

# Hard Questions in Church History

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## 1837: Kirtland Safety Society & British Mission

### Questions to Consider

- Why did Joseph think he could start and run a bank?
- Did Joseph get any money out of the bank for his profit?
- Did anyone embezzle money?
- Was the Kirtland Safety Society demise a problem of mismanagement?
- What caused it to fail?

### Timeline

<b>1831</b>	Sept 11	In D&C 64:21 the Lord promises to “retain a strong hold” in Kirtland for five years
<b>1836</b>	Jan	Closure of National Bank and currency. Only “specie” used as national legal money
	Mar 27	D&C 109 Dedicatory Prayer for the Kirtland Temple read by Joseph Smith
	Apr 3	D&C 110 Easter Sunday vision of Christ, Elijah, Elias, and Moses in Temple
	Aug 6	D&C 111 received in Salem, MA
	Sept 11	The five-year window of protection in D&C 64:21 expires
	Sept 12/13	Joseph and Hyrum Smith, Sidney Rigdon, Oliver Cowdery return from mission to NYC, Boston, and Salem. In addition to preaching and baptizing, they had worked with economic advisers, creditors about their financial obligations, and inquired about printing promissory notes for a prospective church sponsored bank
	Oct	Explore financial options to accept moneys and property from shareholders in exchange for stock
	Nov 2	Kirtland leaders gather to organize a crediting institution with 32 directors.
<b>1837</b>		
	Jan 9	The Kirtland Safety Society opens for business
	April	Joseph and Sidney stop issuing credit notes
	Jun 1-4	The Lord reveals to Joseph that Apostle Heber C. Kimball and others called on mission to England
	Jun 5	Joseph discharged in a legal case initiated by Grandison Newell
	Jun 8	Joseph withdraws from the Kirtland Safety Society
	July 1	Seven missionaries board ship to sail for 20 days to Liverpool England
	July 7	Joseph and Sidney resign as the Treasure and Secretary of the Kirtland Safety Society
	July 11	Mortgaged Kirtland Temple to Mercantile firm
	July 23	D&C 112, Revelation to the Quorum of the Twelve Apostles
	July 30	First nine converts baptized in England
	Aug	Joseph gives warning against using Safety Society notes
	Aug 6	Elder Kimball organizes the first British branch of the Church in Preston England.
	Sep 27	Joseph and Sidney leave to visit the Saints in Far West Missouri
	Dec 10	Joseph returns to Kirtland to find apostates forming a new church
<b>1838</b>		
	Jan 12	Joseph Smith and Sidney left Kirtland and their families joined them shortly
	Mar 14	Smith and Rigdon Families arrive in Far West, Caldwell County, Missouri

### 1817-1837: 2nd National Banking Failure

In 1791 Alexander Hamilton started the first Federal Bank. With Pres. Jefferson's issues with federal vs. state rights it failed. In 1817, under the direction of President James Madison, a second national bank was started. In 1823, he assigned Nicholas Biddle to act as the new bank president. Biddle applied his economic genius to the national economy and provided prudent stable growth to the United States. By 1832 there were thirty-two branches across the nation. However, Biddle's efforts were reversed by the eight years of leadership by the military general, President Andrew Jackson, from 1828 to 1836.

In 1828 President Andrew Jackson stifled economic growth and stability in the nation by undermining the national bank. Initially, Jackson's financial changes spurred high inflation. Land prices soared, the government opened new land and states, both of which helped economic expansion from 1834 to 1836. Simultaneously, the President attempted to close the national bank by encouraging congressional laws to redistribute the national surplus to the states in 1833 and 1836. His efforts drained the bank throughout his two terms ended in the final closure in January 1837.

This was the second national bank to close in the nation's short fifty-year history. The first national bank was initiated by Alexander Hamilton in 1791; the second was chartered by President James Madison in 1816. Attorney and historian Jeffrey N. Walker summarized the political problem with the second closure:

True to his reelection campaign promise in 1832, Jackson successfully caused the second bank to prematurely become ineffective by withdrawing government funds in 1833. It would finally close in January 1837. With this closure and the corresponding termination of a national currency, the only money remaining was specie. Specie, often referred to as "hard currency," included gold, silver, and copper minted into coins by the government (*BYU Studies*, "The Kirtland Safety Society and the Fraud of Grandison Newell A Legal Examination," vol. 54, no.3 [2015], 36).

The shortage of specie had been a problem for over a decade. It had motivated the "Santa Fe Trading Company" in Jackson County Missouri that we discussed earlier, and other similar efforts. It also motivated Joseph Smith's 1836 eastern mission detour to find coins in Salem. Joseph's motivation to find coins seems a little more understandable when we understand the shortage of specie (D&C 111).

The growing need for money led banks and Credit Unions to begin using exchange promissory credit notes. They exchanged one kind of debt for another, by monetizing private debt. But without national governance and regulatory rules, these credit unions were unstable and had room for fraud.

### Wealth without Money

In the early nineteenth century, the new nation was built on an agricultural economy. Land and crops were the major source of wealth. The potential products depended what type of land you owned. Farm products from Ohio included: ash, lumber, bricks, sheep, cattle, dairy, grains, maple sugar, and cast-iron. With a short supply of coins, often communities survived by bartering goods, trading in kind, and by using local bank notes. For a few years, Americans continued moving forward even with a faltering national bank.

In 1833 new economic growth surged in Ohio, thanks to the Ohio Canal. Townspeople developed and sold their products to communities farther away and even out of state. The agrarian society thrived

without using hard currency, or specie. Due to the national shortage of coins, States chartered credit unions and other financial institutions. The credit solution that church leaders used to help with financial problems was used by thousands from every state in the union. Even with a shortage of specie, one could live comfortably by using other economic means of trade.

### Start With Free Land

In the early nineteenth century, as the nation spread west, more and more federal lands were made available to the growing population. To encourage westward growth, the national government allowed people to delay their payment or purchase unsurveyed land until after one moved in, planted, or built on the property. Land became potential wealth with hard work.

Farmers received permission to “squat” on a section of land and improve it before they had to pay for it. These squatters lived on the land without rent while they planted a year or two of crops so they could earn the required money to pay for the land on a specified future date.

Another economic disaster arose when President Jackson’s government insisted that new federal lands be paid for in specie to the government. Even if a family had improved the land for three years and built a home, barn, fences, and harvested a crop—and were willing to pay with their bank notes, without specie, they had to leave.

### Financial Inflation and Collapse (1830-1837)

In addition to the shortage of specie, inflation was horrendous. Jackson’s financial policies allowed land values to soar for a time, and then collapse. In Kirtland the cost of land increased 500% between 1830 and 1837, followed by a whiplash drop in 1838. Land was not the only thing inflation hit. Food values increased 100% between 1836 and 1837.

When Jackson deregulated the national bank, all kinds of new banking companies started up across the nation. The newer states fared the worst. In 1837 every bank in Michigan closed, including fifty-five newly opened unchartered banks—some temporary, others permanently closed (Walker, *Kirtland Safety Society*, 54). Even the established southern cotton belt did not fully recover for decades. The banks in agricultural areas had their capital tied up in farms and land—not cash. It was virtually impossible to sell land fast enough to give money. Across the nation half of the banks failed within a few months.

The second catalyst to the collapse of the federal bank was Jackson’s requirement to pay for all federal land with specie. Much of the land west of the Appalachians was still federal property at that time. These two points were the major catalyst to the panic.

### Church in Need—Seeks to Raise Money

By 1836, the unstable national economy coupled with the church’s thousands of dollars of debt owed from building the Kirtland Temple, led the church leaders to think of new ways to deal with their debt. One idea was to open stores for additional income. However, to furnish supplies for these stores,

Hyrum Smith and Bishop Whitney bought goods on credit from merchants in Buffalo, New York, worth somewhere between twenty and forty thousand dollars—doubling or tripling their debt. Leaders also bought more land on credit. It was these actions rather than temple

construction costs that created a large debt burden. (Alex Baugh, *Days Never to Be Forgotten: Oliver Cowdery*; Mark Staker, “Raising Money in Righteousness” [Provo, UT: BYU], 2006).

Unfortunately, many of their attempts were thwarted due to the national financial crisis spanning the last eight years President Jackson’s presidency, as well as greed. The Saints had not fully adopted the Law of Consecration in both Missouri and Ohio. However bad the church’s financial situation was at that time, it would soon grow worse. Enemies of the church hoped to destroy the church through crushing them financially between 1836 and 1838—but they did not succeed.

During the late summer 1836, Joseph, Hyrum, Sidney, and Oliver, went on a unique mission to New York City and Boston to seek financial advice as well as proselytizing along the way. While on the east coast, they spoke with financial advisors about refinancing church debts and received advice about establishing a financial institution themselves. Their desperate need for money to pay off the temple debt led them to follow a detour to Salem, MA, to look for money, but the Lord taught them to seek for His eternal treasures instead (D&C 111). As they journeyed home, the group of friends discussed the options of starting their own bank or credit union of sorts. By the time they returned to Kirtland on September 12 and 13, 1836 they had a plan to raise money to pay off the church’s debts.

Shortly after arriving back in Kirtland, in mid-September 1836, Joseph published his awareness of the financial needs in the *Messenger and Advocate*, as well as a word of caution:

The Saints have neglected the necessary preparation beforehand ... the rich have generally stayed back and withheld their money, while the poor have gone first and without money. Under these circumstances what could be expected but the appalling scene that now presents itself?” (397; standardized spelling).

The Prophet wanted to help the poorer population too, and their new plan would open that doorway.

### November 2, 1836: Organizational Meeting Held

After a few months of preparation, on November 2, 1836, Joseph and Sidney invited other leaders to help them organize a potential financial institution for the church. The leaders hoped to encourage a broad customer basis—including those without high collateral. Their goal for the bank was to help the whole socioeconomic spectrum not just the normal land-owning gentry. Joseph wanted to help the poor and that is one of the reasons why they organized the Kirtland Safety Society.

All were encouraged to invest, whether they were members of the church or not. Unlike the rest of nation’s financial institutions who served landowners and merchants, the church system wanted to sponsor a system that would also serve women, blacks, and the poor. This was radical at the time. Even though the constitution was based on equality, racial and gender equality had not trickled down through economics (Mark Lyman Staker, *Hearken, O Ye People: The Historical Setting of Joseph Smith’s Ohio Revelations* [SLC, UT: Kofford Books, 2009], 464). Joseph opened up opportunities for the poor, in part by offering less expensive options to begin credit.

To facilitate greater participation, stock shares were given the unusually low face value of \$50 per share, in contrast to other local banks offering shares for between \$100 and \$400 per share. Small quarterly installment payments (\$0.13 per share) further allowed more to participate.

Shares were sold at a deeply discounted price, selling, on average, for \$0.2625 per share, or .525 percent of the face value (Walker, *Kirtland Safety Society*, 40).

By November 14, 1837 Oliver Cowdery had “procured plates from New York, for issuing Bank notes” (Staker, *Hearken*, 470).

The Safety Society directors set a lofty goal to capitalize up to four-million dollars. This was high compared to other similar enterprises which were usually one tenth that amount. Only the large banks engaged with railroads were capitalized at a range of four to six million dollars (Walker, *Kirtland Safety Society*, 40). This price shows the optimism of the directors, not poor management. From all resources, it appears that plan for the bank was based on sound economics.

By the close of 1836, they prepared to open by asking for investors. Joseph Smith and Sidney Rigdon invested heavily showing their full support, \$1,310.18 and \$751.64 respectively (ibid.). Part of Sidney’s donated was from his family tannery that was valued at \$450.00 (Staker, *Hearken*, 462). Others like Fredrick G. Williams bought two-thousand shares with only \$15.00 down and a promissory note to pay \$540.00 over time. (Ironically, he was one of those who became very bitter when the Safety Society failed.)

The first thirty-six subscribers—seventeen of whom were women—invested a total of \$4,000.00. The inclusion of nearly half of the subscribers, and some of the directors, being women was extraordinary for that day. Nationally at that time, women were not allowed to vote, hold office, receive custody of children after a divorce, or even buy land in many states. The first Married Woman’s Property Act wasn’t passed until 1839. Women acting on a bank board of directors was novel. Again we see Joseph promoting women’s rights and equal opportunity ahead of his time.

Joseph Smith said they started with ten-thousand dollars’ worth of one-, two-, and three-dollar bills in the first run. Later one of the bank directors who apostatized and claimed leadership after Joseph resigned, Warren Parrish, exaggerated that and claimed they started with one-hundred thousand. But looking at the data it appears Joseph’s number is correct (Staker, *Kirtland*, 479).

### Safety Society Directors

The bank was organized with thirty-two directors who voted for Sidney Rigdon to act as the President and Joseph Smith as the cashier. A group of six of them received more responsibility as the “Committee of the Directors.” In addition to Sidney Rigdon and Joseph Smith, Dr. Frederick G. Williams acted as Chief Clerk, and “David Whitmer, Reynolds Cahoon, and Oliver Cowdery as members” (ibid.). Joseph sought equal rights for all and paid each director (male and female), the very generous salary for that position at the time of a dollar a day. Only the Cashier got more as the books had to be kept (Staker, *Hearken*, 465). Interestingly the position of Cashier was initially written as Sidney on the January 4, 1837 bills, and as Joseph on the February 10, 1837 bill.

The Safety Society’s constitution was drafted by very competent lawyers and was openly published in the local newspapers. It included fourteen articles that have been closely scrutinized. All appears in good economic order (See Walker, *BYU Studies*, “The Kirtland Safety Society,” Appendix).

### December 1836—Ohio Legislation

With the halt of a national bank in 1836, the Ohio State Legislature was filled with groups seeking bank charters or legal incorporation to meet their financial needs. Joseph asked Orson Hyde to take the bill to Columbus, Ohio to seek State approval for a charter. Even though Orson was not an enthusiastic supporter of the Kirtland Safety Society, he was brilliant and from the right political party for their area (a Whig). When Orson traveled to Columbus, a snow storm which delayed his arrival. However, the real problem was not Orson’s tardiness, nor his inexperience, but rather Grandison Newell’s experience in deception and defrauding the church.

Mr. Newell was an active attacker of the church and had arrived early to poison the proposal before the legislature even looked at it. Kirtland’s own local Geauga County Representatives and Senators were friends of Newell and were not willing to sponsor the bill. Sadly, the Kirtland proposal for a state charter never made it to the floor of the legislature before the Christmas break (Staker, “Raising Money in Righteousness,” 158). The Kirtland Safety Society made another proposal for an Ohio State charter on February 10, 1837 (Staker, *Hearken*, 494). After a political strike, the legislature opened again, but offered no state charters (Dale W. Adams, “Charting the Kirtland Bank” *BYU Studies*, 23. no. 4; (1983): 470–471.

The problem with the Kirtland Safety Society was not a lack of State sponsorship, though. It would have helped to have a piece of the federal funds, but State backed banks struggled or failed as well, with or without State incorporation. The Ohio Rail Road company was incorporated about this same time. Even though the state approved the railroad’s request to raise 2.6 million dollars—including the right to take whatever land was needed for a right away—the bank still failed in few years later.

### A Private Joint Stock Company 1837

With the vacuum created by Pres. Jackson closing the national bank, hundreds of small financial ventures opened across the nation. Some of these financial co-operations were no more unstable than the current government banking institutions of the day, and some better. By the first of the new year, the Prophet Joseph and other leaders decided to move ahead in a different legal direction without the state charter. The church followed their legal advisors to form a more common organization, known as a “private joint stock company.” This economic model was based on the Bank of England, as well as Andrew Hamilton’s and President James Madison’s first and second national bank. A private joint stock company was essentially a general partnership, with all of the directors or partners being jointly and severally liable for any obligations of the bank. Operating in this business format was among the more economically sound options of the day.

On Monday, January 2, 1837, the directors thus changed their firm’s legal title to: “the Kirtland Safety Society Anti-Banking Company.” The officers also required new titles—but Oliver had already printed the new bills with the old names and titles—so each bill had to be changed by hand, then signed and dated. Thousands of notes required one of four officers to cross out President and Cashier, then write in Tres. and Sec. (Treasurer and Secretary). The first three-dollar note was signed and dated by Orson Pratt on January 3. Most bills were signed and dated by either Joseph, Sidney Rigdon, F.G. Williams, N.K. Whitney. The latter two men added “PT” after their names for “*Pro Tempore*,” as they temporarily helped Joseph and Sidney. The word “Bank” was crossed out, either leaving the bill to read: “Kirtland Safety Society,” or additional stamps added, “Anti-” and “ing” to read, “Anti-Banking,” thereby signaling clearly to the public that this partnership was not chartered by the Ohio legislature.

With these changes in place, the first run of bills were ready to use by early January 1837 (Walker, *Kirtland Safety Society*, 48, fn. 59).

Monday morning, January 9, 1837, the bank opened its doors for the first time. In the first month, the need for local small loans was clear, as the entire \$10,000 in small one two- and three-dollar bills were issued—all due within ninety days (Walker, *Kirtland Safety Society*, 48, 145). Reports on the amount of specie (copper, gold or silver coins) they held in reserve differs. Warren Cowdery left a general confirmation, “There was a fair amount of specie in the vault to commence business, and friends, enough who were ready to take the bills, carry them at a distance, and make exchanges for paper or other banks or specie, and return to this place” (Staker, *Hearken*, 480). According to historians of Jacksonian banking, “the Kirtland Safety Society could have doubled its issue and still be among the more conservative financial enterprises in the country” (ibid.).

### Sources

Mark Lyman Staker, *Hearken, O Ye People: The Historical Setting of Joseph Smith’s Ohio Revelations* (SLC, UT: Kofford Books, 2009). Jeffery N. Walker, *BYU Studies*, “The Kirtland Safety Society and the Fraud of Grandison Newell A Legal Examination,” vol. 54.3 [2015]. Alex Baugh, *Days Never to Be Forgotten: Oliver Cowdery* [Provo, UT: BYU], 2006; Mark Staker, “Raising Money in Righteousness.” Orson F. Whitney, *The Life of Heber C. Kimball: An Apostle; the Father and Founder of the British Mission* (Salt Lake City: Kimball Family, 1888), 143-144. Kenneth L. Alford and Richard E. Bennett, ed., *An Eye of Faith: Essays in Honor of Richard O. Cowan*, “Heber C. Kimball and Orson Hyde’s 1837 Vision of the Infernal World,” (SLC and Provo, UT: BYU Religious Studies Center, Deseret Book, 2015).