farms. Railroads, grain elevators and lumber yards were added to this princely estate. Neither the Panic of 1837 nor that of 1857 destroyed the economic power of Buckingham and Sturges and for a generation their names were widely known from Ohio to Nebraska.<sup>14</sup>

Throughout the East and, indeed, to a somewhat less degree in the old South, other banks, directors and customers of banks were using the credit to buy public lands. For years thereafter these banks or their receivers were engaged in disposing of quantities of wild land they had bought directly or acquired through mortgage foreclosures.

Squatters upon the public lands did not benefit from the easy banking policies of the thirties. Since they had no property to mortgage, credit was available to them only on the most usurious terms.

When newly surveyed lands were first announced for sale the squatters had to arrange for the purchase of their lands—made valuable by their improvements—before the opening of the auction or run the risk of losing them to speculators. Claim clubs and special preemption laws gave them protection against speculators only to the date of the sale. Squatters were inclined to put their meager capital into stock, housing, fencing and clearing which seemed the most essential for the moment and to hope that the land sale would be postponed until they could accumulate money with which to purchase

<sup>13</sup> *Iowa News* (Dubuque), May 18, Sept. 7, 14, Nov. 23, 1839; *Iowa Territorial Gazette and Burlington Advertiser*, May 4, Jan. 26, Feb. 2, 1839, Nov. 21, 1838; *Burlington Hawkeye and Iowa Patriot*, Aug. 12, 1841.

<sup>14</sup> *Prairie Farmer*, May 20, 1858; *History of Muskingum County, Ohio* (Columbus, 1882), two pages and photograph inserted after p. 72.

their claims. The sale, although announced in advance by advertisement, seemed always to catch the settlers unprepared and obliged them to borrow from the "loan shark."

These moneylenders were the representatives of western banks and eastern capitalists. Their charges were five per cent for arranging loans and from two and one-half to five per cent for making collections. Such eminent westerners as William B. Ogden,<sup>15</sup> James W. Grimes and Lucius Lyon,<sup>16</sup> later to become respectively president of the Chicago and Northwestern Railroad, and United States Senators from Iowa and Michigan, made their start by lending eastern funds on such a basis.

Loan sharks were present at every public land auction and their agents were stationed in every land-office town, prepared to buy claims for squatters. The ten or twelve per cent allowed by the usury laws did not satisfy these moneylenders who found it possible to evade such restrictions. They would buy claims on which squatters had their improvements, according to previous agreements, and would then resell the land to them for an advance of \$30 above cost on a quarter section. The squatter would agree to pay at the end of one or two years the maximum interest allowed by law. If the legal interest was twelve per cent and the debt was paid in one year the lender would net twenty-eight per cent upon his investment. The loan agents always denied that they were violating the usury laws but they were exceedingly loath to have cases involving their transactions taken into the courts. Thousands of desperate squatters throughout the West snatched at the aid offered by the moneylenders who personally or through land agents invested many millions of dollars in this lucrative business. When later the squatters had difficulty in meeting their obligations they turned against their creditors and raised the cry of usury.

Jackson's specie circular of 1836 struck squarely at the rapidly expanding volume of land purchases. It showed that the chief executive, unlike many of his followers such as Butler, Kendall, Walker, and Ellsworth, did not approve of the operations of land

<sup>15</sup> Ogden Manuscripts, Chicago Historical Society Library.

<sup>16</sup> There are many Lyon letters in the Ogden collection; others are published in Michigan Pioneer and Historical Society, *Historical Collections*, XXVII (Lansing, 1897), 414-604.

speculators and moneylenders. The president's purpose in issuing the circular was to "repress alleged frauds, and to withhold any countenance or facilities in the power of the Government from the monopoly of the public lands in the hands of speculators and capitalists, to the injury of the actual settlers in the new States, and of emigrants in search of new homes. . . ." Jackson further explained his purpose in his annual message of December, 1836, wherein he said the circular was intended to "save the new States from a non-resident proprietorship, one of the greatest obstacles to the advancement of a new country and the prosperity of an old one."<sup>17</sup> Except for Jefferson, Jackson was the only American president who seriously deplored that feature of public land policy which permitted speculators to buy land in unlimited amounts.

The specie circular required that only gold or silver be accepted from purchasers of land, except actual settlers who were permitted to use bank notes for the remainder of the year. The order brought down the whole bloated structure which had been erected by unsound banking practices, the deposit of federal funds in the state banks, and the elaborate programs of internal improvements undertaken by the states. Land purchases by speculators stopped immediately; only the business of lending money to squatters remained.

The federal government's need of revenue caused the money-lending business to thrive for a time after the crash of 1837. Quantities of land were ordered into the market when it was clear that squatters could raise the purchase price of their claims only with the greatest difficulty. Despite pleas for postponement the sales were held. Western banks were now closed, only gold or silver was accepted at the sales and only eastern bankers could furnish it. In 1838 and 1839 Ogden found it possible to loan eastern funds to squatters to net thirty per cent a year before the deduction of commissions. Such usurious interest rates continued into the forties and, indeed, were increased in the fifties when it was possible for brokers to use in place of cash the military land warrants then in wide circulation at prices ranging downward to fifty cents an acre.

<sup>17</sup> *American State Papers, Public Lands*, VIII, 910. James D. Richardson, ed., *Compilation of the Messages and Papers of the Presidents, 1789-1902* (1907) III, 249-250.

By this means returns of forty, fifty and even sixty per cent could be secured from squatters.

Ogden, Grimes and Lyon had assured their principals that there was no risk in lending money to squatters to buy their claims since their improvements had already raised the value of the land above the government minimum price and since they would make every possible effort to pay their debts and secure title to land on which they had expended years of toil. These men did not foresee the deplorable situation into which the West was plunged after 1837. Squatters, now attempting to meet their payments under the most trying circumstances, fought a losing battle. Payments were delayed and then completely suspended. Many settlers became discouraged and moved on to another frontier to try once more to gain ownership of a piece of land.

Moneylenders, land speculators and gamblers in town lots now found themselves loaded with financial burdens which they could not carry. Their land was unsaleable, yet their taxes continued to mount as did also the interest on the money they had borrowed. Having invested everything in property not easily liquidated they now were forced to surrender much of their land to the banks when these institutions began to call in their loans. The abstracts of conveyances for the years following the Panic of 1837 show a tremendous volume of mortgage foreclosures of large estates.<sup>18</sup>

These foreclosures, the suspension of most of the wildcat banks and the bankruptcy of many financial institutions in the East all combined to keep land titles in the West in a state of chaos. Taxes were paid tardily, if at all, tax titles of a dubious nature were annually issued and the difficulties of an already complex situation were thereby increased. During the period of stress settlers accumulated grievances against the absentee owners which seemed to justify stealing their timber, despoiling their fences and buildings and using their land for pasture. New settlers moved on the absentee-owned land, sometimes bought a tax title and set up a claim of ownership by right of possession and the tax deed. Absentee owners were powerless to deal with such a problem unless their property invest-

<sup>18</sup> The conveyance records of the following counties have been used: Vermillion, Champaign, Iroquois, McLean, Logan, Sangamon, and Christian, Illinois, and Benton, Newton, White, Carroll, Indiana, and Iowa, LaFayette and Sauk, Wisconsin.

ment was sufficiently large to enable them to maintain a local agent employed on a full-time basis to watch over their interests.

During the bleak years of the early forties the equity of absentees was gradually eaten up by tax titles, agents' costs, interest and depredations. Ultimately the burden became too great and many sold their holdings for less than the original cost, disregarding interest, fees and taxes. It was this situation that induced Dr. Joseph Schafer, for years a careful student of land problems and policies, to conclude that land speculation was on the whole an unprofitable business.<sup>19</sup>

The career of Calvin Fletcher, a cautious Hoosier from New England and reared in an atmosphere of conservative finance, sheds much light on this era of unbridled land speculation. The craze for speculation overcame Fletcher's better judgment and with Nicholas McCarty, likewise a Hoosier, he engaged in a joint speculation with \$40,000 borrowed from the state bank of Indiana of which Fletcher was a director. The mental torture Fletcher went through during the following years as a result of this "hazardous" investment is recorded in his diary. Unlike the majority of settler-speculators who lost their land when the depression years set in, Fletcher was able to carry his investment until it began to produce returns. In 1846, when the banks had foreclosed many mortgages and thousands of farmers having lost their homes had either gone elsewhere to make another attempt at securing ownership of land or had sunk to the position of tenants upon their old claims, Fletcher stated that one third of the voters of Indiana were then "tenants or day laborers or young men who have acquired no property."<sup>20</sup>

On the frontier the fog of depression is quickly dissipated by rising commodity prices, quickened immigration, and a new influx of capital. In the middle forties these factors were again at work and there followed a new era of land speculation in which old residents and new settlers participated equally. The curve of land purchases shot upward as people in all occupations once more neglected their routine work to buy raw prairie land or corner lots

<sup>19</sup> Joseph Schafer, *Wisconsin Domesday Book, Town Studies* (Madison, 1924), I, 10 and note; *idem*, *The Wisconsin Lead Region, Wisconsin Domesday Book, General Studies* (Madison, 1932), III, 153.

<sup>20</sup> Diary of Calvin Fletcher, entry of March 23, 1846.

in newly platted cities. Eastern capitalists again established banks of issue in the West and South under the lax systems still prevailing there and used the funds to purchase land. Land agents, professional locators, loan sharks, town-site promoters flourished. Few seemed to have learned from experience.

The peak years of speculative purchasing were 1854 to 1858, when a total of 65,000,000 acres of public domain were disposed of to purchasers or holders of land warrants. To this figure should be added an equal or greater amount of land which was granted to the states for canals, railroads, swamp drainage and education and by them sold, mostly to speculators, large and small. A comparison of the census figures of land in farms with the land-office figures of land sold shows a tremendous concentration of speculator-owned land in all public land states, especially in the newer states like Iowa, Wisconsin, Illinois, Missouri and Arkansas.

The speculators' contributions to the present day pattern of land ownership and land use are most important. For a generation agricultural economists have said that tenancy was an inevitable result of the commercialization of farming and rising land values. This is true but tenancy got its start in the Middle West as a result of the activities of land speculators and moneylenders. Squatters who could not meet their usurious demands had their contracts cancelled and their equity confiscated. They might, however, remain on their old claims as tenants and pay rent for the land or they might make a new contract for the land but at a higher valuation. In either case, the farmer found ownership difficult to attain. Elsewhere speculators dismayed at the cost of carrying their projects, sought relief by inducing land seekers to settle on their holdings, the sole condition being that they must pay taxes. If land was scarce it was not difficult to persuade immigrants to settle upon speculators' tracts, perhaps with the understanding that they might be able to buy later. The farmers' improvements raised the value of the property but did not bring in immediate cash income sufficient to enable them to make payments upon the land. As the value went up the owners' price increased; ownership proved unattainable to many. Tenancy thus had come to stay in the first generation of settlement in Illinois, Indiana, Iowa, Kansas and Nebraska. Furthermore, owners of small farms had borrowed heavily to secure title and from their debts

many were never to be free. Some were ultimately depressed to the state of tenancy.

Speculator ownership and tenancy did not always result in the best use of the land. It has already been seen that speculator ownership forced widespread dispersion of population and placed heavy tax burdens upon farmers whose improved lands could be more heavily assessed than the speculators' unimproved land. Furthermore, speculators were slow to pay taxes. They resisted increased levies, secured injunctions against expenditures for buildings and roads, and sometimes simply refused to pay taxes. Heavy interest penalties and tax titles did not trouble them particularly since they knew they could later make a compromise settlement with the hard-pressed county boards, or could have the tax titles set aside by the courts. All of this meant that the tillers of the soil, if they were to enjoy the benefits of schools, roads and local railroads had to dig down into their own jeans more deeply because the speculators were not carrying their share of the burden. Taxes continued to climb and rarely or never declined, even in a period of depression. They are one of the rigid costs which trouble the farmers deeply when their own income is sharply declining. Heavy tax burdens forced farm practices which depleted the soil, produced erosion and diminished land values.

Speculators left their mark on the West in other ways than in land ownership. The nationalizing influence of their investments in western lands should not be neglected. Speculators were naturally inclined to favor internal improvements in the vicinity of their land. The Wabash Canal, the Illinois and Michigan Canal, the Des Moines River Navigation and Improvement Company and the Fox and Wisconsin Canal were all the work of speculators who sought to increase the value of their holdings by bringing transportation facilities to them at government expense. The investments of Daniel Webster of Massachusetts and John Rockwell of Connecticut in central Illinois made them keenly aware of the need for internal improvements in the prairie state and led them to support the movement for railroad land grants for that area.<sup>21</sup>

<sup>21</sup> Webster and Rockwell were both warm supporters of the measure to grant land for the aid of the Illinois Central Railroad. Rockwell is said to have received for his share in securing the land grant two and a half per cent of the land or its equivalent.

The land and town lot speculators were also influential in securing state, county and municipal subsidies for local railroads. Many railroad enterprises were in themselves as much land speculations as transportation developments. The pinery railroads of northern Wisconsin promised few or no profits from operations but the land grants included valuable stands of white pine from which large returns might be secured. Some of the other railroads for which there now seems little justification were doubtless chartered for the sake of the land grant.

Land and town lot speculators had much to do with railroad strategy in the West. During the territorial period of Kansas and in the first decade of statehood the struggle between the supporters of rival routes for land grants for their railroad enterprises is one of the chief issues, transcending in importance the slavery and union issues. Out of the melee certain groups emerged triumphant such as that which revolved around one of the most notorious corruptionists in American history, Samuel C. Pomeroy. Two railroads of which he was an officer and stockholder received land grants, one was permitted to buy a valuable ceded Indian reservation for less than its current value and three were required to converge on his own town of Atchison. The struggle over the location of the eastern terminus of the Union Pacific Railroad, the efforts of Cairo, Illinois, promoters to require the Illinois Central to locate its southern terminus at that point, the desire of the Northern Pacific to build up its own town on Puget Sound are illustrations of how speculators, whether operating within or without the railroad companies, have influenced the location of railroad routes and their terminal points. Another factor which tended to prevent railroads from selecting the shortest line between two points was the desire of their promoters to secure the largest possible land grants.

The petty fights over the location of county seats, territorial and state capitals, land offices, state universities, agricultural colleges and normal schools, and institutions for the insane, the blind and the criminal comprise no small part of the political controversies of the time. That some of these institutions were located in remote, inaccessible places wholly unsuited to the functions they were to perform

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Fitz Henry Warner, Washington, D. C., Dec. 1, 1852, to Charles Mason, Burlington, Iowa, Mason MSS., Iowa State Department of History and Archives, Des Moines.



may be blamed upon speculators who succeeded in having them established in the vicinity of their lands.

Westerners were united in their demand that the federal government should donate to the states the land within their boundaries. This demand was never attained in full but it was achieved in part through a piece-meal system of securing special grants for education, canals, river improvements and the drainage of swamp lands. As successive states entered the union they were given larger proportions of their land, the proportion running as high as one third in the case of Arkansas, Louisiana, Michigan and Minnesota, to two thirds in the case of Florida. The states were expected to sell these lands for the best possible price and the proceeds, if derived from education grants, were to provide endowments. Speculator influence in the state capitals and county seats tended to break down the effective utilization of these grants.

Numerous scandals marked the sale of state lands and indicate that state and local governments were even more subject to speculator influence than was Congress and the General Land Office. The two-township grant for state universities brought in little return, the common school sections were in many cases wastefully administered, the agricultural college lands or their scrip equivalent were sold for a pittance by Rhode Island, Massachusetts, Indiana, Ohio and other states and the river improvement grants were wasted away. Worst managed of all were the swamp lands, of which 64,000,000 acres were patented to the states. Some were sold for as low as ten cents an acre; others were given to railroad companies to aid in construction; still others were granted to drainage companies for the improvements they contracted to make. Little or no security was ever required by the local officials for the performance of the contracts and in few cases were the improvements actually made. One prairie county of Illinois permitted its judge to contract 47,000 acres to a Utica, New York, resident on the understanding that he would drain the lands. The latter were conveyed but no improvements were made; later it was found that the judge had an interest in the business.<sup>22</sup>

Indian lands were fair game for speculators who used both legal

<sup>22</sup> H. H. Beckwith, *History of Iroquois County* . . . (Chicago, 1880), 375 *passim*; Iroquois County Deeds, 27:37.

and illegal means to secure them. Traders and speculators devised a method by which treaties of cession would include 640 acre allotments of the choicer lands to chiefs and half-breeds. They could easily be induced to sign away their allotments for an extra portion of whisky. By this means most of the desirable land along the upper Wabash Valley in Indiana and other valuable tracts in Illinois, Mississippi, Alabama and Wisconsin passed into the hands of speculators including the great trading firm of W. G. & G. W. Ewing of Fort Wayne, Senator John Tipton of Indiana and Simon Cameron of Pennsylvania.<sup>23</sup>

In Kansas speculator influence carried this method of land acquisition even farther. Here Indian tribes such as the Potawatomi (whose members had already been victimized by the Wabash traders), the Kickapoo, the Delawares, the Cherokees, and the Osage were induced to cede over 9,000,000 acres of land in trust, to be sold for their benefit. Such lands were not to become part of the public domain and were, therefore, not subject to the general land laws. Until Congress woke up to what was going on these tracts were being rapidly conveyed to groups and individuals close to the Indian Office for distinctly less than their actual market value at the time.

Speculators pressed for the general allotment system which was adopted in 1887. They also cooperated with the lumbermen of Wisconsin and Minnesota in securing the opening of reservations containing valuable stands of white pine.

To gain their objectives the speculators were forced to enter politics. Whether from the East or West, they opposed a free homestead policy which, they feared, would reduce the value of their holdings. They favored grants for railroads and measures to make easier land accumulation. They were influential in local and state governments which they warped to suit their interests. Thus one sees Wisconsin in the seventies and eighties controlled by a tight little group of lumbermen-speculators including Cadwallader Washburn, Jim Thorp, Nelson Luddington, Philetus Sawyer, William Price, and Isaac Stephenson. Elsewhere the story is the same. These men opposed land reform, fought other agrarian legislation, championed protective

<sup>23</sup> I have described this method of land disposal in the introduction to the forthcoming *Papers of Senator John Tipton*, to be published by the Indiana Historical Bureau in June, 1942.

tariff duties, and condemned monetary heresies. They represented the creditor, the large property owners, the railroads and the rising industrialists. Not until 1888 and 1889, by which time the best of the public land was gone, were they ready to abandon their long struggle to prevent the public domain from being reserved for actual settlers only, a recommendation long since made by Jefferson and Jackson.

The successful land dealer of one generation became the banker, the local political oracle and office holder or the country squire of the next. Scarcely a city or country town in the West but had its first family whose fortune had been made by shrewd selection of lands and their subsequent sale or rental to later comers. Wealth which had come easily to them through their speculations had become a vested interest which they sought to protect against the demagogues who demanded the ten hour day in the saw mills, or the imposition of an income tax, or the regulation of railroads.

The influence of the speculator may also be noted in the cultural field. The owners of western lands were not only responsible for a flood of pamphlets, booklets, guidebooks and emigrant gazettes advertising their projects, but also for many travel books published for the same purpose. It is well known that Samuel Augustus Mitchell's *Illinois in 1837*, was published to aid the sale of the 124,000 acres of land purchased in 1836 and 1837 by John Grigg, Mitchell and other Philadelphians. Similarly, none can doubt that Henry W. Ellsworth's *Valley of the Upper Wabash*, is a real estate advertisement and not a careful appraisal of the Grand Prairie of Indiana and Illinois. William Ferguson, J. G. Kohl, and Richard Cobden also wrote accounts primarily to aid the sale of lands in Illinois. James Caird, an English agricultural journalist, on the other hand, disguised his land promotion propaganda so effectively that reputable historians have continued to borrow from his *Prairie Farming in America*, little realizing how prejudiced and distorted it is. Even Charles Dickens, whose investment in Cairo real estate proved disastrous to him, was attracted to America, in part, out of curiosity to see the investment which had repaid him so poorly.<sup>24</sup> The productions of numerous other writers who were interested in western

<sup>24</sup> For Ferguson, Cobden, Caird and Dickens, see Paul Wallace Gates, *Illinois Central Railroad and its Colonization Work* (Cambridge, 1934), *passim*.

lands were widely read at the time of their publication and for years were drawn upon by subsequent travelers and compilers of guide books.

For better or for worse the speculator, whether absentee or resident, squatter or banker, local politician or eastern senator, was present on every frontier. He affected every phase of western development and left in all places his indelible mark. His motives and his deeds one may deplore but so characteristically American was he, so dynamic a part did he play in shaping land and cultural patterns that it is difficult to imagine an American frontier without him.

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