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By

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A 1904 pamphlet from Coggin Bros. & Ford, bankers in Brownwood, Texas, had a simple and self-evident title: "Banking Made Plain: What a Bank Is, What a Banks Does, How To Deal With It, and How It Will Help You" (See figure 1). Its authors aimed to explain this enigmatic modern institution to readers who were just awakening from the slumber of an agricultural Texas: "Many people imagine that the details of banking are enveloped in mystery... Don't be disappointed if, when you visit the bank the second time, the officers and clerks do not seem to recognize you; remember that since your last visit they have transacted business with many hundreds of people and have had to exercise the same care that they manifest in dealing with you."[1]

The Coggin Bros. & Ford pamphlet marked an important time in Texas history, the transition from early forms of merchant credit to complex modern banking institutions. From the 1880s through the 1920s, banks increasingly displaced credit merchants as the lenders of choice for Texas farmers. Though there was no singular event marking the beginning or end of the most active period of transition, the founding of the Texas Bankers Association (TBA) in Lampasas in 1885 is a reasonable indicator of the beginning, and the transition was largely completed by the time a 1914 study estimated that only 4% of all Texas farmers had never received a loan from a modern bank.[2] The Dallas Federal Reserve was also founded in 1914, but many important local social changes in banking practices were already well under way by then.

Historians have documented the transformation of the southern economy in the late 19th and early 20th centuries from a traditional to

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a modern economy and the transition from merchant credit to bank credit that was a part of the broader transformation.[3] Some have paid special attention to the role of the general store and credit merchants as they existed before this transition.[4] Historians and business writers have documented the development of formal banking institutions Texas.[5] While many of these institutional histories use a vocabulary from economics, scholars starting in the 1980s became increasingly interested in the concept of culture.[6]

This paper has three goals. It will attempt to place the literature on the transition from merchant credit to banking credit in Texas into a broader comparative context. This discussion is organized thematically rather than strictly chronologically because the transition from traditional to modern societies proceeds at different rates across a landscape and with much overlap between traditional and modern institutions. As distinguished legal scholar Henry Maine wrote in 1876, "Sometimes the past is the present."[7] Second, this paper will attempt to make a modest contribution in primary source documentation and provide a novel interpretation of some known sources. Third, it will provide a research note on the rapidity with which modern credit institutions developed in North and West Texas compared to East Texas and highlight the potential role of culture alongside material and legal factors in explaining the faster emergence of modern banking in the former. The evidence suggests that Texas had a cultural tradition that was supportive of modern credit institutions, though the presence of this culture might have varied throughout the state.

There are several legal milestones that document the rise of formal banking in Texas. In 1822 José Felix Trespalacios, colonel of the imperial armies of Mexico and political chief of the Province of Texas, granted the first charter for a bank in Texas, the *Banco Nacional de Texas*. The bank was an attempt to issue paper money backed by the irregular but ultimately unfailing specie shipments for the payment of Mexican troops at San Antonio. The army hoped that a regular pay schedule would reduce the drunken binge celebrations that troops tended to have on their intermittent paydays. The scheme did not work.[8] Another milestone was reached when state banks were addressed by the state constitution. The Constitution of the Republic of Texas in 1836 was mute on the topic of banks, but the state constitutions of 1845, 1861, 1866 and 1876 prohibited state-chartered banks. Despite these general prohibitions, there were some banks with formal permission to operate. In 1835, the Galveston entrepreneur Samuel May Williams obtained a nontransferable charter for the *Banco de Comercio y Agricultura* from the Congress of the Mexican state of Coahuila and Texas at Monclova. The bank operated from 1847 until 1859. The Constitution of 1869 offered a window for state-chartered banks to operate before they were again prohibited in 1876, and for two years after the National Bank Act of 1863, Thomas H. McMahan and other investors created the First National Bank of Galveston in 1865 (See figure 2). In 1905, the State Bank Law definitively allowed state-chartered banks, and for a brief period state-chartered banks, national banks and private banks, which had existed in important numbers since the 1860s, coexisted in Texas. Avery Carlson estimated that in 1904-6 there were 197 private banks, 157 state banks and 524 national banks.[9] The period of private banking ended in 1923 when Texas legislation mandated that all new banks have either a state or national charter, thus giving Texas its modern system of state and national banks. A 'state' or 'national' bank in this context was a private endeavor that received a government charter.

Sociologically, however, credit can be defined as any exchange of goods presently possessed against the promise of a future transfer of disposal over utilities, no matter what these future utilities may be.[10] This expansive definition of credit encompasses a broad range of human interactions across different epochs. For instance, in Texas in the 1910s, a tenant farmer could go to the nearest dry goods merchant in January and arrange "to be carried" for his necessaries—i.e., food and tools needed for maintenance on the house and for the harvest of cotton—until the following October.[11] Equally, a Zacatecas miner in the first three decades of the 20th century might pawn his party costume to make ends meet for one week.[12] Other informal actions also fit this sociological definition of credit, as in El Paso in the 1950s, when one modern banker negotiated a bad check, which essentially constituted an unsecured loan.[13]

Modern banks in Texas evolved out of the antecedent lending practices associated with dry goods merchants in a mainly agricultural 19th century Texas. Texas was agricultural through the end of the

19th century and beyond. Only 17% of the Texas population lived in urban areas in 1900, and it was not until the 1950 census that a greater percentage of Texans were recorded as living in urban areas than in rural areas.[14] One observer in Texas in 1889 described the evolution from agricultural merchant to modern banking: "First we have a general store and so-called Bank combined... Finally this combination may evolve into a small private Bank..."[15]

Merchant credit represented an older, more concrete form of interaction among Texans living in a traditional agricultural society. In traditional societies, the most important social unit was the extended family or a similar tight-knit group, which itself constituted a small civil society performing political, economic (e.g., credit), welfare, security, religious and other social functions.[16] For instance, one Texas merchant in 1915 described his intimate interactions with his clients saying, "Several years ago when I was losing heavily on farm accounts, I went over my books and found that many customers were buying $50 or $75 worth of goods in January or February. I went over the list of articles bought and found that they included many things which the buyer did not need or could do without and I quit letting him buy such things."[17]

There are two traditions in describing the interactions between dry goods merchants and farmers in the 19th century. The work of Pulitzer Prize-winning Steven Hahn represents one influential intellectual tradition that emphasizes the adversarial and self-interested nature of interactions between relatively monolithic merchant and farmer classes in the South, hereafter referred to as the class-based interpretation. Yeoman farmers of the Georgia upcountry from 1850-90 chose to engage in barter trade with one another rather than accept the abusive terms offered by merchants. Farmers could use the court system to seek redress against merchants. For example, farmer Thomas Campbell of Carroll County had bound himself to the merchant Gallington Coke for the sum of $40 during the early 1850s. But by 1855, when the debt remained unpaid, Campbell sued under the 1841 Act for Relief of Honest Debtors and a court awarded Campbell $20 principal, $1.60 interest, and $6.56 for the cost of the litigation.[18]

There is some evidence to support the class-based interpretation of farmer/merchant relations in Texas. For instance, in 1915 a 60 year-old dairy farmer in Smith County said, "The power of the credit merchants is far-reaching and very few farmers are able to escape paying toll to them... The credit merchants own many farms, and practice a like system of robbery on their tenants."[19] Around the same time, a former grocery merchant near Tyler said that on one occasion a merchant, acting as the middleman for the export of farmers' crops, reported a shipment of their tomatoes as a loss when in fact they brought top prices. But the farmers had no legal recourse in this case because the credit merchants controlled the courts.[20]

In contrast, a second school of interpretation emphasizes principled decisions made by farmers and merchants. For instance, on May 22, 1915, 49 men—some likely farmers—signed a letter published in the *Rains County Leader* complaining about an anti-usury assault on banks. "Some of our citizens seem willing to sacrifice principle for the sake of a few paltry dollars," they wrote and labeled the agitators as "pessimistic, undesirable citizens, who exhibit a belief in destructive rather than constructive policies."[21] Similarly, a Van Zandt county farmer echoed this sentiment in 1915 when he said, "[I] do not approve [of] usury suits. I think a man should stand by his contracts. [The] majority of farmers disapprove [the] suits and believe that the movement will die." The interviewer Walton Peteet noted, "This man was ploughing barefooted."[22]

Merchants and early banks clearly had an ability to discern credit worthiness on the basis of merit, rather than basing it on the notion of rigid class categories as implied by the class-based interpretation. For example, in 1915 a merchant in Van Zandt County remarked, "In the past any farmer, no matter how worthless, could get credit on which to make a crop. [But] this year both banks and merchants are requiring security in all cases."[23] This implies that merchants were developing more nuanced criteria for distinguishing among different groups of farmers, rather than viewing farmers as a bloc. In Rockwall County around the same time, one banker said, "Both banks and merchants are exercising more care in extending credit and it is becoming more difficult for irresponsible farmers to get credit to make crops."[24] A merchant in Grand Saline described failed farmers as a "thriftless class who did not respect their obligations. Credit restrictions in the future may restrict the number of farmers but will improve the class."[25] One credit merchant in Abbot came up with three categories of potential tenant borrower:

> Some tenants are better pay[ing] than [even] their landlords. There are three classes of renters: (1) Those who can and will pay without giving security; (2) Those who are good risks provided they are tied up by mortgage; and (3) Those who are too lazy and indifferent to work, and care nothing for their reputations. We try to do business only with the first class.[26]

One lender said, "I will not rent land to a man over 40 years old, because if he has reached that age without getting ahead he has missed the ball too often for me to send him to bat."[27]

Both upward and downward mobility were possible, suggesting more dynamic classes than the ascriptive categories of the class-based interpretation. For instance, Peteet concluded from his 300 rural interviews that "[a]ccording to the individual case, the status of a half-renter is a stepping-stone to a higher economic status for the energetic and ambitious young farmer without capital or a brief resting place in the descent from independence to dependence of the farmer who has failed and who ultimately becomes a wage laborer."[28]

One 50 year-old tenant farmer in McClennan County placed emphasis not on slights from outside groups, but on decisions he himself had made in explaining his failure to prosper:

> I was born in southern Arkansas and inherited small farm from father. Farm was poor pine land …
>
> I attribute failure to own a farm to my failure to economize and use good business judgment. In 1906 I banked $900 after selling my crop and was offered a 66 acre farm for $2500, which later sold for $115 per acre. Did not buy because the land was not very good and thought I would wait until I had saved more money and could buy better place. Family began to want things, and as they had helped me to make the money, I could not refuse them. Bought piano for daughter ($400), also bought ready made clothing, etc. Soon all my money was gone and bad crop years following kept me poor.[29]

In fact, some merchants were as likely to display paternalistic attitudes toward farmers as they were adversarial attitudes. For instance, one Texas merchant in 1915 looked out for his borrowers in a way that banks did not. "Farmers in this county who borrow money from banks have not prospered as much as those who deal exclusively with the merchants. We [merchants] try to look after the interests of our customers and help them through the year. [But] the banks loan them so much money…." he said.[30] One banker in Grand Saline said, "While it is cheaper for farmers to borrow from banks and pay cash for supplies, it is better for some of them to deal with credit merchants for the merchant will only let them buy so much each month, while if they borrow money for a season's supply [from us bankers], they will spend it in a few months."[31]

Under the merchant model, farmers could benefit from the guiding hand and better judgment of the store owners. One Tyler merchant in the same year said,

> Farmers who buy on [merchant] credit prosper more than those who borrow from the banks and buy for cash, because credit merchants supervise the operation of their customers more closely than banks do and check their tendency to buy recklessly and extravagantly… Many farmers are dependent and thriftless and will buy anything that they want regardless of value or price. A case in point: One of the best negro farmers in this county a few years ago owed this firm $400.00 but made a good crop and paid his debt in full. Being anxious to keep him as a customer I urged the negro to buy a buggy and turned him over to the salesman who took the negro into the vehicle department where many buggies were on exhibition. When he came to the first buggy in view (a black one) he said: 'I will buy this one.' Passing further down the line he saw a red buggy and changed his mind and bought it without inquiring the price or examining the quality. This incident illustrates the lack of business sense of all negro and many white farmers in East Texas. Credit merchants of Tyler have for years tried to help their customers by inducing them to plant better seed and practice economy.[32]

The merchant was often in a position to offer guidance to the farmers not only because of his sense of compassion and ability to steward resources, but also because in this traditional society the merchant had access to detailed information about individual farmer's spending habits. For instance, one store owner said in 1915 that he had observed that the farmer whose wife was a "butter and chicken woman"— i.e., not a spendthrift—was the man who ultimately bought, as opposed to rented, a farm because he carried no burden from a big store bill.[33]

In contrast, farmers' relations with banks were more egalitarian than their relations with the patronizing and paternalistic merchants, as evidenced by comments from a credit merchant in Emory in 1915:

> We [credit merchants] had to deal with our farmer customers just as we do with our children. When they come in for credit we have to decide for them how much they should have and then dole it out to them month by month…
>
> [However,] when a farmer gets a loan at the bank early in the year, he does not leave the money in the bank but puts it in his pocket and walks around and acts as if he were independent. *He will come in here* [to my store] *and walk around with a lordly air of independence which I recognize at once* [emphasis added]. When asked what he wants, he will say that he is just looking around but does not want to buy anything just then.[34]

This lordly air of independence stands in stark contrast to the potentially demeaning experience of the farmer who lived on credit from the merchant. To the extent that the interaction in Emory was representative, modern bank credit may have allowed the farmers more dignity in their social interactions. If so, the unlikely harbinger of this greater sense of liberty was what one professional banking journal of the day called the "Cold, Emotionless Banker."[35] In fact, this emotionless banker was representative of a new breed of professional.

From the 1880s through the 1920s, banks increasingly displaced credit merchants as the lender of choice for Texas farmers. In 1915 a merchant in Rockwall County said, "The banks are gradually putting credit merchants out of business and I am going on a cash [only] basis this fall. The coming of so many cash [only] stores is making it unpleasant for credit merchants who must have [both] a cash and a credit price..."[36]

At least five characteristics defined the new banking sector, including its recruitment from a new class of individual, its standardization of technical criteria for a modern profession, its creation of a modern professional identity, its exceptionally egalitarian ethos, and its abstractness. First, the emerging banking sector recruited from a new pool of individuals, one that had not existed before. One national observer in 1914 noted that "bankers themselves are now seldom the product of a mercantile career."[37] Some bankers were probably upwardly-mobile individuals from rural areas. For instance, J.W. Butler, who would eventually become the president of the Texas Bankers Association (TBA), was born in 1873 near Sherman to a Presbyterian minister. He began his banking career at the age of 17 with the title of "Assistant Cashier" in the Mason County Bank. After an apprenticeship with Frank W. Henderson, who was the son of a former governor and principal in the Mason bank, Butler found a partner and organized a bank in Clifton at the age of 22. Through a 55-year career, Butler would rise to become the president of the Texas City National Bank and would gain other accolades. He ended a brief autobiographical sketch in 1951 by writing, "But this busy-body, for work has now come to another day and rises the curtin [sic.] on the new chapter in a long life..., enters the cycle for retirement and rest and recreation."[38] Another banker, Ben Wooten, in 1959 received the American Bankers Association Horatio Alger rags to riches award. Wooten, like many Texas bankers, had grown up on a small farm outside of the small town of Timpson in East Texas.[39]

Second, standardizing professional norms and creating a modern professional identity—while separate activities—were most likely mutually reinforcing. One development that advanced both was the creation of professional journals such as *The Texas Banker* (1907), *The Texas Bankers Record* (1911), and *The Southwestern Bankers Journal*

(1921). Titles of representative articles included “Bank Guarantee Ruling—It’s Important that Every Banker in Texas Should Read and Preserve It” (1910); “The Country Bank Check” (1909); “The Community’s Responsibility to Its Bank” (1921); and “A Woman’s Place in the Bank” (1921).[40]

Third, to cultivate a separate identity, the new profession invoked banking institutions from past millennia. In 1894 Butler wrote an article entitled “Our National Banking System” in the *Daniel Baker Tatler* in which he informed the reader that “in the progress of civilizations, various trades and employments have become distinct in themselves. Just when and where the business of banking originated we do not know, although we find that banking was practiced essentially as it is now, in Rome about 800 years before Christ…”[41] Similarly, an article from the *Southwestern Bankers Journal* from September of 1921 titled “The Evolution of Banking” argued that while many people believe that the Romans invented modern banking, the business of the Roman money lenders and dealers was similar to the older business of the Jews of the Middle Ages and the Lombards. The author guided the reader through the centuries of banking history, culminating in early 20th century Texas.[42]

Further delineating the group, some people explicitly argued that the new banking profession was modern and on par with other specializations. For instance, a speaker in the TBA’s annual convention in 1889 underscored that “banking is a profession—a learned profession—one that requires years of patient toil and study to master… The fact that a man is a successful lawyer, doctor or merchant does not necessarily make him a successful Banker. The conditions of success in Banking are as different from those of other mercantile pursuits as the conditions of Bank stability are different from those of other commercial professions.”[43]

Fourth, new banking put the borrower and lender on more equal footing. A more egalitarian relationship between borrower and lender characterized the new banking and replaced the paternalism of the old merchant/farmer relationship. In 1908 James B. Forgan, President of the First National Bank of Chicago, recognized this benefit to modern banking, arguing that “It is not a good thing for people that they should be treated as children or non-entities and relieved by their government of the necessity of exercising ordinary judgment and discretion in their personal affairs."[44] Similarly, the Coggin Bros. pamphlet of 1904 respected the judgment of customers as to whether to give the company their business: "[W]e regard every one who has sufficient intellect and industry to need the services of a Bank [to be] capable of deciding for himself what institution he will select."[45] The pamphlet emphasized that a bank had both borrowers *and* depositors: "The bank's capital is perhaps furnished by a large number of people who are called stockholders. *These people are the bank.* [original emphasis]." This has implications for the bank/client relations, as potential borrowers should not feel any special sense of entitlement on funds, because these funds often belonged to similarly-situated people. "Never take offense at the questions that may be asked you by the Cashier, as all the depositors have had the same interrogations under like circumstances… Remember that the business of a bank is done mainly upon other people's money—the money of its depositors—and its first duty is to handle it safely."[46]

Fifth, the new banking was abstract and required explanation. The authors of the Coggin Bros. pamphlet used the metaphor of a dammed stream to convey the essence of new banking:

> The function of a bank in storing up capital, and thus increasing its power, may be likened to the damming of a stream. By storing up the vagrant force it may minister in a very potent way to advance the material prosperity of man. In like manner, banks, by collecting the numberless little rills of capital, which otherwise would minister much less effectively to human needs, perform a most valuable service to commerce, for by accumulating them, a great force is created, which is always needed in production and exchange.[47]

A 1906 pamphlet entitled "Philosophy and Operation of Credit Unions" from the agricultural extension archive in the Cushing Library used similar metaphorical language to explain the abstract idea of the cumulative financial power of many small deposits in the rural credit union: "With great multitude of these tiny streamlets of savings coming in steadily week after week and year after year, the total grows to a sizeable sum."[48] Ferdinand Tönnies, a distinguished early sociologist, also emphasized that modern banking was perceived as novel and abstract. He observed a similar transition in credit in 19th century Germany and described the more abstract function of the banker relative to that of the credit merchant. He wrote, "If the merchants are intermediaries of exchange, [then] the bankers are intermediaries of intermediation."[49]

What segments of society did the new banking institutions serve? Today banks serve virtually every adult in the population, but it is more difficult to measure how widespread banks were at the end of the 19th century. The advent of correspondence relationships between urban and rural banks provides one measure. The urban and rural divide can be one of the most fundamental in a modernizing society, so an institution's ability to bridge this gap means that is has a relatively broad scope. In contrast, if only a small, urban-based, upper-class group participates in an institution and follows its rules, the scope is limited.[50] In stratified societies where the institution does not penetrate widely, bankers sometimes serve only an urban elite, whose assets they can more readily assess. For example, in South America in 1942, the weakly institutionalized National Bank of Bolivia (BNB) rejected the loan application of one Jorge M. Solares Camarona in the isolated province of Trinidad in the Amazon basin. Camarona offered to pledge as collateral a rural plot of land and 1,010 cattle. The BNB rejected the loan because the piece of land was too far outside the nearest urban center to verify the collateral.[51]

This was not the case in Texas. As early as the late 19th century, some urban Texas banks had begun to forge relations with rural banks. In 1892, one Texas banking professional argued for increased cooperation between urban and rural banks: "Between the city and country bank there should exist the most cordial and confidential relations."[52] Another speaker in 1902 emphasized the need for cooperation among bankers in general and emphasized the interdependence that correspondence banking relationships represented: "Speaking personally, however, the city bank is dependent on the country bank for a great many things besides its account. [The city banker] depends on the country banker for information as to conditions that exist in his community, and how he regards the signs of the times there. [The country banker] has usually gotten his ear close to the ground."[53] Urban banks advertised in banking journals to identify potential rural correspondence partners (See figure 3). In 1928 Southwestern Bell Telephone Company issued a study of the extensive correspondence networks among banks in the state.[54] By the late 1920s, modern banking had arrived to all of Texas.

Economic historians note that the Texas banking sector developed later than did similar institutions in eastern states.[55] For instance, the US census of 1850 listed zero "Bankers" and 2 "Bank and insurance officers" in Texas, while New York had 169 and 269 respectively.[56]

Yet there is evidence to suggest that in broader comparative perspective Texas was advanced in its development of banking. For instance, Trespalacios's 1822 monetary scheme for Mexican soldiers (mentioned above) fell flat, while in 1846 R. & D.G. Mills successfully began to circulate its own private paper currency in Texas—Mills Money.[57] Mills Money succeeded in spite of the fact that an April 7, 1846 law made it illegal to issue notes to circulate. Its success was based on a preexisting practice among Texas farmers of trading written IOUs with one another and with merchants. Such IOUs could then be discounted at banks. For instance, the personal files of Samuel May Williams, father of Texas banking, include an IOU dated August 25, 1830 states that John D. Wright owed W[illiam] H. Taylor $80.00 for 4 cows and 4 yearlings.[58] No such tradition of exchange existed among the Mexican soldiers Trespalacios wanted to help.

Within Texas, modern banking institutions in North and West Texas developed more quickly than those in East Texas. In North Texas' Wichita County in 1915 one banker said, "There is practically no store credit in this county now. Cash stores and banks have put an end to the old time credit system here."[59] In contrast, a 60 year-old dairy farmer in East Texas' Smith County in the same year observed that, "The power of the credit merchants is far-reaching and very few farmers are able to escape paying toll to them."[60] One tenant farmer who moved from East Texas to Wichita County was in a position to make a comparison based on his direct experience in the two regions. In 1915 he said, "Most farmers in this section [i.e., West Texas] are in debt to banks. [...] Been in this county for 7 years, came from east Texas. The old time credit system [i.e., merchant credit] does not exist here."[61] Similarly, a technical manual from the late 1920s observed that store or merchant credit was more widely used in East Texas than in other sections of the state, and that it was seldom used in West Texas.[62] In 1912 distinguished economist Walter Kemmerer noted that the merchant credit model, which he called the store-lien system, was more prominent in the cotton-producing old south.[63]

The 1928 Southwestern Bell Telephone Company study of correspondence networks in Texas mentioned above provides additional evidence that banking developed faster in North and West Texas. Correspondence banking relationships, essentially partnerships between otherwise autonomous organization, are a reasonable measure of increasingly complex credit institutions: the larger the correspondence network, the more developed, abstract and modern the credit institutions it comprises. Figure 4 shows that the Dallas/Fort Worth network of correspondent banks, the blue area, runs in an East and West direction and dominates the upper portion of the state. Dallas in particular was mentioned among the correspondents of towns and cities from all over the state, except in the immediate vicinity of Houston and El Paso. On the other hand, the Houston correspondence bank area, in green, was relatively circumscribed.

Why do some societies develop modern credit institutions more quickly than others? Explanations for different rates of development can be grouped into three categories: legal[64] material[65] or cultural.[66] Legal impediments in Texas might explain some of the difference. For instance, Texas laws prohibited state-chartered banks from 1845 to 1905 (with the exception of 1869 to 1876). At times, various professional bodies mismanaged the sector, as when state law vested the politically-inclined Secretary of State with the power to grant state charters from 1906-13, leaving the more technical State Banking Board with little influence in chartering decisions. Other policies set capital reserve requirements too low (or too high).[67]

An important legal explanation focuses on depositor guarantee laws. Depositor guarantee laws created perverse incentives for bankers and borrowers. For instance, the Texas Depositors Guarantee Law, in effect from 1909-27 and championed by Thomas B. Love and William Jennings Bryan, provided state-backed insurance for banks to assure that in the case of insolvency, depositors would get their money back. But the law likely led to what economists call moral hazard, a principal's lax supervision of entrusted resources due to lack of accountability.[68] In 1908, Col. C.A. Brown, president of the First National Bank, Alpine, complained that the proposed guarantee law would create a bad incentive structure for bankers and borrowers, because "you would give credit where credit is not due, you would reward incapacity, you would count experience as naught, and make honest effort foolishness."[69]

But by some accounts, Texas banks were often unaffected by specific banking laws. For instance, in 1889 one TBA speaker argued that "Every custom whose all pervading force and power is seen and felt in society and business is not necessarily to be found on the statute books. Some of the strongest are unwritten, deriving their power, not from feeble enactments, but from universal consent of mankind, and having their origin in the greatest of all volumes, the book of human experience."[70] One exasperated banking official in Texas in 1889 observed the futility of the legal prohibition of state-chartered banks: "[The state's] prohibition of Banks does not prohibit. Take for instance the National Banks and the private Banking firms in existence to-day in this State. Do not these go to prove the constitutional provision on this point an absurdity?"[71] Private banks were already operating in the state before the passage of the 1863 National Banking Act and the 1905 State Law allowing state-chartered banks. T.W. Gregory, an Austin lawyer representing private bankers, argued in 1905 that "the cry of the widow has been heard in every part of the land notwithstanding the fine national banks...I am here to speak for the men [i.e., the private bankers] who with their fathers and grandfathers have borne the burdens of the financial system of the state for sixty years, long before there were any national banks..."[72]

Such statements echoed sentiments from banking professionals outside the state who believed that formal laws, while important, grew out of antecedent social practices. For instance, C.R. Orchard, Special Assistant to the Board of Directors of the Federal Deposit Insurance Corporation, observed in about 1906, "I must confess that even now it is difficult to find very much difference between a credit union which is operating well under Federal Act and one which is doing a good job under some one of the 42 state acts. True, there are slight variations between these laws, but it is possible to render satisfactory service to members under any of them."[73] Richard Fetter was an economist and associate of Walter Kemmerer, the Princeton economist who studied credit institutions in the cotton producing states of the US and who helped establish central banks in a number of South American countries in the 1920s. In the 1920s Fetter advised South American countries rewriting banking laws, and this experience led him to observe that written agreements were often unable to force parties to do things they did not otherwise want to do. He wrote, "Pledging specific revenues [i.e., in a formal legal document] is not a guarantee of repayment. Some [countries] have done this and not paid back. Others have not done this, but taxed themselves to the hilt to make good on [an external] loan."[74]

Quantitative evidence supports this interpretive data. For instance, Texas had many more national banks than some other cotton producing states in 1890. One study estimated that 214 out of 417 national banks in 10 cotton producing states, about 51%, were in Texas.[75] However, this large concentration of national banks in Texas makes sense once you consider that Texas was the only state of the 10 that prohibited state-chartered banks at the time. Texas society simply channeled the underlying demand for state-chartered banking into nationally-chartered banks at a time when state laws prohibited the former.

Similar conclusions can be drawn from a consideration of the notorious 1905 banking law that allowed state chartered banking. Analysts point out that the number of state-chartered banks increased dramatically after the State Bank Law of 1905, suggesting that the law was determinative.[76] While it is true that the number of state chartered banks increased after 1905, this increase coincided with a marked decrease in the rate of growth of national banks, suggesting that the new state banks cannibalized some would-be national banks. And the increase in banks of all types—private, state, or national—began before 1905, suggesting that the 1905 law might have been in part a *consequence* of increased banking activity (See figure 5).

Secondly, material factors might have affected the development of credit institutions in Texas. In 1776 Adam Smith predicted that coastal areas would develop more quickly than inland areas as a function of lower transportation costs.[77] For instance, Texas in-landers complained that their region was materially handicapped compared with Houston which possessed a 'coastal privilege'.[78] Similarly, analysts of the banking sector have noted that Texas had poor infrastructure[79], the cotton-based economy lacked diversification[80], Texas banks lacked capital[81], and external events such as the Panic of 1907 or the Civil War negatively affected Texas institutions.[82] A 'resource curse' associated with cotton—what E.E. Davis called a 'white scourge'—might have had some deleterious effects on the development of modern credit institutions in the state.[83] This list of material explanations for stunted development of credit institutions is not exhaustive and no one explanation is necessarily mutually exclusive with another. There is no doubt that such material factors affected the development of the Texas banking sector at times.

However, the difference in banking development between East Texas compared with West and North Texas is still counterintuitive, even taking the legal and material factors into account. Houston's proximity to Texas's coast should have been a boon to its banks' correspondence networks if material factors such as proximity to low-cost waterways were determinative. Furthermore, factors such as state laws, which were common to both regions, were unlikely to be the source of regional differences. Perhaps the material factor of the 'white scourge' of cotton was to blame?

E.E. Davis, rural researcher and later president of the University of Texas at Arlington, anticipated the 'resource curse' arguments of the late 20th century that development economists have applied to Third World countries. Davis argued that cotton was acidic and depleted the soil quickly. This led to transience in the populations that worked cotton lands. Additionally, cotton was easy to cultivate and therefore attracted a low-quality farmer, and it did not intellectually challenge those whom it did attract: "Poverty and ignorance have always clung to the cotton stalk like iron filings to a magnet."[84]

However, the cotton resource curse argument does not appear to explain the differential rate of development of credit in institutions in Texas. Figure 6 shows the Dallas/Ft. Worth banking correspondence networks of 1928 superimposed onto a map of cotton output by county in Texas from 1909-13. Cotton was produced in both correspondence areas. Some areas with high concentrations of cotton were in the more vibrant Dallas/Ft. Worth area, and some were in the Houston area. Areas with little cotton production fell in both correspondence networks. If not material or legal factors, then might culture, the third factor mentioned, explain in part why some societies developed modern credit institutions faster than others? Karl Marx believed culture was the epiphenomenon of underlying material factors, while Max Weber believed that culture and material factors reciprocally influenced one another.[85] Culture here is defined as inherited ethical habit, that is, the norms and ideas that parents or role models convey to children at a very early age. Alexis de Tocqueville wrote, "The man is so to speak a whole in the swaddling clothes of his cradle."[86]

Consideration of culture as a potential determinative factor in the development of banking in Texas has a mixed history. There is evidence that some believed that a positive cultural endowment might promote banking. For instance, in 1912 *The Texas Bankers Record* republished an article from Woodrow Wilson, "The Basis of Banking Is Moral, Not Financial."[87] In contrast, others have tended to emphasize culture as a likely impediment to development, as when Texans displayed anti-bank sentiments or when bankers were "dishonest."[88]

In fact, evidence suggests that culture in Texas was often a boon to credit institutions. Six cultural characteristics that supported credit institutions in Texas were the notions of individualism, an ethic of 'pay back', precocious literacy, certain characteristics of Texas religion, a widely shared cultural tradition that provided a common frame of reference, and the existence of special fraternities. First, Texas society had a repository of values of individualism and duty that was exceptional. Clarence Ousley described the difference between the attitudes of European credit cooperative members he observed in 1913 and the values of his own society. The European cooperative credit rested on an "intimate and stable village life to which we have no counterpart here [in the U.S.]." A system of government grants, loans or special favors supported credit systems in these communities[89], but such governmental arrangements would not work in Texas because they "are impossible under our constitution, if not, indeed, contrary to our fundamental principles of government." The collective and stable nature of the European village and its form of mutual credit, in his judgment, was at odds with his own society's emphasis on "self reliance and the sense of individual responsibility."[90]

Second, Texas had values of 'pay back.' One example of the pay-back ethic comes from Jesse Hill, who moved from Tennessee to a rural community named Johnson County on the outskirts of Fort Worth in 1865. He had left a debt in Tennessee to start a new life, but he used the first $500 that he made to pay back his Tennessee debt.[91] In 1915, one land owner in Hill County said, "[I] made all payments promptly but starved myself and family to do it. For ten years I never handled any money; bought from credit merchants and rarely paid all I owed at the end of the year. Got out of debt by 'stingy living'."[92] Clarence Ousley, promoter and researcher of rural credit unions in the 1910s, in an article titled "Rights and Duties" argued for a generalized sense of duty among the rural populations with whom he worked.[93] A young man who would go on to become a prominent El Paso banker in the 1950s borrowed money from his boss, Doty, and later remembered Doty's fatherly advice: "Never miss a payment, i.e., show them that you are good..."[94]

The values of making good on one's debts were reinforced through public rituals. For instance, the organizers of the silver anniversary celebration for the Texas Extension Service, held in Houston in 1929, wrote a play dealing with themes of debt, duty and individualism. This maudlin three act play, entitled "Dawn", tells the story of the Pruitts, a poor farmer family in East Texas, who make good on their debts even when beset by bad fortune. In the first act, set in about 1905, the blasphemous father of the family, Pa Pruitt, complains that God has forsaken them by visiting a drought upon the region. In Act Two, set fifteen years later, we see the family aged and in even more dire straits than in Act One. The family's spirit is bent, but not broken. Ma Pruitt's "face is a little more wrinkled and her hair grayer, but her head is still up and the same keen expression looks out her eyes." The audience learns that on a stormy night shortly after the conversation narrated in the first act, Pa Pruitt left a lodge meeting never to return. He was carrying $2,500 in members' dues that night for the construction of a new lodge, and many logically assumed that he skipped town. While the family was convinced of his innocence, they did not repudiate the debt. "Nobody in this world could make me believe Pa'd steal one cent. I know him too well and he was honest if ever a man was. [While] $2,500 is a terrible lot to poor folk [like us,] John [the son] will never rest till he's paid it all back," says Ma. John does just this. "It won't be long now. After [John] sells the crops this year and pays all we owe, we ought to have $1,000 to pay on it [i.e., the $2,500 debt]. That'll make

$1,500 [left]." In Act Three, twenty-three years after the incident, locals discover the bones of Pa Pruitt in an embankment near the river with the $2,500 from the lodge. It is revealed that returning from the lodge the night of the terrible storm, the ground that Pa was walking on near the river collapsed beneath his feet and he was buried alive. The family feels vindicated in having publically confirmed what they already knew: Pa wasn't a thief.[95] This is just one example of an ethic of pay back.

Third, precocious literacy likely favored the development of modern banking in the state. Basic literacy is a must for modern banking. For instance, the Coggin Bros. pamphlet of 1904 had detailed instructions on how to write a check: "Never write a check with a lead pencil, always a pen and ink [sic.]."[96] Texas had a literacy rate of 68% in 1850 and 85% in 1900. The US literacy rate was 89% in 1900. In contrast, Mexico had a literacy rate of 32% in 1910; India had a literacy rate of 10% in 1916; Brazil had a literacy rate of 31% in 1920; and Bolivia had a literacy rate of 18% in 1900. About 70% of African Americans could read in Texas in 1910.[97]

Fourth, religious doctrine likely had a direct effect on credit institutions in Texas. Religion deals with the fundamental relationships between the weak to the strong, and credit, whether traditional and from a merchant or modern and from a bank, represents a relationship between the strong (the lender) and the weak (the borrower). In 1916 Texas rural researcher Ousley expressed his support for Italian economist Leone Wollemborg's observation of credit relations: "It is a well-known fact that public opinion is nearly always inclined to side with the weak as against the strong, and as, rightly or wrongly, the debtor is generally considered the weaker party, he usually has public opinion on his side..."[98] It is likely for this reason that religious traditions in Texas often had explicit pronouncements on creditor/debtor relations.

Religion understood in these terms, however, likely had a mixed impact on credit institutions in the state. Potentially supportive of credit institutions, some have found the roots of Texas individualism in its interpretation of Protestant doctrine. The notable Texas historian Walter Prescott Webb wrote

> Martin Luther declared that every man was his own priest, that salvation was a matter between the individual and God, and that no intermediary was essential to sign visas and open sacramental gates... According to Luther, each man had a direct wire to God, and need not go through an exchange or submit to much censorship. The Bible was made a free book which every literate man could read for himself, not an oracle whose words could be understood only by the anointed... He translated it into the language of the common people."[99]

On the other hand, religious prohibitions of usury could retard the development of credit institutions. For instance, an early Texas school prayer exhorted students to "beware of debt."[100] Some bankers found religious prohibitions on usury to be tedious. One speaker at the 1889 TBA convention gave a lengthy survey of the history of prohibition of usury in his speech to make a case against considering anti-usury laws. He criticized the anti-usury elements of the "Mosaic law" of the Jews, the early Christian church, the Romans and Lombards, among others.[101]

Fifth, there was a widely shared ethical framework in Texas. Analysts sometimes emphasize religious prohibitions on usury and interpret this to mean that religion was a net negative for the development of credit institutions. However, this fails to distinguish between the specific content of an ethical tradition and the extent to which a given ethical tradition is shared in a society. All things being equal, the more widely shared an ethical tradition is, the more likely individuals are to trust and cooperate with one another. For instance, Islam is said to be a *lingua franca* among otherwise fragmented ethnic groups in Mali.[102] In the early 19th century, Max Weber noted that a travelling salesman for Undertakers Hardware, a company producing iron tombstone lettering in Oklahoma, would observe a would-be client's general piousness in determining whether to extend him credit: "[A]s far as I am concerned, everyone can believe what he likes, but if I discover that a client doesn't go to church, then I wouldn't trust him to pay me fifty cents: Why pay me if he doesn't believe in anything?" To Weber, Americans' identifying creditworthiness with shared religious values made sense in a sparsely-settled land with an excessively formal Anglo-Norman legal system.[103]

As a unifying moral framework, the shared Christianity of Texans is likely thus fifth factor that promoted cooperation in credit institutions. Reading the memoirs of Texas bankers, one comes across numerous references to Christianity, freemasonry and other religiously-based fraternities, and these values were shared by Texans from a number of different social backgrounds. For instance, an early cattleman in Texas, Christopher Columbus Slaughter (1837-1919), provided early banking services by safeguarding his own and others' valuables in the untamed Texas frontier in the mid-nineteenth century. He would go on to organize the City Bank of Dallas in 1879, the City National Bank in 1881, and the American National Bank in 1884. Slaughter, also an itinerate preacher, founded 50 churches and baptized 3,000 people during his 50 year ministry, and carried a Bible in his saddle bags during his cattle driving expeditions.[104]

The TBA began their annual meetings with prayers, and its leaders frequently made reference to their shared religion. For instance, at the 1892 TBA convention, E.M. Longcope argued forcefully, "Observe: there are two civilizations, the moral or religious and the practical. Upon the former nothing need be said save this: you can not have a full measure of success in working out your business civilization without the constant assistance of moral force…[105] In 1901 the TBA began its annual meeting with a prayer from Rev. Leavell: "Almighty God, the Father of our spirits, the Father of our Lord and Savior, Jesus Christ […]"[106] After declaring the 1902 TBA meeting open for business, president J.W. Butler said, "Before proceeding, however, with our business, we wish to have the Divine blessing invoked upon our work." Rev. William M. Harris then prayed, "Almighty God, our Heavenly Father, we thank Thee for a civilization which, with all of its defects, yet recognizes God in all things and on all occasions."[107]

A religious worldview was not a unique attribute of professional bankers, but also of some common men in rural areas. Reviewing files in the agricultural extension archives at the Texas A&M University, one finds technical documents on topics such as rural credit, hog raising, preservative canning methods, and the mechanical harvesting of cotton interspersed with religious documents. For instance, in 1946 a director of the extension service gave a speech that was influential based on the amount of correspondence it generated. Titled "Soils and Souls", the article begins, "As an agricultural worker, it is indeed a privilege for me to be able to work with, lead and guide them in their daily activities and spiritual lives. As a layman, I would like to take the Bible text for my topic, which is 'Soils and Souls', and try to give you my ideas as to a relationship between the soil and the souls of our people—particularly our rural people."[108]

In the case that religious interpretations did differ, the widely shared religious vocabulary at least gave some Texas bankers and their society a common ethical framework within which they could carry out their debates on usury. Some Texas bankers knew scripture well enough to argue for a religious interpretation that would not preclude modern finance. For instance, in 1892 a banker argued that doctrinaire proscriptions of usury came from

> the strained interpretation of a few passages in the Bible: In three instances in which Moses forbade the taking of usury synonymous with interest by the Jews from one another and from strangers under certain circumstances, he twice refers to the great poverty of the borrowers. [However,] the conclusion that interest was lawful, but that the rate should be governed by feelings of charity, would do no violence to a reasonable construction of the language. In the books of none of the subsequent writers, except for possibly Ezekiel, is the unlawfulness of charging for money even suggested...[109]

Sixth, freemasonry and membership in other religiously based societies was important for Texas bankers. For instance, Samuel Williams, the 'father of banking' in Texas, commissioned a portrait of himself in full freemason garb[110], and Roy W. Aldrich, a banker of Texas origin operating in Golden, Missouri in the 1890s, displayed his freemason affiliation in the same newspapers in which he advertised his banking services (See figure 7). Samuel Doak Young (1896-1987), born in East Texas to a Methodist minister, would become a successful banker in El Paso. On one occasion, Young noticed that "That guy was wearing a Shriner pin on his lapel" when discussing a bad check. The conclusions he drew from the pin are lost to history, but he considered it notable, demonstrating his keen eye for cultural indicators.[111]

There is quantitative evidence to suggest that Protestants and Masons were slightly over-represented in the banking sector. According to census reports, approximately 80% of members of religious organizations in Texas were Protestant in 1890; about 75% in 1906; and about 73% in 1936.[112] Reviewing the biographical information on 200 Texas bankers or merchants born from 1772 to 1918, it was possible to classify 86 in terms of their religious affiliation. Of the 86, 75 (or 87%) were Protestant, 6 were Jewish and 4 were Catholic. Twenty-six of the 86, or about 30%, were members of a Masonic fraternity.[113] Modern economic scholars have shown that Judaism was important for long range trading networks in the Mediterranean.[114]

Returning to the observation of the difference in the rate of development of banking institutions in East Texas and North and West Texas, cultural differences of a secular sort might complement material and legal explanations. Terry Jordan in a seminal 1967 article argued that there were distinctive Upper Southern and Lower Southern areas of cultural influence in Texas. Upper Southern culture corresponded more or less to the Scotch-Irish migration waves that first settled Texas in the early 19th century, and the Lower Southern culture describes the people from the old south plantation and slave-owning tradition who later pushed the first settlers westward. By 1880, these migration waves had stabilized, and it was possible for Jordan to classify counties as either Upper Southern or Lower Southern based on analysis of county-level nativity data for settlers as reported by the 1880 US Census. The dividing line between the Upper Southern and Lower Southern areas of Texas, for instance, runs between Hunt/Van Zandt counties, Dallas/Kaufman counties, and Travis/Bastrop counties.[115]

Figures 4 and 6 show Jordan's dividing line (in red) superimposed on maps of correspondence networks and cotton producing regions, respectively. The Upper Southern cultural area is nearly identical with the Dallas/Fort Worth correspondence banking areas, and Dallas itself is the quintessential Upper Southern city. The bank-friendly county of Wichita described in the Peteet interview above is in the Upper Southern area. By contrast, the merchant-credit dominated "east Texas" area described by the tenant farmer fell within the Lower Southern cultural area. According to this analysis, the area of cultural migration would seem to offer as plausible a predictor of whether a county would make an early transition from merchant to banking credit as material or legal explanations.[116]

Such an observation begs the question of which cultural values of the Upper Southern migration wave could have been conducive to the formation of complex credit institutions. Historians and social scientists often find it difficult if not impossible to quantify the prevalence of attitudes among populations over long periods of time, and often turn to proxy measures. Though imperfect, the presence of slavery may serve as a proxy indicator for important cultural values. Slavery flourished in Lower Southern counties in a way that it did not in Upper Southern counties. Figure 8 shows Jordan's cultural dividing line superimposed on 1860 US Census Bureau map, which was created to support Civil War bond issues by showing the slave population of the US on a county by county basis. Clearly there was a higher concentration of slaves in the Lower Southern counties in Texas.

Tocqueville argued that slavery was an evil in America, one that ruined both master and slave. This was not primarily because slavery pitted groups with differing economic interests against one another, but rather because slavery debased laudable values: "Slavery […] does not attack the American confederation directly by its interests, but indirectly by its mores." For instance, some slave owners Tocqueville observed eschewed menial work because "they would fear resembling slaves." In contrast, the non-slave owner

> does not see slaves running around his cradle. He does not even encounter free servants, for most often he is reduced to providing for his needs himself. Scarcely is he in the world before the idea of necessity comes from all sides to present itself to his mind; he therefore learns early to know by himself exactly the natural limit of his power; he does not expect to bend by force wills that are opposed to him, he must before all gain their favor. He is therefore patient, reflective, tolerant, slow to act, and persevering in his designs.[117]

Tocqueville's characterization of the values of the non-slave owning society echo some of the values extolled by the author of the Coggin Bros. pamphlet: "Do not kick everyone in your path"; "Learn to think and act for yourself"; "No man can get rich by sitting around"; and "Caution is the feather of security." The values Tocqueville mentions call to mind the values of circumspection of a modern banker in Texas as conceived by the *Texas Bankers Journal* in 1910:

> [A Model Banker is] a man of fine presence; not so young as to be fresh, and not so old as to be stale. His face has lines of decision, but is relieved by a pleasant smile and kindly eye. His manner is courteous, and seems to indicate that he would rather do a thing than not do it. His word is sometimes very hard to get, but always harder to break. He promises rather less than more than he performs.[118]

Thus, an ethic of independent achievement and willingness to depend on their own labor may have marked the farmers and future bankers in North and West Texas and created a social dynamic hospitable to modern banking.

In this paper, I have attempted to describe in qualitative terms the transition from merchant credit to banking credit that took place from about 1880 to about 1920. Texas was not alone in history in the most basic elements of this transition, though certain elements of the Texas story were undoubtedly distinctive. A sociological understanding of credit institutions can complement important existing economic histories of this transition and give us a fuller understanding of the phenomenon. Comparative examination of differential rates of development of modern credit institutions between North and West Texas versus East Texas suggests that along with legal and material factors, we should consider the possible impact of culture.

Notes

1 "Banking Made Plain: What a Bank Is, What a Bank Does, How to Deal with It, and How It Will Help with You" (Brownwood: Coggin Bros. & Ford, 1904 [?]), 1, 10, 16.

2 T. Harry Gatton, *The Texas Bankers Association: The First Century, 1885-1985* (Austin: The Texas Bankers' Association, 1984); Lewis Haney, "Farm Credit Conditions in a Cotton State," *The American Economic Review* 4, No. 1 (Mar. 1914): 47.

3 Walter Buenger argues that northeast Texas underwent dramatic social and economic change between 1887 and 1930. With regard to credit institutions, he came to the conclusion that by 1917, "if not earlier, the intricate connections between cotton growers, merchants, bankers, and cotton buyers had evolved beyond the well-known parameters of the nineteenth century." Walter Buenger, *The Path to a Modern South* (Austin: University of Texas Press, 2001), xv, 61 (quotation); For general works see Edward Ayers, *The Promise of the New South: Life after Reconstruction* (New York: Oxford University Press, 1992); Steven Hahn, *The Roots of Southern Populism: Yeoman Farmers and the Transformation of the Georgia Upcountry, 1850-1890* (New York: Oxford University Press, 1983); Richard Hofstadter, *The Age of Reform: From Bryan to FDR* (New York: Vintage, 1955); Gavin Wright, *The Political Economy of the Cotton South: Households, Markets, and Wealth in the Nineteenth Century* (New York: Norton, 1978), 66, 67, 174, 177, 179; Charles S. Aiken, *The Cotton Plantation South since the Civil War* (Baltimore: Johns Hopkins University Press, 1998); Jonathan Wiener, *Social Origins of the New South: Alabama 1860-1885* (Baton Rouge: Louisiana State University, 1978); On the 1877 populist ferment in Lampasas, the future home of the Texas Bankers Association, see Lawrence Goodwin, *Democratic Promise: The Populist Movement in America* (New York: Oxford University Press, 1976), 33-5.

4 Lewis Eldon Atherton, *The Southern Country Store, 1800-1860* (Baton Rouge: Louisiana State University Press, 1949), 137; Lewis Eldon Atherton, *The Pioneer Merchant in Mid-America* (Columbia, MO: The University of Missouri, 1939); Thomas D. Clark, *Pills, Petticoats, and Plows: The Southern Country Store* (Indianapolis: The Bobbs-Merrill Company, 1944); Linda English, *By All Accounts: General Stores and Community Life in Texas and Indian Territory* (Norman: University of Oklahoma Press,

2013); Scott P. Marler, *The Merchant's Capital: New Orleans and the Political Economy of the Nineteenth-Century South* (Cambridge: Cambridge University Press, 2013); Ayers, *Promise of the New South*, 81-103; Hahn, *Roots of Southern Populism*, 73, 75; and William Bennett Bizzell, *Farm Tenantry in the United States: A Study of the Historical Development of Farm Tenantry and Its Economic and Social Consequences on Rural Welfare with Special Reference to Conditions in the South and Southwest* (College Station: Texas Agricultural Experiment Station, 1921), 219-20.

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6 Lynn Hunt (ed.), *The New Cultural History* (Berkeley: Berkeley University Press, 1989); Thomas J. Schlereth, *Cultural History and Material Culture: Everyday Life, Landscapes, Museums* (Ann Arbor: UMI Press, 1990); David Hackett Fischer, *Albion's Seed: Four British Folkways in America* (Oxford: Oxford University Press, 1989); Walter Buenger (ed.), *Texas through Time* (College Station: A&M University Press, 1991).

7 Henry S. Maine, *Village Communities in the East and West* (New York: H. Holt and Company, 1876), 7.

8 Carlos E. Castañeda, "First Chartered Bank West of the Mississippi," *Bulletin of the Business Historical Society* 25, No. 4 (Dec. 1951), 256.

9 Carlson, *A Banking History*, 50, 71, 82, contains estimates for private, state and national banks in 1904-6.

10 Max Weber, *Economy and Society: An Outline of Interpretive Sociology* (Berkeley: University of California Press, 1978), 1:81.

11 E.V. White and William E. Leonard, *Studies in Farm Tenancy in Texas* (Austin: University of Texas, Division of Public Welfare, Department of Extension, Apr. 10, 1915), 107-8.

12 Camilo Contreras Delgado, "Crédito Popular en Zacatecas, 1900-1930," in *Crédito y Financiamiento a La Industria Minera: Siglos XVI-XX*, ed. Eduardo Flores Clair (Mexico City: Plaza y Valdes Editores, 2006), 279.

13 Joseph Leach, *Sun Country Banker: The Life and the Bank of Samuel Doak Young* (El Paso: Mangan Books, 1989), 87.

14 U.S. Census Bureau, "Table 1. Urban and Rural Population: 1900 to 1990" (Oct. 1995) <http://www.census.gov/population/www/censusdata/files/urpop0090.txt> [Accessed May 23, 2013].

15 "Mr. Jones's Address," *Proceedings of the Annual Convention* ([?]: Texas Bankers' Association, 1889), 63, 332.06 T312, v. 5-8, 1889-92 (Center for American History, University of Texas), cited hereafter as CAH.

16 Samuel P. Huntington, *Political Order in Changing Societies* (New Haven: Yale, 1968), 37.

17 Walton Peteet noted, "The writer spent several months traveling through the [16] counties named herein, and personally interviewed about 300 farmers, merchants and bankers…the investigator stopped at farm houses at random as he traveled along the public highways." Interviews lasted from one to three hours. Walton Peteet, "What Texas Farmers Pay for Credit" in *Farming Credit in Texas*, eds., Clarence Ousley and Walton Peteet (Texas [?]:, s.n. 1916), 5 (quotation), 35; Buenger cited Peteet as finding that merchants charged higher interest for loans to farmers than did banks. Buenger, *Path to a Modern South*, 50-1; For citation of Peteet, see Neil Foley, *The White Scourge: Mexicans, Blacks, and Poor Whites in Texas Cotton Culture* (Berkeley: University of California Press, 1997).

18 Hahn, *Roots of Southern Populism*, 73, 75.

19 Peteet, *Farming Credit*, 26.

20 Ibid., 29.

21 Ibid., 50.

22 Ibid., 48.

23 Ibid., 16-7.

24 Ibid., 16.

25 Ibid., 33.

26 Ibid., 56.

27 Peteet quotes this individual twice, the first time identifying him as a large landowner and the second time as a bank cashier in Wills Point. Peteet, *Farming Credit*, 17, 35.

28 Peteet, *Farmining Credit*, 21.

29 Ibid., 53-4.

30 Ibid., 14, 46-7.

31 Ibid., 34.

32 Ibid., 29-30.

33 E.V. White, *Farm Tenancy*, 108.

34 Peteet, *Farming Credit*, 43.

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42 Ernest M. Madsen, "The Evolution of Banking," *Southwestern Bankers Journal* (Sept. 1921), 359, 378-81, TSA.

43 "Mr. McAshan's Address," *Proceedings of the Annual Convention* ([?]: Texas Bankers' Association, 1889), 30, 332.06 T312, v. 5-8, 1889-92, CAH.

44 James B. Forgan, "Should National Bank Deposits be Guaranteed by the Government [...]," *The Texas Banker* (Aug. 1908): 26 (quotation), 27-33.

45 "Banking Made Plain", 24.

46 Ibid., 5, 9.

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48 C.R. Orchard, "Philosophy and Operation of Credit Unions", 4, box 5/7, Trotter Collection, Extension Collection (Cushing Memorial Library, Texas A&M University), cited hereafter as CUSH.

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94 Leach, *Sun Country*, 29.

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97 Calculation of Texas literacy in 1850 assumes no slaves could read. See *The Seventh Census of the United States: 1850* (Washington: Robert Armstrong, 1853), lxi, 506, 512-3; For Texas and US literacy in 1900, see "Statistics of Population," in *Census Reports Volume II, Twelfth Census of the United States, taken in the Year 1900, William R. Merriam, Director, Population Part II* (Washington, DC: U.S. Census Bureau, 1902), xcviii, c; For Mexico literacy for those over the age of 12 in 1910, see *Tercer censo de población de los estados unidos mexicanos verificado el 27 de octubre de 1910* (Mexico: Oficina Impresora de la Secretaria de Hacienda, Departamento de fomento, 1918); For Brazilian literacy for those over the age of 7 in 1920, see *Recenseamento do Brazil realizado em 1 de setembro de 1920* (Rio de Janeiro: Typ. da Estatistica, 1922-30); To estimate the number of Indians who could read, Henry Wolff cites the Indian census of 1916. Henry W. Wolff, *Co-Operation in India* (London: W. Thacker, 1919), 88; For literacy in Bolivia in 1900, see *Censo General de la Población de le República de Bolivia, Según el empadronamiento de 1° de Septiembre de 1900* (Cochabamba: Editorial Canelas, S.A., 1973), 2:44; For estimates of African American literacy in Texas, see John Cummings and Joseph A. Hill, *Negro Population in the United States, 1790-1915* (New York: Arno Press, 1968), 413-5.

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109 "Paper by Heber Stone," *Proceedings of the Eighth Annual Convention* ([?]: Texas Bankers' Association, 1892), 81-2, 332.06 T312, v. 5-8, 1889-92, CAH.

110 "Samuel May Williams in Knights Templar regalia," in Margaret Swett Henson, *Samuel May Williams, Early Texas Entrepreneur* (College Station: Texas A & M University Press, 1976), after page 112.

111 Leach, *Sun Country*, 31, 87 (quotation).

112 For 1890, see pie chart in "Report on the Statistics of Churches in the United State" in *Eleventh Census of the United States 1890, Vol. IX* (Washington, DC: Government Printing Office, 1894), insert between pages 40 and 41; For 1906 see *Religious Bodies 1906* (Washington, DC: United States Bureau of the Census, 1906-10), 1:45-6; for 1936 see T.F. Murphy, *Religious Bodies, 1936: Selected Statistics for the United States by Denominations and Geographic Divisions* (Washington, DC: Government Printing Office, 1941), "Texas", 145-8.

113 Data available upon request. Most information on these individuals comes from the Handbook of Texas Online <www.tshaonline.org/handbook/online/> [accessed various dates, 2008]. Other sources consulted include Carlson, Buenger, and Ericson.

114 Greif, *Institutions and the Path to the Modern Economy*, 58.

115 Terry G. Jordan, "The Imprint of the Upper and Lower South on Mid-Nineteenth-Century Texas," *Annals of the Association of American Geographers* 57, No. 4 (Dec. 1967): 690; On this cultural divide, see also Randolph B. Campbell, "Antebellum Texas: From Union to Disunion, 1846-1861," in Light Townsend Cummins and Alvin R. Bailey, Jr., (eds.), *A Guide to the History of Texas* (New York: Greenwood Press, 1988), 21; T.R. Fehrenbach, *Lone Star: a History of Texas and the Texans* (New York: Macmillan, 1968), 288; Gatton, *First Century*, 5, 10; In 1854, Frederick Law Olmsted noted, "The vaguest tavern conversation assumes a natural antagonism and future division between Eastern and Western Texas." Frederick Law Olmsted, *A Journey through Texas; or, a Saddle-Trip on the Southwestern Frontier,* ed. Randolph B. Campbell (Dallas: Southern Methodist University, 2004), 235; Ayers, "Subregions of the South, Western Prairies vs. Cotton Uplands", 5; The Upper Southern and Lower southern cultural migrations correspond to the 'Backcountry' and the 'Distressed Cavaliers and Indentured Servants' migrations, respectively, in Hackett Fischer, *Albion's Seed*, 207-418, 605-782. These analyses emphasize seed or mainstream cultures. For an argument emphasizing the importance of studying seed or mainstream cultures in Texas, see Terry Jordan, "A Century and a Half of Ethnic Change in Texas, 1836-1986," *Southwestern Historical Quarterly* 89, No. 4 (April 1986): 385-422; In contrast, many contributions to the study of subcultures in Texas have been added to the literature in the last 30 years. Two representative examples include Foley, *White Scourge* and Buenger, ed., *Texas through Time*; Horace Kallen's work is an important intellectual forerunner of these works emphasizing subcultures. Horace Kallen, *Culture and Democracy in the United States* (New York: Boni and Liveright, 1924). These schools of thought might further be traced back to that of the powerful thinker, Martin Heidegger, *Being and Time,* tr. Joan Stambaugh (Albany: State University of New York, 1996).

116 I can find no published argument for why North and West Texas developed modern credit institutions more quickly than East Texas, though a knowledgeable regional historian conceded in an interview with me that Upper Southerners were "very entrepreneurial."

117 Tocqueville, *Democracy*, 329-31, 332 (resembling quotation), 333-4, 359, 360 (reflective, tolerant quotation), 361 (interests quotation). Contrast with Wright, *Old South, New South*, 17ff., who answers the question of whether slavery retarded or aided the South's development with only the vocabulary of economics.

118 "A Model Banker," *Texas Bankers Journal* (Oct. 1910): 9.