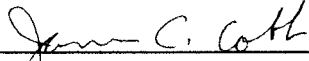
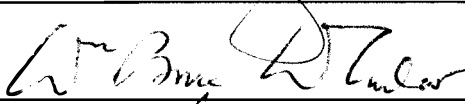
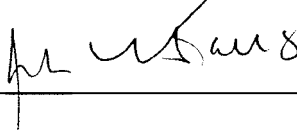


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"The City of Tomorrow With the Spirit of the Past:"
Bankrolling the Industrial Development of Knoxville, Tennessee,
1875-1907.

A Thesis
Presented for the
Master of Arts
Degree
The University of Tennessee, Knoxville

Kathleen A. Johnston
August 1994

ABSTRACT

This study investigates the relationship between banking and the industrial development of a small southern city in the late nineteenth century to determine how the pattern of loans and investments influenced the city's twentieth century industrial development. State and national banking records for Mechanics' Bank of Knoxville, Tennessee from 1875 through 1907 formed the primary documentary evidence for this study. The bank's loan activities and investments in new industry were analyzed to ascertain bank's officers, shareholders and board members financial interests in the companies the bank funded. The study also focused on the ten men who legally controlled the majority of Mechanics' Bank's stock and authorized and recommended loans to local and regional businesses.

It was concluded that Knoxville's late nineteenth century industrial growth was primarily self-funded, that investments were funneled to those industries promising quick profits at low risk, that new industries centered on the natural resources of the area: coal, timber and marble, and that the bank's lending pattern centered on conservative, insider knowledge of the probable success of the industries funded.

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I. INTRODUCTION

*"Like the turning of the seasons,
Knoxville's changing every day,
She's reaching for tomorrow,
Holding on to yesterday..."*¹

"The City of tomorrow with the Spirit of the Past" - - This slogan reflects the theme of the last advertising campaign of Knoxville's ill-fated United American Bank in 1983. The bank, closed by state banking authorities on February 14, 1983, had scheduled a massive marketing effort to begin the following week. Three years later, the Knoxville Chamber of Commerce revived the dormant slogan and jingle in their 1986 campaign to recruit automotive industries to the area. The link between banking and industrial development had not always been so circuitous. One hundred years earlier, Knoxville's banks, and the stockholders who controlled them, not only supplied the majority of the area's industrial development funding, but through their investments they became owners and partners in those new industrial projects as well.

This thesis examines the late nineteenth century urbanization and industrialization of Knoxville, its local pattern of industrial investment, and its booster strategies for economic development through a case study of Mechanics' Bank of Knoxville, Tennessee. From Reconstruction to the Great Depression in 1929, Mechanics' Bank played a role in the economic

¹ Molly Millsaps, Johnston & Millsaps Advertising, Knoxville, 1986.

development of Knoxville. Mechanics' Bank, created with a state charter in 1875, adopted a national one in 1882, reverted to state status in 1907, only to be absorbed by another national bank in 1922. That bank, Holston-Union National Bank, ultimately failed in 1930. The key period in Mechanics' history ranges from 1875 through 1907, as ten men controlled the bank's stock, loans and investments. Against the backdrop of Knoxville's growth in the post-Reconstruction era, this study focuses on the bank's officers and directors and their roles as decision makers in shaping the industrial development of the community. Their banking and investment activities provide a yardstick to measure various theories of southern economic and industrial development in an urban setting. Flamboyant industrialists made the news, but conservative businessmen established the lending patterns and investment strategies that laid the foundation for Knoxville's economic environment for the remainder of the nineteenth century.

North Carolina created Tennessee. In 1783, as a result of their "land grab act," North Carolina offered confiscated Cherokee land for sale at ten pounds per hundred acres. William Blount and John Sevier purchased millions of acres across what was to become Tennessee and Alabama. Three years later, James White built his fort on the Tennessee River and named the new territorial capital in honor of Secretary of War, Henry Knox. From its very beginnings, Knoxville was primarily a business enterprise. The town's location on the Tennessee River promoted commercial travel and positioned Knoxville as the economic center of East Tennessee. To establish the

commercial center of town, the area was surveyed, and sold at auction in one-half acre lots to the highest bidder. ²

When railroad magnates established the four continental time zones, their vertical line placed Knoxville at the far western edge of the Eastern time zone. Knoxville shares a time zone with New York, yet remains an hour ahead of the rest of Tennessee. This provides a graphic illustration of how East Tennessee has historically been geographically and politically out of step with both Tennessee and the East Coast. As part of the Upper South, or Mountain South, East Tennessee was dotted with small farms, an overwhelmingly white population and almost no cotton. The area's hostility toward the Old South was clearly expressed in 1861 as Knox County voted 10 to 1 against secession as the rest of the state voted for independence. ³

Knoxville bustled with commercial activity during the first three years of the Civil War. Under Confederate control, Knoxville's major rail lines supplied the lower South with meat and a ready market for horses and mules. When Union forces captured the city in late 1863 and quickly repaired rail lines, Knoxville once again provisioned an army, this time a northern one. After the war, Knoxville continued to provision the countryside. As villages sprouted around mills, mines and quarries, Knoxville's wholesale enterprises supplied the crossroads general stores with groceries, hardware, dry goods and luxuries. An extensive rail system positioned Knoxville as an ideal center for distribution of goods throughout the region, while allowing the city to capitalize on the exploitation of natural resources. ⁴

² William J. MacArthur, Jr., "Knoxville's History: An Interpretation," in Lucile Deaderick, ed., Heart of the Valley: A History of Knoxville, Tennessee (Knoxville: East Tennessee Historical Society, 1976), 1-65.

³ Ibid.

⁴ Ibid.

Ore from the iron mines was forged in Knoxville furnaces using East Tennessee coal; marble and timber from the hillsides and mountains was dressed and finished in Knoxville mills. Into the pockets of Knoxvilleans, especially the great merchants, mill and mine owners, poured the new wealth created by the railroads and the natural resources.⁵

Men of commerce dictated the financing of industry in Knoxville. After the war, Knoxville's wholesalers and commercial leaders had the capital to invest. The war had provided them with the opportunity to refine their wholesale activities. Post-war emphasis on railroad rehabilitation further enhanced their wholesale contacts and contracts. The bank became their primary conduit for investment. As stockholders, they parlayed their funds and accrued the purchasing power to capitalize on opportunities, initiate new enterprises, and foreclose on others. At Mechanics' Bank, ten men controlled the majority of stock, and manipulated the bank's resources in favor of their own investments. The choices they made and their industrial investments form the basis of this study. Their decisions from 1872 to 1907 established a pattern of industrialization and economic investment for Knoxville and East Tennessee that spanned the decades from Reconstruction to the introduction of Henry Ford's Model T.

The following section, Chapter II, establishes the framework by presenting the historiographic questions. The chapter explores questions of leadership, and the role of the railroad, labor and natural resources in New South industrialization and urbanization. Chapter III details the early years of Mechanics' as a state bank, 1875-1882 as railroad building went from boom to bust but fortunes were made in wholesaling and commerce. The stockholders of Mechanics' Bank, flush with profits realized from railroad investments,

⁵ Ibid., p. 30.

formed the basis of a business network that provided them and their families with financial security throughout the remainder of the century. Chapter IV probes the day-to-day workings of Mechanics' as a National Bank from 1882 to 1907. The bank's lending and investing pattern, recorded in semi-annual written reports by a bank examiner to his superior, the Comptroller of the Currency, provides insights to preferred avenues of the industrial development of Knoxville. The investments and loans authorized by the stockholders provide a pattern of economic development that remained consistent for the last twenty five years of the nineteenth century. The Conclusion explores the ways Knoxville changed and how the events and patterns of the late nineteenth century have affected the city in the twentieth century.

II. NEW SOUTH INDUSTRIAL DEVELOPMENT

*There was a South of slavery and secession - that South is dead. There is a South of union and freedom - that South, thank God, is living, breathing, growing every hour."*⁶

Henry Grady's Delmonico speech in New York in 1886 optimistically mirrored the commercial activity that exploded throughout the South in the twenty years following the end of the Civil War. Entrepreneurs, speculators, jobless and homeless flocked to old cities, created new ones and generated a boom town atmosphere more reminiscent of the Old West than the new South. Merchants, professionals and businessmen invested in commercial enterprises to provide goods and services. The physical, social and economic devastation of war promised a potential for profit for those with capital, contacts and contracts.

The postwar business and commercial class occupied the position of capitalists, providing the resources to finance industrial projects. Doctors, lawyers, bankers and merchants occupied leadership positions within business and commerce and established themselves as the community's economic leaders at the end of the Civil War. They established the economic environment that remains today's southern Main Street heritage. Family

⁶ Paul M. Gaston, The New South Creed: A Study in Southern Mythmaking (Baton Rouge: Louisiana State University Press, 1970), 87-88.

money, profits from existing enterprises, and investments by business associates provided the initial indigenous capital. Business and commercial leaders used the local bank to supply additional money. Entrepreneurs traditionally approach the bank with hat in hand. In this instance, they owned the bank.

Historians have traditionally approached the question of who provided financing for the industrialization of the New South through studies focused on the presence of outsiders, the dominance of planters or the absence of local initiative. The route to understanding industrial development begins with postwar industrial efforts and southern urbanization viewed from the perspective of its commercial, professional and financial leaders.

In the debate on post-war leadership, Wilbur J. Cash argued passionately for the persistence of the plantation mentalite', with the conservative planters in a dominant role in the New South, leading the crusade for progress. C. Vann Woodward , on the other hand, presented a composite picture of a collapsed planter aristocracy whose power shifted from the landowners to a metamorphic group of aggressive middle class manufacturers and merchants who exhibited a forward-looking capitalistic outlook, while casting off connections with the old planter regime.⁷

Knoxville's leadership remained in the hands of the antebellum wholesalers and area landowners. With few acres in cotton and a slave population under 5%, the arguments for or against planter hegemony

⁷ Wilbur J. Cash, Mind of the South (New York: Alfred A. Knopf, Inc., 1941, 1969), 183; C. Vann Woodward, Origins of the New South, 1877-1913. Vol. 9 of Wendall Holmes Stephenson and E. Merton Coulter, editors, *A History of the South*. (Baton Rouge: Louisiana State University Press, 1971. Originally published in 1951), 20.

remained mute within the Tennessee Valley. The story that emerges in East Tennessee centers on how commercial businessmen and professionals became the region's industrial leaders.

Paul M. Gaston synthesized the conflicting theories with his thesis that postbellum leaders melded the agrarian beliefs of the Old South with the industrial goals of the New South. The leaders then justified their position by romanticizing positive aspects of the past, and forgetting the negatives while never taking their eyes off the target of what they viewed as progress.⁸

Shunning the planter vs. industrialist argument as too simplistic, James C. Cobb noted the lack of control by either planters or industrialists over their rapidly changing national economic environment. Instead he focused on their shared cultural values and found both groups interested in reconciling an agrarian heritage with economic progress. The conservatives from both camps produced a southern industrial policy based on a mutual need for slow industrial growth in an attempt to keep social and political disruption to a minimum.⁹

Justin Fuller used a demographic model to analyze almost two hundred Alabama business leaders. Fuller found that the vast majority of the business leaders were Alabama-born into upper or middle class families, were engaged in agriculture, business or other professions, and had diverse investments, with over half of the leaders active in three or more businesses in addition to their principal occupation. In addition, he found that southern businessmen

⁸ Gaston, *Ibid.* 173-175.

⁹ James C. Cobb, "Beyond Planters and Industrialists: A New Perspective on the New South," Journal of Southern History LVI (February 1988): 45-68.

and professionals, centered in towns and emerging cities, continued to provide most of the capital that spurred post-war economic and industrial growth.¹⁰

A demographic analysis of the stockholders of Mechanics' Bank directly parallels Fuller's findings. Seventy percent (7 of 10) of Mechanics' key stockholders were Knoxville or Tennessee born. One northern-born director moved to Knoxville in 1856 and served in the Confederate Army during the war. Another director, having served as a Union Officer in Knoxville during the War, married a local Knoxvillian and settled permanently in the area. All of the key stockholders were engaged in businesses or professions, six of them actively engaged in wholesaling activities, three were self-employed as attorneys, and one claimed the co-title of coal mine owner/capitalist. Without exception, the ten key stockholders remained employed in their primary commercial and professional occupations while placing investments in diverse industries such as cotton and woolen mills, marble and coal mines, electric power, fire insurance, real estate, bricks, soap and brewing. The ten men who controlled Mechanics' Bank all centered their activities in Knoxville. They moved to Knoxville from neighboring communities of Maryville, Jefferson City or Clinton, and consolidated their business power by establishing offices in Knoxville.

Michael Wayne examined the Natchez district and found that in the Lower South the merchant storekeepers formed a radically new group. He found that by the 1870s the "vast majority of merchants" were new to the district or profession, arriving from a "wide variety of occupational backgrounds and representing a diversity of geographic and ethnic origins."

¹⁰ Justin Fuller, "Alabama Business Leaders: 1865-1900," *Alabama Review* 16 (October 1963): 279-86; *Alabama Review* 17 (January 1964): 63-75.

Wayne's new storekeepers were a collection of former Confederate soldiers, farmers and ruined planters.¹¹

Like Wayne, Woodward and Cash found evidence of planters joining the business class. In his 1941 book, Cash maintained that "hundreds of the planters poured into the rising towns to take advantage...of the promised opportunities of industrialism and commerce," adding that their sons "came in even greater numbers." in *Thinking Back*, Woodward reflected that many of the old planters may have moved to town, become businessmen and joined the new commercial class of "hard-nosed entrepreneurs" who created the industrial revolution.¹²

Moving from general studies of the planter and his leadership role in the economic development of the New South, recent historical investigations have turned inward to focus on demographic profiles of the New South businessmen and their process of promoting business and industrial opportunities. In his earlier work, Woodward noted "changes of a profound and subtle character in the Southern ethos" that affected the South's "outlook and leadership."¹³

The South actively participated in the railroad boom of 1865-1875. Southern cities, unable to finance railroad lines, successfully lured local and regional railroad investors with limited capital subscriptions, tax breaks and free right of way. Railroad building thus became the first post-war industrial development effort as old lines were repaired and new ones created. Railroad

¹¹ Michael Wayne, The Reshaping of Plantation Society: The Natchez District, 1860-1880 (Baton Rouge: Louisiana State University Press, 1983), 203.

¹² Cash, *Ibid.*, 194; C. Vann Woodward, Thinking Back: The Perils of Writing History (Baton Rouge: Louisiana State University Press, 1986), 65.

¹³ Woodward, Origins, p. 140.

money created jobs, a flow of funds through the community, and a boost to related industries. Where industrial and railroad equipment was in disrepair, worn out, or destroyed, rebuilding and repairing rail lines became an obsession. Railroad bonds and railroad building provided the South's primary investments and immediate postwar industrial activity. Construction of the railroads spawned new industries throughout the South and nurtured more than a few of its entrepreneurs. For example, Mechanics' State Bank, acting as a depository for State railroad funds, aided Samuel Luttrell's nascent hardware business by providing contracts for Luttrell's goods throughout the South, employed R.N. Hood as a railroad attorney, and supported the director's various investments from foundries and iron works to hardware and car wheels.

Northern investment in railroad bonds throughout the country led to wild speculation in bonds. Many southern states borrowed far beyond their capacity to repay in the rush to build railroads. In many states, the Panic of 1873 and the subsequent depression led to the collapse of credit, the default on some railroad bonds and a decline in the rate of new railroad construction, in addition to a decline in the quality of equipment, roadbeds and service. Tennessee, burdened by over 23 million dollars in war debt, by 1874 had issued an addition 13 million dollars in railroad bonds. Riddled with fraud and corruption, with Democrats and Republicans pointing fingers at each other, the bonds issued at 100 cents on the dollar, were never worth more than 62 cents. The state's railroad debt issues was finally settled in 1883 by the "50-3" funding act where railroad bonds were scaled to 50 percent and the interest reduced to 3 percent. ¹⁴

¹⁴ Edward Cameron Duggins, "The Background For Regulation of Railroads in Tennessee," M.A. Thesis, University of Tennessee, Knoxville, 1939.

Small, locally-owned southern railroads increasingly defaulted and fell into outside ownership. Howard Rabinowitz noted that in 1870-1871 only 19 percent of Board of Directors of southern railroads were northerners; ten years later that figure had climbed to 37 percent. Southern states' wholesale repudiation of debts in the 1880s would ultimately tarnish the South's financial reputation among northern investors well into the next century.¹⁵

Postwar railroad recovery contributed to the growth of interior towns. Antebellum towns and cities had located primarily on seaports along the coast, or inland along major rivers. As Table 1 illustrates, the New South featured tremendous growth of interior cities located along major rail lines.

Table 1. Population Growth in Selected Towns Along Major Railroad Lines:

City	1880	1890	% Growth
Memphis	33,592	64,495	92%
Atlanta	37,400	65,533	75
Dallas	10,358	38,067	268
San Antonio	20,550	37,673	83
Norfolk	21,966	34,871	59
Chattanooga	12,892	29,100	125
Birmingham	3,086	26,178	748
Knoxville	9,693	22,535	132

Source: Rabinowitz, *Ibid.*, 106-107.

When the older river ports such as Richmond, Memphis and Nashville added railroad lines they kept pace with a growing industrial activity. Towns such as Knoxville grew quickly with the introduction of additional rail lines.

¹⁵ Howard Rabinowitz, "Continuity and Change: Southern Urban Development, 1860-1900," in Blaine A. Brownell and David R. Goldfield, editors, *The City in Southern History: The Growth of Urban Civilization in the South* (Port Washington, New York: Kennikat Press, 1977), 96-103.

Towns located on transportation routes attracted rural migrants and, in turn, courted surrounding regional markets.¹⁶

While early investment centered on railroad expansion and repair, by the 1880s the railroad's well-established lines connected small towns and cities and sparked inter-urban economic competition for manufacturing, rail connections and labor. Southern entrepreneurs may have profited from their initial investment in local and regional rails, but they built rail lines not rail systems. Throughout the 1890s, major, national railroad systems bought and consolidated the smaller, local lines. The South was absorbed into a national rail system as decisions by outside, consolidated systems, relegated many southern cities to positions as mere transfer points for crops, coal and raw materials on their way to outside markets. Cities were designated as railroad hubs based on outside needs rather than local efficiency or industrial potential. Meanwhile, southern towns and cities, located along rail lines, developed a stronger interest in the transportable resources of coals, iron and minerals.¹⁷

The 1886 southern adjustment of railroad track width to the northern standard gauge of 4 feet 8 1/2 inches created better service, better equipment and lower rail freight rates. Meanwhile, the new standard, perceived as an economic move by southerners anxious to demonstrate economic cooperation with the North, actually deleted small town rail stops, as it increased through service. Railroad system owners centered their financial interest on the

¹⁶ Don H. Doyle, New Men, New Cities, New South: Atlanta, Nashville, Charleston, Mobile, 1860-1910. (Chapel Hill: University of North Carolina Press, 1990).

¹⁷ David R. Goldfield, Cottonfields and Skyscrapers: Southern City and Region, 1607-1980. (Baton Rouge: Louisiana State University Press, 1982).

movement of goods and resources, not on developing local value-added industry.¹⁸

Knoxville succumbed to railroad fever in the early 1830s and by 1858 had established rail connections with all major eastern and southern cities, cementing Knoxville's future as a major wholesale and retail center. During the Civil War, Knoxville's strategic location and the availability of transportation established it first as a Confederate then a Union commissary. During Reconstruction Knoxville gained a reputation as a "great center for the headquarters and home offices of railway contractors."¹⁹

Knoxville's pattern of railroad building maintained a straight north-south route as the area engaged in a decade long competition with Chattanooga to become a main terminal. Chattanooga won the contract. From that day to this, with no direct east-west rail line from Knoxville to Nashville, all rail freight between the two cities swings first through Chattanooga.

Why had the town become so important in the commercial fabric of southern society? Blaine A. Brownell posed one answer: the town had not changed, businessmen had. Brownell found the postwar South "not so new as it was freed from many of the social and political barriers to the unfettered entrepreneurial spirit." Lyle W. Dorsett also found evidence that the pre-Civil War South shared in the national rage for promoting towns and cities, with Andrew Jackson one of the South's earliest urban boosters.²⁰

¹⁸ Alfred D. Chandler, Jr., The Visible Hand: The Managerial Revolution in American Business. (Cambridge: The Belknap Press of Harvard University Press, 1977.)

¹⁹ Knoxville Journal, 21 November 1933.

²⁰ Blaine A. Brownell, "Urbanization in the South: A Unique Experience?" The Mississippi Quarterly XXIV (Spring 1973): 111; Lyle W. Dorsett and Arthur H. Shaffer, "Was the Ante-bellum South Anti-Urban? A Suggestion." The Journal of Southern History 38 (February 1972), 94-95.

Business leaders have been credited with conducting commerce, building towns and introducing industry to the South. From stagnation in Charleston to vitality in Nashville, Don H. Doyle placed townbuilding squarely in the hands of a business class of merchants, manufacturers and financiers. Lacy K. Ford noted that the presence of railroads, banks, cotton mills and professionals earmarked a successful town. James C. Cobb credits the economic supremacy of commerce that placed "business and professional leaders in a position to sponsor and also to shape their city's industrial growth."²¹

The years from 1840 to 1860 had been profitable ones for the Lower South. Downswings in the cotton market were temporary and short term, and the main agricultural industries of cotton, rice, sugar and tobacco prospered. But Antebellum economic and industrial gains were wiped out as the region grappled with the devastation of war, an abundance of free labor demanding new systems of labor, and the collapse of political and economic institutions.

The upper South formed a distinct region with a more diversified economy where commerce replaced cotton as the primary provider. The states of Virginia, North Carolina, Kentucky and Tennessee possessed a greater capacity for economic transformation than the Deep South with an ability to move farther and faster from an agrarian economy to a commercial one. Many of the Upper South's urban centers rebounded swiftly from the devastation of war, due in part to their diversified economy, an available population of

²¹ Doyle, *Ibid.*, 17; Lacy K. Ford, "Rednecks and Merchants: Economic Development and Social Tensions in the South Carolina Upcountry, 1865-1900," *Journal of American History* 71 (September, 1984): 71; James C. Cobb, Industrialization and Southern Society, 1877-1984 (Chicago: Dorsey Press, 1984), 22.

businessmen and professionals, and various state schemes to support railroad building and repair.²²

With an existing system of antebellum railroad lines, East Tennessee moved quickly to become a major postwar wholesaling center, then integrated manufacturing and mining to add diversity to their economy. While coal fueled the Knoxville Iron Works, population growth provided the muscle. With an antebellum population of barely 5,000, the city of Knoxville remained unknown outside Tennessee. As illustrated in Table 2, Knoxville's subsequent rapid population growth reflected the post-war trend of population movement into urban areas.

Table 2. Growth of Knoxville, 1850-1900

Year	City of Knoxville	Knox County Outside City	Total	% Total Growth
1850	2,076	16,731	18,807	
1860	5,300	17,513	22,813	21%
1870	8,682	20,308	28,990	27
1880	9,693	29,431	39,124	35
1890	22,535	37,022	59,557	52
1900	32,637	41,665	74,302	25

Source: Deadrick, Heart of the Valley, 74.

While migration accounted for Knoxville's immediate post-war population increase, annexation became the preferred method of growth by the end of the century. In the immediate postwar years Knoxville occupied a bare four square miles. By the turn of the century Knoxville city limits embraced twenty six square miles, handing boosters the easy growth claim of "Knoxville a 114 percent city!" Within the greater Knox County area, the

²² Patrick K. O'Brien, The Economic Effects of the American Civil War (London, England: Macmillan Education, 1988), 23.

population of 56,000 reflected the emerging growth of the Knox County's mining and timber industries.²³

Howard Rabinowitz divided the pattern of postwar southern urban growth into periods: (1) from 1860 to 1865 wartime conditions determined the character of urban life. Then, (2) during the subsequent eight years, southern cities with varied degrees of success sought to recover from the effects of war. (3) This effort, cut short by the Panic of 1873, restricted urban growth and progress until the end of the decade. (4) The last twenty years of the century brought sustained urban expansion and prosperity that slowed briefly during the Panic of 1893 and subsequent depression.²⁴

Knoxville provides a prototype of the southern urban growth pattern outlined by Howard Rabinowitz. During the War years, Knoxville's railroad terminal became a strategic supply center to first one army and then to the other. Knoxville rapidly rebuilt the rail lines after the war, added other lines and became a major wholesale supplier for the entire southeast. The Panics of 1873 and 1893 had mild affects on Knoxville as Mechanics' Bank limited loans and endured added examinations by the Comptroller in Washington. During the last two decades of the nineteenth century, Knoxville's prosperity provided improved trolley lines, new streetcar lines, hotels, water, power, street lighting and other civic improvements that would keep the city serviced well into the twentieth century. But like other southern cities, Knoxville would struggle to attract, finance, build and maintain an enduring industrial base. ²⁵

²³ William J. MacArthur, Jr., "Knoxville's History: An Interpretation," in Lucile Deadrick, ed., Heart of the Valley: A History of Knoxville, Tennessee (Knoxville: East Tennessee Historical Society, 1976), 1-69.

²⁴ Rabinowitz, *Ibid.*, 93.

²⁵ Rabinowitz, *Ibid.*

Specific industries contributed to the creation and growth of post-war southern towns. The growth industries of railroads, natural resources and textile mills converted crossroads to commercial centers. Gavin Wright viewed the railroad building boom of 1865 to 1875 as the early phase of town building as railroad lines established new trade centers and penetrated previously isolated communities. Wright placed southern mill-building as an outgrowth of town building as he noted mills clustered among towns that had become transportation centers. ²⁶

David Carlton also found successful mills in South Carolina Upcountry clustered around railroad towns that transported goods to the North and received supplies in return. Carlton studied the South Carolina Upcountry in search of planter hegemony. Instead he discovered corporate investments largely in the hands of local people engaged in occupations of commerce and law. Carlton found the leaders in the mill building efforts to be merchants, bankers, professionals such as lawyers, newspaper editors and teachers, plus ministers and small groups of manufacturers. Carlton noted only minor participation by farmers and planters. In another study, Carlton placed the town building movement firmly in the hands of a group of ambitious young business leaders. ²⁷

The Knoxville pattern parallels Carlton's findings in the roll call of subscribers to local mills. In Knoxville, however, it was not the young and the ambitious who subscribed, but the old timers, the established elite who subscribed to the stock in the local mill-building movement.

²⁶ David L. Carlton, Mill and Town in South Carolina, 1880-1920 (Baton Rouge: Louisiana State University Press, 1982), 40-81.

²⁷ David L. Carlton, "Builders of a New State" - The Town Classes and Early Industrialization of South Carolina, 1880-1907," in Fraser and Moore, editors, *From the Old South to the New*, (Westport, Conn.: 1981), 444-462.

The Civil War left the South with a shortage of investment capital, a surplus of unskilled labor and dearth of experienced entrepreneurs. Postwar industrial efforts instead focused on the abundant and available resources of lumber, chemicals, textiles and mining rather than the more production-oriented industries of metals, machinery and equipment. The "lack of human capital stock" further prevented the New South from developing diverse manufacturing industries.²⁸

The South had a heritage of obstacles to modernization not present in other regions of the country. In Gavin Wright's view, the South's reservoir of unskilled and cheap labor handicapped the region for generations, as labor remained immobilized within the region and more or less disconnected from the national labor market.²⁹

Southern industrial development efforts never strayed far from the well-defined areas of natural resources, extractive industries, cotton mills and railroads. Low wages remained so with the exploitation of convict labor in logging camps, coal mines along with the employment of women and children in the textile mills. Northern industry, with its utilization of labor-saving technology and high wages, caused southern industry to be regarded as backward. While in the South, with an abundance of unskilled labor, it remained cheaper to hire another worker rather than install modern labor

²⁸ Blaine A. Brownell, "Urbanization in the South: A Unique Experience?" The Mississippi Quarterly XXVI (Spring 1973): 104-12; David L. Carlton, "Revolution From Above: The National Market and the Beginnings of Industrialization in North Carolina." The Journal of American History. (September 1990), 447.

²⁹ Gavin Wright, "The Strange Career of the New Southern Economic History" Reviews in American History 10 (December 1982): 164-80.

saving machinery. Thus southern industry remained limited to low-skilled, low wage workers producing unprocessed commodities.³⁰

Boosterism became the established process by which business and civic leaders organized a program for economic development and publicized that program to local and national audiences. Cobb explained the popularity of the booster bandwagon as a "growth ethos" that provided a common appeal to both sides of the political spectrum while promising economic rewards with no threats to the political or social status quo. In a study of urban growth in Virginia, David R. Goldfield found the boosters to be "mature, stable members of the community who were typically family men and property holders." Goldfield marveled at their "ubiquity," their interlocking control of all aspects of urban life and noted that the civic leaders came from occupations as diverse as merchants, industrialists, professionals and bankers.³¹

The din of booster ballyhoo and chamber of commerce hyperbole could not mute the postwar problems of depressed agricultural conditions, bankrupt local and state governments crippled with Reconstruction debts and lack of arrival of investment capital from any point on the compass. While East Tennessee participated in booster activities, the business leaders examined here remained more concerned with board meetings than booster rallies. Paul M. Gaston exposed the New South Creed as a myth promoted by the business and commercial class. He found they viewed southern economic development with a "strange mixture of wishful thinking and calculated optimism." Lawrence H. Larsen found that the South's aggregate booster boom had ended by the late

³⁰ Cobb, Industrialization, 68-98.

³¹ Cobb, "Beyond Planters," 60; David R. Goldfield, Urban Growth in the Age of Sectionalism: Virginia, 1847-1861 (Baton Rouge: Louisiana State University Press, 1977), 29-36.

1890s as the South turned inward, ending overt competition with the North. Only in southern city-building did he find a continued push for progress.³²

New South businessmen traditionally have been viewed through their participation in booster activities designed to promote economic possibilities to regional and national investors. This study does not examine the booster messages that promoted East Tennessee, but places focus on the activities of the businessmen of Knoxville in order to determine their level of participation in boosterism as an economic and industrial recruitment tool. In many studies, the activities of boosters, businessmen and entrepreneurs remain synonymous. An examination of Knoxville's business leaders provides a clear picture of the distinction or interrelation of their civic, booster and business activities. The officers and directors of Mechanics' National Bank remained outside the realm of boosterism, in civic organizations and political ones. They preferred anonymity over publicity.

Gaston dubbed boosterism the "New South Creed" and found the "Old South patriarch... replaced by a hardworking, busy, acquisitive individual." Quoting Mark Twain, Gaston described boosters as "brisk men, energetic of movement and speech; the dollar their god, how to get it their religion." Gaston found the older order, passionately devoted to politics, replaced by a new order equal in its passion toward business enterprise. In addition, Gaston identified the principal spokesmen for this new emerging order as men too young to have served in the Civil War, those reaching maturity during the Reconstruction era. ³³

³² Gaston, *Ibid.*, 206, 221; Lawrence H. Larsen, The Urban South: A History (University of Kentucky Press, 1990), 79-81, 105.

³³ Gaston, *Ibid.*, 107, 42, 48.

The urban press expeditiously became the primary vehicle for the booster message with rhetoric rather than reality the weapon of choice for economic development. Regional editors and their editorials proliferated as Henry Grady preached sermons on progress from his pulpit at *The Atlanta Constitution*. Civic boosters wooed their agrarian neighbors with state fairs, market houses and expositions while promoting civic improvements that included street lighting, numbering, improved signage and paved roads -- primarily limited to the town's business district. Superior hotel accommodations, restaurants and a variety of entertainment blossomed as townsmen aimed to welcome northern salesmen to the southern circuit. City directories became milestones of growth as boards of trade, chambers of commerce and Rotarian groups formed weekly gatherings.

Several general studies profile the commercial and business class as they participated in the New South's race for economic development. Examining the new class of urban merchants and professionals, David L. Carlton found them equipped with new values, most notably a "booster ethos" with strong commitments to economic development and community growth. He defined the "town spirit" as a unified theme necessary to promote not only the organized efforts required to build towns, but to build businesses and ultimately a new business class.³⁴

Few studies have focused on the intensity of northern investment in southern industry. An examination of East Tennessee's mills, mines and industries illustrates an absence of northern participation in the industrial growth of the area. Carlton found evidence of silent northern participation in

³⁴ David L. Carlton, Mill And Town in South Carolina, 1880-1920 (Baton Rouge: Louisiana State University Press, 1982), 13-14, 26-27.

South Carolina mills. However, those northerners who invested in the South Carolina mills generally kept a low profile by investing in mills managed by local entrepreneurs more familiar with local conditions. Goldfield noted that the energetic rebuilding efforts of Atlanta, Richmond and Columbia were financed initially with local capital. By 1880, Goldfield found northern capital lured by larger investments, such as railroads, rather than smaller urban industries. However, after 1890, the investment in railroads represented a mere change in ownership as northerners bought out existing lines built by southern investors.³⁵

Commercial and business leaders came from a variety of backgrounds and occupations, most of them southern. The absence of outside investors can be explained by the initial postwar turmoil that made the South a poor investment environment. The national depression of 1873 placed a six-year damper on investments in general, while the southern states' mass repudiation of debt in 1876-1877 left northern and foreign investors wary of southern investments.

This case study of Knoxville's Mechanics' Bank pinpoints the investments of ten local businessmen and examines the wide range of their industrial investment efforts. Other microstudies provided the model for this study. The one constant theme of the microstudies centered on the industrialists reliance on available natural resources. All of the entrepreneurs and industries studied required an abundance of labor, lumber or cotton, and little capital investment.

³⁵ Carlton, "Builders of a New State," 51; Goldfield, Cotton Fields and Skyscrapers, 120-121.

Jacquelyn Dowd Hall, et al, provided a rich study of Piedmont mill and town. Throughout the region, Hall found the region's local merchants and small town elites with money to invest, looking for opportunities that would provide individual gain and community prosperity. As the region pushed for cotton mill building, local businessmen relished the support of an alliance of ministers and a booster press clamoring for local investment in cotton mills "for the town's sake, for the poor's sake, for the South's sake, literally for God's sake." Local investors could hardly resist a money-making proposition with those endorsements.³⁶

An entirely different business approach utilized speculation by outside investors over local participants, nevertheless still relying on the exploitation of natural resources. In Alabama, coal and iron provided the impetus for speculation. Justin Fuller studied the relationship between boom towns and blast furnaces, and found a speculation fever that lasted as long as pig iron prices remained high. The blast furnace approach to town building ended with the Panic of 1893. However, with varying degrees of success, speculation fever had created twenty-four new Alabama towns, including Birmingham.³⁷

In a small Mississippi town, Jo Dent Hodge found a combination of available resources plus northern management turned a hamlet into the thriving city of Laurel. From one crumbling mill, Laurel blossomed into the lumber manufacturing center of the South by the turn of the century due to the efforts of two enterprising lumber men from Iowa.³⁸ Northern

³⁶ Jacquelyn Dowd Hall, et al, Like a Family: The Making of a Southern Cotton Mill World (New York: W.W. Norton & Co., 1987), 24-29.

³⁷ Justin Fuller, "Boom Towns and Blast Furnaces: Town Promotion in Alabama, 1885-1893," *The Alabama Review* XXIX (January 1976): 37-48.

³⁸ Jo Dent Hodge, "The Lumber Industry in Laurel, Mississippi at the Turn of the Nineteenth Century," *The Journal of Mississippi History* XXXV (November 1973): 361-379.

involvement in southern industry generally remained on a financial level rather than the extraordinary personal efforts Hodge found in Laurel, Mississippi.

In the late nineteenth century, Knoxville combined its history as a wholesaling and trading center with its newly discovered wealth in natural resources. The Greater Knoxville area thrived and grew from 1875 to 1900 as commerce and wholesaling relied on an interconnected network of warehouses to store incoming supplies and equipment, along with a variety of retail outlets, salesmen, and transportation to move the goods throughout the countryside. By 1887, a regional historian touted Knoxville:

It is universally conceded that no other city of equal size in America has so large a wholesale trade as Knoxville...Nearly all the firms are backed by abundant capital, and are controlled by competent, progressive and practical men.³⁹

By the end of the century Knoxville would boast of fifty wholesale houses regularly trading throughout eight southern states and conducting an annual business of around fifty million dollars.⁴⁰

The railroad transportation system that facilitated the movement of Knoxville's wholesale goods throughout the southern countryside also provided transportation of heavy, bulky materials northward. Knoxville's industrial growth concentrated on the local extractive industries of coal, marble and timber. In addition to railroad contractors, Knoxville headquartered fifteen coal mining companies and maintained eleven marble

³⁹ Goodspeed's History of Hamilton, Knox and Shelby Counties of Tennessee (Nashville: The Goodspeed Publishing Co., 1887; reprint: Nashville: Charles and Randy Elder Booksellers, 1974), 851.

⁴⁰ MacArthur, *Ibid.*

quarries. The combination of natural resources and a growing labor pool provided Knoxville with a sense of participation in a booming South.

By 1877 the post-war economy grew and stabilized, and credit transactions facilitated the financing of large industrial endeavors. Trade expanded regionally due to the growth in transportation and communication. The urgent needs of war had created a national banking system that facilitated trade and industrial growth by providing a currency that remained uniform and of equal value in every state. Railroad building provided post-war jobs and industries while it supported a growing number of financial institutions. In Knoxville, Mechanics' Bank received a charter specifically to act as a depository for state railroad funds. In addition, the railroad builders and contractors utilized the bank to funnel their funds for payroll and expenses fueling local commerce and industry.

III. New South Banking:

Mechanics' State Bank, 1875-1882

In 1860, the South had 32.6 percent of the country's population and 28.6 percent of its deposits...In 1870 it had 29.2 percent of the population and 5.8 percent of its deposits. ⁴¹

Knoxville rose from ante-bellum obscurity to a dominant postwar regional commercial center within the span of a few years. By 1875 Knoxville's position as a thriving wholesale center created the finance capital that would bankroll subsequent industrial efforts through the end of the century. Knoxville had all the necessary ingredients for economic success in the late nineteenth century: multi-directional railroads, available labor, abundant natural resources and a prosperous community of business leaders ready and able to invest in industrial growth. Banks, and the investors who controlled the banks, shaped the region's economic future through their allocation of financial and investment funds.

From its flamboyant beginning in 1875 to its quiet end in 1922, Mechanics' Bank provides a mirror for the industrial and economic

⁴¹ Richard Sylla, "The United States 1863-1913," in Rondo Cameron, Banking and Economic Development: Some Lessons of History (New York: Oxford University Press, 1972), 240.

development efforts of a New South city. The Knoxville banking community reached a peak at the turn of the century with ten banks serving the area. Mechanics' Bank survived as a stable, consistent and persistent financial institution well into the twentieth century.

In 1854, eighteen year old Thomas O'Conner arrived in Knoxville from Virginia,. Relying on his past apprenticeship, he opened a saddlery shop on Gay Street. A robust, redheaded Irishman, renowned for his wit and winning ways, O'Conner quickly established himself with the commercial elite of the town. Within three decades, O'Conner's capitalist enterprises achieved legendary status:

He has been for many years the foremost influence in enterprises of development, and has brought a great deal of capital into southern mines, railroads and furnaces. His prestige, his wealth, and his energy were powerful aids to a section in which so much is idle and undeveloped for the lack of these things.⁴²

O'Conner limited his antebellum activities to building his saddlery business, establishing his business connections, and briefly dabbling in local politics, first as an alderman, then as a Justice of the Peace. During the Civil War, as one of the "first to don the gray," O'Conner achieved the rank of major, experienced battle, and served the remainder of the war as a prisoner of war in Ohio.⁴³

At war's end, O'Conner moved to Atlanta, established a saddlery business, and gained a reputation for gambling, dueling and brawling. An Atlanta

⁴² Atlanta Constitution, 20 October 1882.

⁴³ Goodspeed's History, *Ibid.*, 861.

newspaper hinted that an altercation in a sporting parlor involving cue sticks and billiard balls convinced O'Conner to hastily close his business and return to Knoxville. By 1867, he had reopened his Knoxville saddlery shop in partnership with his brother, James. In 1873 O'Conner officially made Knoxville his home when he married Fannie Renshaw House, a wealthy Knoxvillian. The press noted that O'Conner "by his marriage to Miss House, one of the leading families of Tennessee, came into the use of a large amount of money." As the Panic of 1873 filtered down to Knoxville in 1875, O'Conner purchased several tracts of property on Gay Street where he subsequently enlarged his saddlery business and built his bank. In addition, O'Conner bought Judge O.P. Temple's renowned Melrose Mansion and the surrounding 20 acres for \$20,000 in cash. Fannie O'Conner would live in the mansion long after O'Conner's death, selling plots of land a piece at a time. By her death in 1923, the mansion and remaining land were completely engulfed by the campus of the University of Tennessee.⁴⁴

During Reconstruction, Tennessee railroad bonds "fluctuated very rapidly and O'Conner was exceedingly fortunate in his handling of them." By 1875, O'Conner replaced dice and cards with gambling on railroad bonds. He purchased bankrupt railroads at reduced prices, received State bond issues to complete or repair the bankrupt lines, then resold many of those lines at enormous profit. In his lifetime, he became one of the South's largest railway contractors as owner, director and/or major stockholder. His interests included the Nashville, Chattanooga & St. Louis Railway, the Cincinnati & Southern railway system, and the Knoxville & Augusta Railroad. He also invested in several contracts for building rail lines in Louisiana and other southern

⁴⁴ Atlanta Constitution, *Ibid.*; Rebecca Albers Hunt Moulder, May The Sod Rest Lightly: Thomas O'Connor (Tucson, Arizona: Skyline Printing Co., 1977).

states, building blast furnaces in Sewanee, Gadsden, and Birmingham, in addition to mining and selling ore throughout the South.⁴⁵

The partnership of William H. Cherry, William Morrow and Thomas O'Conner proved to be a powerful combination. Headquartered in Nashville, and well-connected with Tennessee's Redeemer politics, in 1871 they submitted the winning bid for the immensely profitable lease on the states' penitentiary system. In 1876 they assumed managing control of the Tennessee Coal and Iron Company (TCI), the state's largest industrial concern. O'Conner and his partners in turn leased convict labor to TCI for use in their coal mining operations.⁴⁶

Thomas O'Conner received a state charter for his Mechanics' Bank in March 1875 after he posted a two hundred thousand dollar bond with the State of Tennessee; "...Am satisfied that he owns real and personal estate unencumbered of value more than sufficient to cover the penalty of this bond." With these words, Judge Joseph C. Guild granted Thomas O'Conner the right to open a bank in Knoxville. Marsh T. Polk, State Treasurer in the 1870s and embezzler on the lam in the 1890s, accepted O'Conner's bond and recommended approval to the State. The State of Tennessee granted the charter of Mechanics' Bank in 1875 upon approval by the Secretary of Treasury, Dr. William Morrow, O'Conner's Nashville business partner.⁴⁷

⁴⁵ Atlanta Constitution, Ibid.; Robert J. Norrell, James Bowron: The Autobiography of a new South Industrialist. (Chapel Hill: The University of North Carolina Press), 48-49.

⁴⁶ Norell, Ibid.

⁴⁷ Bank Charters, 1875-1966, Record Group 42, Tennessee State Archives, Nashville, Tennessee; Correspondence, Comptroller of the Currency, Series 2-Banks, Record Group 61, Tennessee State Archives, Nashville, Tennessee; "State of Tennessee vs. The Mechanics' Bank, et al," Knox County Chancery Court, January 7, 1884, Docket #3676, Knox County Archives, Knoxville, Tennessee; Doyle, New Men, Ibid., 109.

The State of Tennessee remained the bank's largest depositor as O'Conner remained sole owner of the bank's stock during its first years as a State depository. Most of the men who served as the bank's original Board of Directors in 1875 would remain with the bank throughout its life or their death, whichever came first. From 1875 to 1882, with a state charter, Mechanics' Bank functioned as a conduit for the transfer of State railroad funds to East Tennessee. Meanwhile, contractors building the Cincinnati Southern Railroad through East Tennessee to Chattanooga welcomed the convenience of a bank in Knoxville and made heavy deposits. O'Conner offered the first public sale of stock in the bank in 1877; however, he retained eighty percent of the stock. The remaining shares, bought by his brother (James C. O'Conner), a brother-in-law (Sam House), and three business associates, assured O'Conner of complete control. Mechanics' Bank's board of directors included O'Conner's partner in the Cincinnati Railway, a partner from his iron foundry business, and the former owner of the Knoxville & Maryville Railway Line (R.N. Hood) now owned by O'Conner. Day-to-day management of the bank remained concentrated in the hands of O'Conner and his brother-in-law, Sam House, who served as Chief Cashier. Records later indicated that O'Conner and House "... managed and conducted the Bank at their will and pleasure.. and drew out and used the money's [sic] on deposit in said Bank at will, without any surety being required."⁴⁸

1881 to 1883 were turbulent years for the State of Tennessee's railroad bonds. Acknowledging almost twenty years of fraud and corruption, the State finally settled its railroad debt issue in 1883 through the enactment of the

⁴⁸ Moulder, May The Sod Rest Lightly, Ibid., 177; Knoxville Daily Chronicle, 26 October 1878, advertisement; Knox County Chancery Court, Ibid.

"50-3" funding act where railroad bonds were scaled to 50 percent and the interest reduced to 3 percent. ⁴⁹

In 1882, at the age of forty seven, Thomas O'Conner settled permanently in Knoxville, exchanged his state bank charter for a national one, and engaged in a final flamboyant duel that cost him his life. On October 19, 1882, Thomas O'Conner and his long-time Knoxville business associate, Joseph Mabry, killed each other in a shoot-out on Gay Street more reminiscent of the Old West than the New South. As O'Conner died on the steps of his bank, an age of economic and financial flamboyance died with him.

Knoxville newspapers quickly moved Major O'Conner from the society page to the front page as they dispatched the "Shoot Out on Gay Street" story to newspapers throughout the South and around the country. The business and personal relationship between O'Conner and Mabry had been a close one, and the reason for their quarrel remains clouded. But the facts remain clear: within the space of two minutes, O'Conner, Mabry and Mabry, Jr. ... "three men of prominence, without apparent deliberation or purpose, meet - fire - and the three fall dead - without uttering one word. The story reads like fiction." ⁵⁰

Eulogies poured in from Cincinnati, Atlanta, Nashville, Birmingham as journalists, editors and reporters dispatched obituaries lauding O'Conner's contributions to the region. They noted that O'Conner's industrial efforts had earned him both the respect of his peers and a fortune reputed to be around ten million dollars. They praised his business acumen and listed the wide range of his business activities "the extent of which were simply enormous."⁵¹

⁴⁹ Duggins, Ibid.

⁵⁰ Knoxville Daily Chronicle, 22 October 1882; Atlanta Constitution, Ibid.

⁵¹ Nashville Daily American, 20 October 1882; Atlanta Constitution, Ibid.

O'Conner's sudden death was mourned, not scorned. His business reputation overcame the senseless violence surrounding his death. The nascent national status of his bank, rather than being jeopardized, was enhanced. Even though O'Conner died intestate, his bank continued to operate smoothly. The directors quickly and quietly distanced themselves from the bank's past and Thomas O'Conner as well. They viewed duels on Main Street as counterproductive to both business and Knoxville's image as a thriving and emerging New South city. Knoxville's leading newspaper dispatched an emotional editorial throughout the region:

These affairs are not characteristic of our citizens...[who] generally are a moral and religious people... The old code of adjusting difficulties is regarded by the rising generation here as something to be shunned...⁵²

In an effort to preserve the image of the new Mechanics' National Bank, the directors denied their affiliation with the old Mechanics' State Bank. They successfully forced the State of Tennessee to sue O'Conner's estate rather than the bank in a dispute over embezzled funds funneled by Marsh T. Polk to Mechanics' Bank in the 1870s. Fannie House O'Conner, the widow and Executrix of O'Conner's estate, would defend this and other lawsuits against the estate for the next forty years. However, her dealings with the court remained less than adversarial as the Court Clerk, the bank's attorney and Fannie O'Conner's attorney all owned stock in Mechanics' National Bank. By 1883, the bank's

⁵² Dispatch from Knoxville Tribune to Nashville Daily American, 20 October 1882.

officers quickly and quietly bought O'Conner's stock, thus assuming control of the bank.⁵³

O'Conner had opened his national bank with great fanfare in April, 1882. In spite of his unexpected death the following October, Mechanics' National Bank continued operation with new leadership. The public accepted the bank without Major O'Conner due to the presence of prominent Knoxvilleians on the board of directors, the same directors who had been with O'Conner since the bank's founding in 1875. Within one day of O'Conner's death, the Board of Directors elevated E.J. Sanford to president.

Sanford, a prominent Knoxvilleian and co-owner of Sanford, Chamberlain & Albers drug wholesalers, acted as interim president while he retained his position as vice president of East Tennessee National Bank. Sanford also maintained his position as director in several railroads, and as organizer and president of Knoxville Woolen Mills. Sanford, like O'Conner, had arrived in Knoxville prior to the Civil War. However, with roots in Connecticut, Sanford joined the Union Army, then returned to Knoxville to serve as a delegate to the Republican National Conventions in 1880 and 1886. As Trustee of East Tennessee University, President of the Board of Education (1881-1885), and Trustee of the Public Library of Knoxville, Sanford represented the more established commercial elite of the city. His appointment as Interim President of Mechanics' National Bank provided a stabilizing effect after the shock of Major O'Conner's sudden death.⁵⁴

In June of 1883, O'Conner's 501 shares of stock, originally worth one hundred dollars per share, were sold at public auction. William Morrow,

⁵³ Knox County Chancery Court Records, Ibid.; Knoxville Daily Chronicle, 23 June 1883.

⁵⁴ Goodspeed's History, Ibid., 1041.

O'Conner's Nashville business partner, the high bidder, paid 125 dollars per share and promptly resold those shares to Samuel B. Luttrell, vice president of Mechanics' National Bank. Luttrell quickly assumed the office of bank president, and quietly set about the business of attracting depositors, directing investments and making loans, lots and lots of loans. ⁵⁵

Established in Knoxville's postwar boom town atmosphere, Mechanics' National Bank provided the financial link with the next generation of the city's industrial growth and development. Mechanics' new owners and directors avoided both state politics and risky investments. Instead, they established a tight network of personal contacts and partnerships to fund their industrial interests. As the "Shoot Out On Gay Street" slipped into history, Mechanics' National Bank established a conservative business pattern for Knoxville that would endure well into the twentieth century.

⁵⁵ Knoxville Daily Tribune, 23 June 1883; Knoxville Daily Chronicle, 23 June 1883.

IV. New South Banking:

Mechanics' National Bank, 1882-1907

*Their future certainly looks favorable...The bank is well managed, conservative & popular...This is a very clean, excellently well managed and prosperous bank..."*⁵⁶

During Mechanics' Bank's tenure as a national bank, Knoxville's freewheeling postwar business opportunities shifted from railroad speculation to mineral extraction, from gambling with state bonds to speculating in local stocks and securities, from investments throughout the southeast to those regionally restricted to Knoxville and East Tennessee. A close examination of Mechanics' National Bank provides a case study of a southern bank's experience with the National Bank era, in a time that coincides with industrialization in the South. This study does not address the economic formulas represented by the bank's assets, liabilities or ratios. Instead, it concentrates on the process of industrialization as the stockholders juggled personal profits, borrowers' needs, investors' demands, federal regulators' examinations, while making economic decisions that affected the industrial direction of their town.

⁵⁶ Bank Examiner's Reports, Mechanics' National Bank, Record Group 101, 1882-1907. National Archives, Washington, D.C. 18 May 1882; 9 June 1887; 21 May 1890

The South inherited a national banking system it had no hand in creating. The National Bank Act, a product of the Lincoln administration and Eastern bankers, solved numerous financial problems while it financed the War needs of the federal government. Designed to standardize bank notes, the new banking system provided a measure of long-term stability and soundness to banking practices. It guaranteed uniform bank note redemption and eliminated one cause of financial crises due to the inconvertibility of a wide variety of state-issued bank notes. In addition, national banks offered the prestige of 'national' affiliation that carried to the public a perception of safety. Even though "national currency" became a Union war cry, with state bank notes in disrepute, businessmen and the public quickly accepted the national bank notes in the South as well. ⁵⁷

The National Bank Act's provision barring national banks from holding mortgages on land may have stifled rural banking where land represented the most valuable asset. A provision added in 1865, placed a ten percent tax on state-issued bank notes. "In an extreme assertion of federal sovereignty" the provision "deprived the states of a monetary power they had exercised for eighty years." It served to solidify the federal bank note as the country's primary currency while it encouraged the immediate conversion of large numbers of state banks to national charters (Table 3). Not all banks regarded note issuance as important. Mechanics' Bank, had few depositors other than railroad contractors and the State of Tennessee, and had never issued bank notes, and so retained its state charter until 1882.⁵⁸

⁵⁷ Bank Examiner's Reports, Ibid.; Bray Hammond, Banks and Politics in America From the Revolution to the Civil War, (Princeton: Princeton University Press, 1957), 725.

⁵⁸ Hammond, Ibid., 733-34.

Table 3: Growth in the Number of National Banks During Immediate Post-War Years

Year	National Banks	Non-National Banks		
		Percent Growth		Percent Growth
1863	66		1,192	
1864	467	607 %	721	(40) %
1865	1,294	177	231	(68)
1866	1,634	26	197	(15)
1867	1,636	01	180	(09)
1868	1,640	01	164	(09)

Source: The Statistical History of the United States From Colonial Times to the Present, (Stamford, Conn.: Fairfield Publishers, Inc. Publishers, Inc., 1965) 626, 628.

Scholars disagree concerning the role of southern banks and their relationship with the economic and industrial development of the South from the end of the war through the end of the century. The role of banking in southern industrialization efforts centers on the changes forced on banks by the National Banking Act of 1864 , and the ability of the banks to act as catalysts to stimulate economic development. Larry Schweikart found that southern banks provided commercial "lubrication" rather than serious investment in economic growth, adding that merchants became successful as bankers as they provided the community with an observable track record of business success.⁵⁹

Richard Sylla argued that the stiff entry requirements for participation in the National Banking system helped to retard southern industrial

⁵⁹ Larry Schweikart, "U.S. Commercial Banking: A Historiographic Survey," *Business History Review* 65 (Autumn 1991): 606-611.

development. The minimum capital requirement of fifty thousand dollars restricted national banks to larger cities. In addition, he hypothesized that country bankers, in their quest for the income from higher interest rates funneled their funds to northern banks to the detriment of southern industrial and agricultural development. In contrast, John James provided data in support of the theory that national bank affiliation lost its power as state banks grew to provide competition for national banks throughout the South after 1880.⁶⁰

The question remains: did banks create an environment that facilitated or stifled economic development or did the economic environment shape the behavior of the banks? In a micro study of national banks, James T. Campen and Anne Mayhew examined Knoxville and found changes in both its state and national banks due primarily to an increase in customer demand for more and larger loans that paralleled the industrial boom in the area. If the National Bank Act created conservative banks, those same banks could and did increase the amount and number of loans in response to increased competition for loans.⁶¹

David L. Carlton and Peter A. Coclanis place the South's retarded industrial growth squarely in the hands of conservative bankers. They saw reliance on local sources for capital, primarily "widows and orphans" forcing bankers to adopt conservative practices in order to deliver dividends at the expense of industrial expansion. They concluded that bankers' dependence on

⁶⁰ Richard Sylla, "American Banking and Growth in the Nineteenth Century: A Partial View of the Terrain," *Explorations in Economic History* 9 (Winter 1971-1972): 197-227; John A. James, Money and Capital Markets in Postbellum America (Princeton: Princeton University Press, 1978).

⁶¹ James T. Campen and Anne Mayhew "The National Banking System and Southern Economic Growth: Evidence from One Southern City, 1870-1900." *The Journal of Economic History* XLVII (March 1988): 127-137.

small investors restrained the bankers to concentrate on safe investments in stagnant industries rather than a more "broadly based and innovative development" thus establishing a southern investment bias against innovation.⁶²

National banking regulations further separated rural banks from urban ones. National banks, forbidden to issue mortgages or real estate loans, focused solely on commercial dealings, thus placing national affiliation out of reach for most rural southern banks. National affiliation required a minimum capital stock investment based on population, with the minimum of \$50,000 for the smallest towns and the maximum of \$200,000 for the largest cities. In addition, the minimum investment of \$100 per shareholder placed national status out of reach of most small rural banks. ⁶³

For a city the size of Knoxville, Tennessee, the initial capital investment was \$100,000. With this investment, loans up to ten percent of the capital investment, or \$10,000 for Mechanics' Bank, could be authorized under the National Bank Act. For loans exceeding that amount, additional capital would have to be raised. For Mechanics' Bank, the ten percent loan limit of \$10,000 remained sufficient until the turn of the century. In 1905, an additional stock offering raised the capital stock investment to 200,000 dollars, thus Mechanics' Bank began to offer loans up to \$20,000.

An additional impediment for rural banks centered on the rigorous biannual examinations initiated by the Office of the Comptroller of the Currency. Rural bankers tended to approve loans on their historical and

⁶² David L. Carlton and Peter A. Coclanis, "Capital Mobilization and Southern Industry, 1880-1905: The Case of the Carolina Piedmont." *The Journal of Economic History* XLIX (March 1989): 73-94.

⁶³ *Ibid.*, 241.

personal knowledge of the applicant, leaving little room for close scrutiny of their loan portfolios.⁶⁴

All national banks submitted to periodic examinations. The examiner reported to the Comptroller with intimate knowledge and unfettered opinions, with the understanding that his reports remained confidential until a bank relinquished its national charter. Thus the Examiner's Reports provide a candid, and historical, conversation between an examiner and the Comptroller regarding a bank's ongoing condition. The security of these reports endures to this day as some national banks, whether bought or merged, still retain their national affiliation, and maintain the secrecy of one hundred year old records. The Bank Examiner's Reports for Knoxville's largest and most aggressive national bank remain buried in the National Archives. East Tennessee National Bank, chartered in 1878, retained its national charter throughout several purchases and mergers, and exists today as part of Union Planter's National Bank. ⁶⁵

The Examiner's Reports afford a look at insider loans made to or approved by officers or board members. They list loans made to directors, and loans made to companies in which the directors had interests. In addition, the reports discussed the largest loans made by the bank, the status of those loans, and the presence or absence of collateral. These reports provide a goldmine of information regarding the amount of control an urban bank exercised over the direction of local and regional economic and industrial development.

⁶⁴ Ibid.

⁶⁵ James T. Campen, "National Banking in Knoxville, Tennessee, 1864-1913." Ph.D. diss., University of Tennessee, June 1981.

Government regulations molded and restrained but did not slow the diffusion of banks. Prohibitions on branch banking were circumvented by informal but well-established connections developed through a system of correspondent banking. Mechanics' Bank has established relationships on a regular basis with Merchants National Bank of Louisville, Fourth National Bank in Cincinnati, and First National Bank in Baltimore. Throughout its history as a national bank, Mechanics' remained affiliated with two New York banks, The National City Bank of New York, and the National Park Bank of New York. Long before the federal government eventually amended its restrictive legislation in 1900, American bankers created a system for the movement of funds from one trade center to another to facilitate commercial activities and industrial development.

As a commercial community and a growing urban center, Knoxville's banks quickly warmed to national affiliation. In 1865 four banks operated in Knoxville, only one of them with a national charter. Twenty years later, Knoxville boasted ten banks, four with national charters. The growth of the banking industry, in competition for business loans and deposits, had begun to define Knoxville's late nineteenth century commercial and industrial environment.

Thomas O'Conner made his fortune in railroad bonds, revenue collected from his lease of the state's convicts, and various regional industrial investments. The majority of his banking heirs accumulated fortunes in Knoxville's more traditional wholesale businesses and they, in turn, contributed the investment capital that fueled the industrial growth of late nineteenth century Knoxville. Without exception, the directors and

stockholders in Mechanics' National Bank represented Knoxville's largest and most prestigious wholesalers, builders, manufacturers and lawyers.

The first decade of the consolidation and strong growth of Mechanics' as a national bank coincided with the boom years in the industrial development of Knoxville. The population growth, the pace of change, and the new direction toward industry was reflected in the booster booklet entitled *"Knoxville, Tenn. A Future Center of the South's Industrial Wealth and Development."* Table 4 lists the industrial growth of Knoxville in the 1880s, compiled from the Manufacturers' Records of September 10th, 1887:

Table 4: Industrial Growth, Knoxville, Tennessee.

	1880	1887	Percent Growth
Population	9,639	37,000	284 %
Number of Manufacturers	21	118	462
Capital Invested in Mfg.	\$886,900	\$5,000,000	464
Number of Hands Employed in Mfg. and Mining	881	5,286	500
Amount of Money Annually Paid Out in Wages	\$285,743	\$2,586,000	805
Value of Products of Factories and Mines	\$1,488,351	\$7,948,000	434
Annual Business	\$11,500,000	\$36,000,000	213

Source: Merchant's Guide and Industries of Knoxville, Vol. 1, No. 1. (December 1887) McClung Collection, Knoxville, Tennessee.

Population growth paralleled business growth. But the revealing figure resides in the Money Paid Out in Wages. As population and industry grew in Knoxville, so did the competition for laborers, thus wages tended to outgrow the pace of industry. In general, Goodspeed's History noted "At the beginning of 1865 less than \$20,000 of manufacturing capital remained; now [1886] not less than \$2,500,000 are invested in the various industrial

enterprises of the city." Goodspeed's listing of trade in 1886 Knoxville, in annual gross sales, reveals the division of the economy between commercial and wholesale as well as industrial and manufacturing. (Table 5).

Table 5. Yearly Trade of Knoxville, 1886.

Industry	Trade by Industry (in dollars)	
Woolen Goods	140,000	
Cotton Goods	125,000	
Dry Goods	1,500,000	
Clothing	600,000	
Boots, Shoes and Hats	1,000,000	
Groceries	2,000,000	
Queensware	200,000	
Books and Stationery	100,000	
Drugs and Paints	400,000	
Candy	50,000	
Total Trade in Softgoods:		\$6,115,000
Iron & Nail	500,000	
Stoves and Tinware	25,000	
Leather	100,000	
Harness and Saddlery	300,000	
Furniture	125,000	
Agricultural Impl.	300,000	
Timber and Lumber	800,000	
Sash, Door, Blinds	100,000	
Ax and Hammer Handles	50,000	
Wagons and Buggies	25,000	
Engines and Boilers	200,000	
Cars and Car Wheels	400,000	
Foundry, Machine Works	50,000	
Marble and Coal	1,000,000	
Zinc Spelter	100,000	
Total Trade in Hardgoods:		\$4,075,000
TOTALTRADE:		\$10,190,000

Source: Goodspeed's History of Hamilton, Knox and Shelby Counties of Tennessee (Nashville: The Goodspeed Publishing Co., 1887; reprint: Nashville: Charles and Randy Elder Booksellers, 1974), 850-851.

Commercial and wholesale activities leveled off by the mid-eighties as regional economic development shifted focus to center on industrial and manufacturing activities. By 1886 Knoxville's economy was divided between wholesale businesses (40%) with industrial activities providing 60% of annual trade. Knoxville's railroads provided the common denominator for success.⁶⁶

Participation in the postwar railroad boom made millionaires of the two men most responsible for the birth and growth of Mechanics' Bank, Thomas O'Conner and Samuel B. Luttrell. Known as the "railroad contractors [sic] friend," Sam Luttrell provided the link that brought Mechanics' Bank through the nineteenth century and into the twentieth. Luttrell served as one of the original 1875 board members, assumed the status of majority stockholder and the office of president in 1883. He would retain tight control of the bank, its stock and all lending decisions until the bank's voluntary liquidation in 1907. Even then, under northern owners, Luttrell served as Chairman of the bank until 1922.

Thomas O'Conner made his fortune in railroad bonds, revenue collected from his lease of the state's convicts, and various regional industrial investments. The majority of his banking heirs accumulated fortunes in Knoxville's more traditional wholesale businesses and they, in turn, contributed the investment capital that fueled the industrial growth of late nineteenth-century Knoxville. Without exception, the directors and stockholders in Mechanics' National Bank represented Knoxville's largest and most prestigious wholesalers, builders, manufacturers and lawyers.

⁶⁶ Goodspeed's History, Ibid., 850-851.

At one time, in addition to his presidency of Mechanics' National Bank, Sam Luttrell held the office of president in twenty-nine Knoxville area businesses, and owned stock in over one hundred additional businesses. These two men, O'Conner and Luttrell, one flamboyant, one more conservative, each influenced the direction of the industrial development of Knoxville through their control of the financial resources available through Mechanics' Bank.

The stock of Mechanics' National Bank rarely changed hands. From the first day to its final liquidation, the stockholders received dividends, either through loan benefits or dividends paid. From 1882 to 1907, the bank enjoyed a significant rise in the value of its stock, indicating superior management of assets as well as the quickening of the economic pace of Knoxville. One Examiner's Report noted:

This bank has reputable officers, of good capacity, who have paid the stock-holders in dividends, more than its capital, and the stock worth today \$220 -- in fact, none for sale.⁶⁷

A total of thirty-two shareholders owned the bank. Control remained in the hands of ten officers and directors who together owned 79 percent of the stock. By 1887 the original 100 dollar stock had climbed to 160 dollars per share and paid a five percent dividend every six months. Nine years later, in 1896, the stock's value had soared to 220 dollars and paid a dividend of 15 percent, with shares rarely for sale. While the stockholders in Mechanics'

⁶⁷ Bank Examiner's Report, 23 November 1891.

National Bank looked for dividends on their investment, they also profited through their private and personal access to the bank's assets.⁶⁸

Throughout its history, ten businessmen controlled the stock of Mechanics' National Bank. From 1883 to 1907, President Sam Luttrell maintained firm control of the majority of stock. In 1883, he owned 501 shares of 1,000 available shares. By 1907 he owned 1,041 shares of the 2,000 shares then available. Table 6 illustrates the amount of control of each shareholder, whether that share represented a majority (as in Luttrell's 546 shares) or a minor, minimum ownership of ten shares. From 1882 through the turn of the century, the majority of the 1,000 shares of Mechanics' Bank stock (789 shares) were tightly held by nine men. The remaining 211 minority shares were held by a variety of businessmen, wives and relatives of existing board members.

Table 6: Majority Shareholders in Mechanics' National Bank: 1882 - 1899.

Name	Number of Shares	Percent of Shares
Samuel B. Luttrell, Pres.	546	55 %
Martin L. Ross, Vice Pres.	140	14
Joseph T. McTeer, 2nd Vice Pres.	26	03
Robert N Hood	10	01
Samuel P. Evans	10	01
Henry H. Ingersoll	10	01
Jacob W. Borches	10	01
W.P. Washburn	17	02
James C. Luttrell	10	01
William L. Russell	10	01
TOTAL:	789 shares	79 %
	(Out of a total of 1,000 shares)	

Source: Bank Examiner's Reports, 1882 through 1899.

⁶⁸ Ibid., 9 June 1887; 24 August 1896

The only major transfer of stock occurred in 1891 when Luttrell's shares dropped from 546 to 501 as he sold his excess shares to E.G.Oates, Head Cashier. In a statement typical of the bank's history, an examiner noted the "...annual meeting of stockholders... 747 shares [present] ." Analysis of those shareholders present reveals the power of the nine men who controlled almost 80 percent of the stock and made one hundred percent of the bank's decisions.⁶⁹

Membership on the Board of Directors remained as stable as the stockholders. In 1882, upon O'Conner's death, control of the bank remained in the hands of three of the original 1875 directors who emerged as Officers of the Bank. Sam Luttrell emerged as President, with Martin L. Ross and Joseph McTeer Vice Presidents, and Sam House, O'Conner's brother-in-law and long-time partner, retained as Head Cashier. The members of the board of directors as well as the stockholders relegated complete control of the bank to the three officers. The Bank Examiner repeatedly made notations about the Board of Directors:

The Board of Directors meet but seldom & leave the business mostly to the officers in whom they have full confidence...[They] discuss matters in general connected with the bank but do not examine and approve loans.⁷⁰

The Board of Directors relegated investment and loan approval to the bank's president and vice presidents, decisions that directly affected the economic and industrial development of Knoxville. An analysis of the beneficiaries of those economic decisions reveals a pattern of the bankers'

⁶⁹ Ibid., 31 January 1894.

⁷⁰ Ibid., 9 June 1887; 24 August 1898.

commitment to economic and industrial development. While their share of stock provided investment income for the directors and shareholders, access to bank funds provided the primary opportunities for investments. There were no restraints at the time on the number of loans that could serve the directors own interests, leaving loan requirements and limitations to the discretion of the bank's officers.

Born in 1844 into the third generation of a wealthy and prominent local family, Samuel B. Luttrell attended East Tennessee University prior to the Civil War. Luttrell turned his back on politics unlike his grandfather, Samuel Bell, who served as Knoxville's first mayor and his father Colonel J.C. Luttrell who served two terms as mayor. After the war, Luttrell worked briefly with W.W. Woodruff Hardware, and at the age of 26, Sam Luttrell opened his own hardware wholesaling business on Gay Street in partnership with his brother, James. By 1876, the hardware firm had become a leading Knoxville wholesale enterprise as Luttrell received contracts to supply railroad hardware throughout the southeast. "His mammoth wholesale hardware house and warehouses in Knoxville furnished railway contracting outfits.... He was also agent for explosives used on heavy construction work...and...was in close touch with all of the big developments in the South." In spite of Luttrell's myriad commercial and industrial activities, he would not relinquish control of his hardware business until, at the age of 77, he finally sold it.⁷¹

Samuel Luttrell was already a wealthy man when he became Mechanics' National Bank president in 1884. During the twenty-three years he served as Mechanics' Bank President, Luttrell consolidated his wealth,

⁷¹ Knoxville Journal, 21 November 1933.

provided loans that made others wealthy, and supplied a level of security for others through his insurance and mortgage companies. Luttrell became well-known throughout the community by his stature as president of Mechanics' National Bank, as well as through his real estate business, his insurance company, and his ownership, control or involvement in various economic enterprises. Luttrell's participation in the social and public affairs of Knoxville remained private. In addition, Luttrell remained out of the spotlight when it came to booster activities, philanthropy, or publicity.

But when he died in 1933 at the age of 89, people lined the street as businesses on Gay Street closed for the three hours it took the funeral cortege to pass.⁷²

Martin L. Ross, Mechanics' Vice President, wore his boosterism on his sleeve as he helped establish the Chamber of Commerce in 1887 and served five terms as its President. In addition, he founded the Commercial Club and remained an active member. Born in Anderson County, Ross formed the successful wholesale grocery of Carpenter & Ross in 1871. As First Vice President of Mechanics' National Bank, Ross actively utilized the bank's assets for loans to his own wholesale firm as well as loans to companies where he either owned stock or held a position as a director. He served as a director in several Knoxville firms, including Sam Luttrell's Knoxville Fire Insurance Company and railroad and manufacturing firms. His death in 1899 at the age of 49, stunned Knoxville, as all of the businesses on Gay Street closed during his funeral.

Joseph McTeer and Sam House joined Sam Luttrell and M.L. Ross as the primary decision-makers in Mechanics' National Bank. Joseph McTeer, Second Vice President of Mechanics' National Bank, continued to operate his

⁷² Ibid.

successful wholesale clothing business in partnership with R.W. Hood, J. Burger and J. Payne - all owners of Mechanics' Bank stock. McTeer became Second Vice President in 1884 and retained that position until the bank was sold in 1907. McTeer's noticeably invested primarily in companies owned by Sam Luttrell.

Sam House had been with Mechanics' Bank since its inception as a state banking facility. House worked with Thomas O'Conner before the Civil War in O'Conner's Knoxville saddlery business, and, as O'Conner's brother-in-law, House became Head Cashier of O'Conner's bank in 1875 and remained with the bank after O'Conner's death. House and Luttrell arranged for the majority of all loans made by Mechanics' Bank. Records indicate that House had been lured away from Mechanics' Bank to a position as Head Cashier at State National Bank in 1890 where the previous cashier had created serious credibility problems. Recruitment of Sam House, at a salary of 3,000 dollars, proved to be a public relations coup, as State National Bank relied on the scrupulous reputation House had earned as Head Cashier at Mechanics' National Bank.⁷³

A demographic profile of Mechanics' National Bank officers and directors compiled through a variety of sources reveals a variety of characteristics that ultimately affected both the scope and pace of Knoxville's industrial development. All of the bank's officers and directors were born before the Civil War (Table 7).

⁷³ Bank Examiner's Report, Ibid., 19 May 1890.

Table 7. Year of Birth of Officers and Members of the Board of Directors, Mechanics' National Bank, 1882.

Name	Year of Birth
Samuel B. Luttrell. President	1844
Martin L. Ross, Vice President	1850
Joseph T. McTeer, Vice President	1841 (est)
R.N.. Hood	Not Avail.
S.P. Evans	1836 (est)
H.H. Ingersoll	1844
J.W. Borches	1840 (est)
W.P. Washburn	1830
James C. Luttrell	1813
W.L. Russell	1832

Source: Goodspeed's History of Tennessee. (Nashville: The Goodspeed Publishing Company, 1887).

The officers and directors of Mechanics' Bank all reached maturity before or during the Civil War and carried with them antebellum attitudes and values centered more on rural roots than urban ones.

Native Tennesseans occupied seven of the ten key directors positions, limiting outside influence and shutting out those who might have had industrial experience. Of those born outside the South, William P. Washburn, an attorney, arrived from Massachusetts in 1856 , became law partner with his uncle by marriage, and served in the Confederate Army. Henry H. Ingersoll, an attorney born in Ohio, served as a Union officer before moving to Knoxville after the war. From 1891 to 1915 Ingersoll would serve as the Dean of University of Tennessee's Law School. In 1882, neither the president or either of the vice presidents of Mechanics' National Bank worked full-time at the bank. Although President Luttrell received an annual salary of 1,200 dollars it

represented an honorarium compared to the fortune he accumulated in the immediate postwar years. The officers and directors remained actively engaged in their primary occupations, as shown in Table 8.

Table 8. Occupation of Officers and Members of the Board of Directors, Mechanics' National Bank, 1882.

Name	Occupation
Samuel B. Luttrell, Pres.	Wholesale Hardware
Martin L. Ross, V.P.	Wholesale Grocer
Joseph T. McTeer, V.P.	Wholesale Clothier
R.N. Hood	Railroad Attorney
S.P. Evans	Coal Mine Owner
H.H. Ingersoll	Attorney/Judge
J.W. Borches	Wholesale Grocer
W.P. Washburn	Attorney
James C. Luttrell	Wholesale Hardware
W.L. Russell	Wholesale Bldg. Supplies

Source: Bank Examiner's Reports, Ibid.

While the Examiner's Report listed the bank's assets, liabilities, stocks and investments, their primary concern centered on loans. The Examiner's Reports probed a variety of loan categories to assure adherence to the loan limitations mandated by the National Bank Act. The 1886 Bank Examiner's Report noted Mechanics' loans evenly distributed between "... merchants, some little farmers and manufacturers." In 1887, the examiner noted that loans totaling 476,156 dollars had been made "mostly to businessmen of Knoxville - perhaps \$40,000 to other cities." That loan pattern changed rapidly in the next decade (as illustrated in Table 9). By the end of the century, while Knoxville's commercial activity climbed to fifty million dollars a year, the industrial sector grew five times that figure. The growing industries and their need for

greater financing exerted pressure on Knoxville's banks to compete for deposits and, in turn, to authorize larger loans.⁷⁴

Table 9. A Decade of Growth: Total Deposits of Knoxville Banks, 1896-1906

Year	Deposits	Percent Growth
1896	\$21,457,000	
1897	22,734,000	05 %
1898	26,812,000	18
1899	29,412,000	10
1900	28,834,000	(02)
1901	32,496,000	13
1902	40,730,000	25
1903	58,350,000	43
1904	61,440,000	05
1905	63,576,000	03
1906	74,353,000	17

Source: Wm. Goodman, ed., "Souvenir History of Knoxville." (Knoxville: Knoxville Board of Trade, 1908), 38.

Insider loans, signature loans and large loans that approached the legal loan limit, all concerned the Bank Examiner. Insider loans, commonly issued to officers and directors and their companies, present a pattern of loans to the businesses and industries perceived by the bank to be solid prospects for future growth. Many loans, made with no collateral other than the bank president's signature, indicate the level of personal investment that Luttrell and the other key officers and directors had in those businesses and industries.

Loans to companies in which the directors had interests, commonly called insider loans, paralleled the general industrial and commercial growth of Knoxville. The Examiner's Reports identified almost two dozen large loans to

⁷⁴ Bank Examiners Report, Ibid., 2 March 1886, 9 June 1887.

companies in which one or more of Mechanics' National Bank's officers or directors owned stock. Unfortunately the Examiner's Report does not list which director had financial interest in these companies. All of these companies examined between 1882 and 1907 received Mechanics' Banks maximum loan of 10 percent or 10,000 dollars. In general these companies reflect the general Upper South movement to exploit natural resources (coal, lumber and marble) while supporting additional local industries (land, brick, soap and the civic involvement with the farmers market and the bridge over the Tennessee River):

Companies Receiving \$10,000 Loans:⁷⁵

Farmers Bank of Maryville	Poplar Creek Coal Co.
Crescent Marble Co.	East Tennessee Coal Co.
Eldrigo Implement Co.	Elm Wood Co. of Loudon County
Jones Brick Co.	Knoxville Land & Improvement
Luttrell Brick Co.	Republic Marble Co.
Central Market Co.	Tennessee River Bridge Co.
Red Cross Soap Co.	

While several companies regularly received the maximum loan amount, many others received varying loan amounts, often on a regular basis as the loans were carried on the books for long periods of time. Some companies owned or managed by Mechanics' National Bank officers and directors remained major recipients of loans throughout the bank's history. Sam Luttrell received the largest portion of these loans.

In 1887 the Bank Examiner reported that "... the direct & contingent liability of Prest. Luttrell appears to be large, but is regarded entirely good...

⁷⁵ Bank Examiner's Reports, Ibid. Various dates, 1882 through 1907.

Prest. Luttrell is regarded as a man of large means and exceptional business capacity and sagacity."⁷⁶

An examination of companies receiving Mechanics' National Bank loans cross-referenced with each company's incorporation charter indicates a major level of participation by Sam Luttrell in businesses supported by Mechanics' National Bank loans (Table 10). In his lifetime, Luttrell became renowned for his participation in Knoxville business enterprises. A newspaper report noted that "at one time [he] was president of 29 Knoxville business concerns," while another stated in 1932 that Luttrell, at the age of 88, was "now a stockholder in 76 corporations."⁷⁷

Ten shares of Mechanics' stock, at a cost of one hundred dollars per share, allowed the directors access to Mechanics' lending power. The directors actively, aggressively and persistently used their position to secure loans for their own business interests and those of their associates. While Sam Luttrell authorized the majority of signature loans to companies where he had personal involvement, the other officers and directors utilized the availability of capital to provide financing for a variety of businesses. Among the companies listed in Table 10 where Luttrell had interests, several included additional participation by other Mechanics' National Bank officers and directors either as stockholders or directors.

⁷⁶ Bank Examiner's Report, Ibid., 9 June 1887.

⁷⁷ Knoxville Journal, 21 November, 1933; Knoxville Sentinel, 8 January 1932.

Table 10: Companies Receiving Loans from Mechanics' National Bank in Which Sam Luttrell, President, had Interests as Owner, Stockholder or Director:

Company:
S.B. Boyd Wholesale Drygoods Brookside Cotton Mills Crescent Marble Co. *East Tennessee Coal Co. Eldridge Implement Co. Jellico Coal Mining Co. Knoxville Brewing Co. Knoxville Brick Co. Knoxville City Mills Knoxville Cotton Mills Knoxville Electric Light and Power Co. *Knoxville Fire Insurance Co. *Knoxville Land & Improvement Co. *Knoxville Real Estate Co. Knoxville Woolen Mills North Knoxville Land Co. Peoples Telephone Co. Poplar Creek Coal & Iron Co. *Red Cross Soap Co. J. Allen Smith Co. *Southern Building & Loan Association Unaka Soap Works * Companies owned by Sam Luttrell

Source: Incorporation Charters, 1875-1966;
Secretary of State, Tennessee State Archives, Record
Group 42, Series IV; Bank Examiner's Reports, Ibid.

Primarily ten men controlled the majority of stock in Mechanics' National Bank and made the bulk of the loan requests. The three primary recipients of loans were the officers, Sam Luttrell, Martin Ross and Joseph McTeer. In addition, seven other directors, while not active in the day-to-day bank operations, influenced loans made to companies where they had either ownership or stockholder investments. Their investment in Mechanics' Bank stock paid additional dividends to them as their own companies prospered and returned dividends and profits based on Mechanics' Bank loans.

Table 11 indicates those companies where the bank's officers and directors had financial or personal interests in the company's receiving loans. Unless the Incorporation Charter specifically listed the name of a Mechanics' Bank director, the Table relies on the word of the Bank Examiner for "Directors Interest" in a particular company.

Loans made to the bank's officers and directors varied from a low of 5.3 percent of all loans in 1898 to a high of 19.6 percent of all loans made in 1891. In order to gauge the level of insider loans, the Bank Examiner Records for all Knoxville national banks were examined for the year 1890. It was judged that 1890 was far enough away from the effects of the Panic of 1873 and just outside the events leading to the Panic of 1893 to reflect a fairly normal year. Table 12 indicates other national banks in Knoxville reflected a more liberal attitude than Mechanics' Bank in their approval of insider loans.

Table 11: Companies Receiving Loans from Mechanics' National Bank in Which Officers, Directors or Head Cashier had Interests as Owners, Stockholders or Directors:

Company Name	Number of Directors with Interests
American Standard Handle Co.	1
J.E. Borches Co	2
Coal Creek Coal Co.	4
Central Market Co.	unknown
Consolidated Coal	2
Elm Wood Land Co.	1
Fountain Head Hotel Co.	1
Jellico Coal Mining	1
Jones Brick Co.	2
Knoxville & Augusta Railroad	1
Knoxville Car Wheel Co.	3
Knoxville Cotton Mills	3
Knoxville Electric Light & Power Co.	2
Knoxville Fire Insurance Co.	6
Lonsdale Beaumont Water Co.	1
Peoples Telephone Co.	3
Southern Building & Loan Assn.	3
West Knoxville Improvement Co.	1

Source: Incorporation Charters, Ibid.

Table 12: Percentage of Loans Made by National Banks to Companies in Which Officers and Directors Held Interest, 1890:

Bank	Percentage of Loans
Third National Bank	12.6 %
City National Bank	10.1
Mechanics' National Bank	7.9
Holston National Bank	3.8

Source: Bank Examiner's Report, 21 May 1890.

Personal and business interaction between the directors extended beyond the bank's board room. They formed a network of business and investment interaction in which affiliation with a bank played a major role. They exhibited a pattern of reliance on personal business networks for information, influence and capital as they formed an interlocking network of companies where they were owners, directors or stockholders. W.P. Washburn provides an example of this network. While a major stockholder in Mechanics' National Bank, Washburn held office as vice president of Knoxville Gas & Light Company, acted as Secretary of Knoxville Car Wheel Company, and held a position as Vice President of Sam Luttrell's Knoxville Fire Insurance Company - all beneficiaries of Mechanics' National Bank loans. Luttrell's insurance company, incorporated in 1878 with Thomas O'Conner one of the original charter members, maintained several Mechanics' National Bank directors on its board, including M.L. Ross and Joseph McTeer. In an unusual example of interlocking companies, in 1882 Poplar Creek Coal Company and Coal Creek Mining and Manufacturing held a joint annual meeting as most of the Directors held positions on both boards.

The federal prohibition of mortgage lending by national banks did not prevent Sam Luttrell and several directors from land speculation and mortgage lending. They formed independent land companies, and issued mortgages with money they borrowed from Mechanics' National Bank. Luttrell's Knoxville Land & Improvement Co. incorporated in 1886 in order "to buy large tracts of land, subdivide... and provide real estate loans." Loans to this company regularly approached the 10,000 dollar loan limit. Luttrell's Knoxville Real Estate Company, formed in 1887, included M.L. Ross, and Joseph McTeer as directors and the company regularly received the loan limit of 10,000 dollars. In addition, Mechanics' National Bank held 110 shares of

Knoxville Real Estate Company stock "to be charged to stock & bond account...bought as an investment and to control account of company which carries a large balance in deposit." ⁷⁸

In addition to real estate loans, Sam Luttrell authorized numerous loans on his signature alone. These signature loans regularly drew the Bank Examiner's attention as these loans reflected the decision-making authority and the business acumen of the bank's president. Within the context of the aftermath of the Panic of 1893, the Bank Examiner cautiously noted "The liability of the Pst. is larger than desirable... I think the bank would be benefited by a reduction of his liability." The examination in the summer of 1894 revealed an extremely high total of Overdue Paper and Bad Debts, listing \$107,054 in bad loans, and causing the bank examiner's notation "Bank has quite a heavy load to carry, with the number of Co's in which the Prest. is interested and himself maker and endorser for 48,555.80; otherwise the bank is in good condition..."⁷⁹

By 1897, with the improvement of economic conditions, President Luttrell's signature loans, now a larger amount than ever, constituted no problem for the Examiner. By the turn of the century, Mechanics' National Bank granted 19.6 percent of all loans solely on Luttrell's signature with no collateral and with the complete confidence of the federal Examiner.

Bank's condition is sound. Business prosperous. Management conservative. It appears bank has assets not shown on its books which with its undivided profits, are sufficient to pay its probable losses and not intrench [sic] on its surplus.⁸⁰

⁷⁸ Incorporation Charters, Ibid.; Bank Examiner's Report, 29 June 1889.

⁷⁹ Bank Examiner's Report, 31 January, 1894; 1 August 1894.

⁸⁰ Bank Examiner's Report, 3 February 1898.

The "assets not shown on the bank's books" included stocks purchased by the bank for investment and listed at purchase price rather than the higher market value.

The Examiner's Reports exhibited concern with what they termed 'Largest Loans,' or 'Overloans.' National banks could not lend any one individual or company more than ten percent of its capital. Mechanics' National Bank could not lend any company or individual more than ten thousand dollars. This restriction became a serious impediment toward the end of the century as businesses required larger loans and competition increased among Knoxville's banks. Without punitive enforcement of the statute, several aggressive national banks in Knoxville simply ignored the statute. Mechanics' National Bank circumvented the statute by issuing a maximum loan in the company's name and an additional personal loan to a principal in the company. In one instance, an Examiner recognized that a director received a ten thousand dollar personal loan while his firm received an additional eight thousand dollar loan.⁸¹

The Examiner's Reports also indicated that Mechanics' National Bank willingly retained loans on their books for years, even decades with no visible activity toward paying off the loan, calling the loan due or re-negotiating the loan. The examiner noted in 1898 that the "... large amount in payment is the result of the boom days of 1890-92." An analysis of fifty-nine loans issued between 1882 and 1907 reveals forty-four percent remained on the books in 1907, with some loans dating back to 1885. Observation indicates that Mechanics' National Bank regularly granted loans on demand rather than for a specific length of time. As long as the bank did not demand repayment, the

⁸¹ Campen and Mayhew, "The National Banking System," 132; Bank Examiner's Report, 2 February 1898.

loan remained in good standing on the books. Mechanics' National Bank also chose to ignore the common banking practice of re-negotiating long held loans. When the bank accepted stock as collateral, the books reflected the value of that stock at the amount of the unpaid debt rather than at its market value. Since many of the stocks appreciated in value, it appears that Mechanics' Bank undervalued the stock it held as collateral by declaring the loan value rather than the market value of the stock, providing another indication of the conservative accounting practices of Mechanics' Bank. Ironically, this practice prompted the first criticism of the bank by an Examiner:

...bank has a large portion of its loans & discounts past due - much of which has been standing for some time...Cashier Oates represents these securities as sufficient and thinks there will be no losses. Hard to tell. ⁸²

Unlike their competitors, Mechanics' National Bank refused to recapitalize to raise their loan capabilities until after the turn of the century. By 1905, industrial loan requests strained the ten percent capitalization limit placed on national banks. Many industries sought multiple loans from several banks to provide their growing financial needs. [Refer back to Table 9 - A Decade of Growth - bank deposits 1896-1900 had grown 34%. While 1900-1906 deposits had grown by 158%. It was time to grow. In 1905, Mechanics' National Bank finally authorized a new stock offering to increase the capital stock from 100,000 dollars to 200,000 dollars, thus raising their loan capabilities to twenty thousand dollars per request. The Knoxville newspapers downplayed the stock sale correctly noting: "This additional stock will probably be taken up by the

⁸² Bank Examiner's Report, 24 August, 1898; 3 February 1898.

present stockholders." Luttrell, Maynard, Oates and Ross purchased the majority of the new shares of stock. While at first glance it appeared that women purchased over twenty-one percent of the new stock, a closer analysis reveals these female buyers were not making independent stock purchases but were wives, daughters and female in-laws of existing board members.⁸³

The loans and financial activities of Mechanics' National Bank reflect the region's growing industrial activities of mining, lumber, real estate, and mill building. As men of commerce, they quickly formed a financial coalition, pooling resources and knowledge, to take advantage of the new industrial opportunities. While they invested in a wide range of companies, they restricted those companies to ones where they had experience, active participation, or financial interest, allowing them to maintain control over the future activities and growth of the business. This financial conservatism permeated other Knoxville banks as well. East Tennessee National Bank, 1876 to 1939, counted among its charter and board members F.H. McClung, W.W. Woodruff, Joseph Jacques, E.J. Sanford and B.R. Strong. These men, listed among Knoxville's commercial and business elite, also invested in mining, marble and real estate. They invested in Coal Creek Mining Company, Knoxville Iron Company and the Lenoir Car Company. Since Mechanics' National Bank made no loans to any of these companies, it's possible that their bank, East Tennessee National Bank, was the lender of choice. Knoxville business leaders allied with one bank exclusively, as the Bank Examiner's Report made special note of any board member allied, even temporarily, with

⁸³ Correspondence, Mechanics' National Bank, Record Group 101. National Archives, Washington, D.C.; Knoxville Journal, 10 January 1905.

another bank. In only one instance, in 1882, shareholder E.J. Sanford had temporarily stepped in to provide stability and head Mechanics' National Bank after O'Conner's sudden death. Within a few months, Sanford resigned from Mechanics' National Bank and returned to his position as vice president of East Tennessee National Bank.⁸⁴

Banks formed spheres of financial influence dictated by the men who owned and controlled each bank. While some investments overlapped, each bank acted primarily on the interests of their group, leaving little opportunity for a new venture much less a risky one. In the late nineteenth century, urban bankers were more akin to country bankers as they extended credit based on their knowledge of the personal history of the borrower. Knoxville's business class was formed by men who grew up together, worked together or married into the family. The banking pattern established by Mechanics' National Bank relied heavily on these business and kinship relations.

Loans, investments and companies controlled by the directors and officers of Mechanics' National Bank impacted the community as the coal mines, marble quarries and textile mills provided jobs. The land and mortgage companies they created provided homes for the workers. They saw this as profitable business, not boosterism.

In 1907 Knoxville sponsored a souvenir history booklet designed to promote the many and varied industries of the city. The book's title indicates Knoxville's industrial recruitment attempt : "*Souvenir History of Knoxville. The Marble City and Great Southern Jobbing Market: Its Importance as a Manufacturing Center and Its Manufacturing Possibilities.*" Inside the

⁸⁴ Incorporation Charters, Ibid.

booklet, the city promoters touted Knoxville with a litany of positives from its location and weather to the availability of foodstuffs grown throughout the neighboring countryside. Advertisements placed throughout the booklet read like a directory of Knoxville's commercial, wholesale, banking and manufacturing establishments. Mechanics' National Bank chose not to advertise. Mechanics' Bank advertised very little throughout its history. Its absence from this industrial recruitment brochure indicates the attitude toward boosterism and close look at the men of Mechanics' National Bank reveals their lackluster participation in booster activities.⁸⁵

From 1896 to 1914 Knoxville was swept by a great booster fever. A proliferation of clubs, organizations and trade associations organized for social, civic and booster activities. Unable to pinpoint a unique position, Knoxville had adopted a variety of slogans: "Queen City of the Mountains;" "Great Jobbing Market of the South;" "Coal Market of the Southeast;" and "Largest Hardware Mantel Market in the World." From the Chamber of Commerce to the Commercial Club, a variety of organizations formed to promote the commercial and industrial assets of Knoxville. The officers and directors of Mechanics' National Bank played low-key roles in a select variety of booster organizations.⁸⁶

Few of Mechanics' Bank directors participated in local politics beyond serving as aldermen and members of the board of education. Samuel Luttrell, following his father's and grandfather's footsteps, served a non-elected 1-year term as mayor in 1879. Appointed to fill a vacancy following a mayoral

⁸⁵ Goodman, "Souvenir History," (Knoxville: 1907).

⁸⁶ Ibid.

scandal and resignation, Luttrell chose not to run for election in 1880.

Directors W.P. Washburn and H.H. Ingersoll, both attorneys, served lengthy terms on the Board of Education. Ingersoll resigned as President of the Board of Education in 1890 to accept the post as Dean of the University of Tennessee's Law School. When the Republican Club formed in 1894 "to maintain and promote the principles of the Republican Party," two stockholders became charter members, but none of the bank's officers or directors.⁸⁷

The bank's directors and officers preferred to serve with non-political community organizations such as The Humane Society, YMCA , Lawson McGhee Library , East Tennessee Historical Society, Associated Charities of Knoxville , and East Tennessee University . When the Commercial Club formed in 1885 "For the express purpose of the promotion and advancement of the jobbing interests of Knoxville and the support and protection of the wholesale commercial interests," bank director J.T. McTeer became its first president. Their purposes included fighting railroad freight discrimination, and the promotion of mail and steamboats. In addition, several directors supported the Knoxville Merchants and Manufacturers Club formed in 1889. ⁸⁸

One officer, vice president Martin L. Ross participated actively in Chamber of Commerce activities. He helped form the Chamber in 1887, signed the original charter and served as its president for five terms over the years. The Knoxville Board of Trade incorporated in 1906, without any attendance by the bank's officers and directors. Most of them, approaching their sixties, focused instead on the upcoming liquidation of the bank.⁸⁹

⁸⁷ Alice L. Howell, "Prominent Knoxvilleians," in Deaderick, Heart of the Valley, Ibid, 482-659; Incorporation Charters, Ibid.

⁸⁸ Rothrock, Ibid.; Incorporation Charters, Ibid.

⁸⁹ Rothrock, Ibid.

Fairs and expositions provided the most visible evidence of booster attempts to promote the city while wooing the surrounding countryside in support of the crusade for progress. When over thirty Knoxville businessmen signed the charter to form the committee to organize the Knoxville Centennial and Tennessee Exposition in 1891, M.L. Ross represented the sole involvement by Mechanic's Bank.

Booster fever had come too late to Knoxville to entice participation by the men who ran Mechanics' Bank. They had either become too old, too disinterested or too satisfied with their own industrial efforts that had already created new business and new jobs for Knoxville. Michael J. McDonald and William Bruce Wheeler, in their study of Knoxville, found that by the turn of the century the prominent elite began an exodus to the new neighborhoods in the western suburbs that "symbolized a general abrogation of responsibility for the city [they] had done so much to create." By the turn of the century, industrialist William J. Oliver complained that Knoxville's conservatism retarded the city's growth. Speaking at a Commercial Club luncheon in 1907, Oliver noted "Our banks and investing citizens generally do not look with favor on any local enterprise that does not provide a job for some friend or relative or an opportunity to sell a piece of real estate at a fictitious value." ⁹⁰

In the half century between 1850 and 1900, Knox County population had grown four-fold from 18,000 to over 74,000. Oliver and other twentieth century boosters failed to credit their nineteenth century elders who had lured population to Knoxville and provided them with jobs in iron and textile mills, coal mines and commerce. Impatient with the conservatism of their

⁹⁰ Michael J. McDonald and William Bruce Wheeler, Knoxville, Tennessee: Continuity and Change in An Appalachian City. (Knoxville: University of Tennessee Press 1983), 35; MacArthur in Deaderick, Heart of the Valley, Ibid, 48.

predecessors, turn of the century boosters reflected the changing economic attitude of civic and business leaders who expected and demanded major infusions of new businesses and industries through active, vocal and aggressive recruitment.

Booster rhetoric stressed quick growth through the recruitment of new business and industry to the region. The investment climate shaped by the nineteenth century bankers, industrialists and commercial leaders in Knoxville was one of remarkable stability. Policies attuned to conservative, stable growth seemed outmoded and self-serving to the boosters who preached the gospel of massive and immediate infusion of new industry. But Mechanics' bankers had already established a history of business relations with northern investors through their bank transactions, mining investments and wholesale commerce. And they understood that outside investors preferred investing in industries they could dominate, such as extractive industries and railroads. The shareholders of Mechanics' National Bank spoke the language of dollars and cents, and investments and return on investment, leaving booster rhetoric to the politicians and newspaper editors.

V. Conclusion

*You're the City of Tomorrow, with the Spirit of the Past, And it's something just to see your colors change. I don't know how you do it, 'cause you're growing up so fast, in our hearts you're Knoxville just the same. Just the same."*⁹¹

In August, 1907, the officers and directors of Mechanics' National Bank voted to liquidate the bank, resign its national charter, and transfer its assets and liabilities to a newly-formed state bank. They sold the bank's assets to Mechanics' Bank and Trust for \$468,000 and distributed the profits to shareholders as a dividend of \$234 on each share of \$100. Within six months they again sold the bank, this time to a trio of lawyers from Washington, D.C. It was the first time outsiders had been involved with ownership of the bank. Sam Luttrell resigned, having served twenty-four years as its president, but remained as Chairman of the Board for another 15 years, until 1922. The newly-formed Mechanics' Bank & Trust, operating under a state charter, continued to operate with northern owners until purchased by Union National Bank in 1922. While the local press reminisced about the old bank, "It has had connected with it some of the most prominent businessmen of Knoxville," they also promoted the bank's new status: "The new concern starts out with a fine prospect. It is ably directed, is in touch with men who have a great power in

⁹¹ Millsaps, Ibid.

the financial world and as a trust company it is predicted that it will take high rank in the south [sic]."⁹²

By the final demise of Mechanics' Bank, Knoxville's boom years had already faded into a thick layer of industrial smoke and soot. Other regional cities such as Nashville and Chattanooga had established themselves as transportation and industrial hubs, leaving Knoxville just another stop on the line. The area's mining capabilities had leveled off as new mines opened throughout the southeast and provided competition. Manufacturing entered a decline as the manufacturers had exchanged "long-term growth and vitality for short-term profits by not replacing obsolete machinery of methods." The bank's officers and directors had participated in the boom, fueled it and profited by it, but they had not created it. ⁹³

As a fairly representative New South city, Knoxville had participated in the population and railroad boom, profited from that boom and subsequently provided the investment that created an explosion of late nineteenth century industrial activity. Knoxville's conversion from a hamlet to a commercial center to an industrial region remains a New South success story. Even if the story ends at the turn of the century, it began with the end of the Civil War.

The presence of Union forces in Knoxville brought the activities of a national market to this Upper South city sooner than to other Deep South communities. Knoxville rapidly converted from a war economy to a major wholesaling community. The relationship between the occupying Union forces, Knoxville as a Union Commissary, and Knoxville's wholesalers requires

⁹² Correspondence, Mechanics' National Bank, National Archives, , Ibid.; Knoxville Journal and Tribune, 24 August 1907; Knoxville News-Sentinel, 8 January 1932.

⁹³ McDonald and Wheeler, Ibid.

further investigation. The fact that Union forces occupied Knoxville in the last two years of the Civil War establishes a basis for urban stability. Expertise at war-related commerce afforded Knoxville's businessmen a head start in the post-war southern economic environment with its huge demands for clothing, food and railroad supplies.

The men who invested in Mechanics' Bank had roots that went three and four generations deep in antebellum East Tennessee. Their heritage placed them in the conservative rural spectrum while their urban occupations endowed them with late nineteenth century urban outlooks. With the Civil War as a watershed, many of the men of Mechanics' Bank moved from Maryville, Jefferson City and Anderson County to take residence in the city of Knoxville. Their education, early work experience and law degrees suited them more for city than rural life.

Recognizing their mutual investment needs, the stockholders in Mechanics' Bank formed a tight-knit local business coalition that would survive Civil War, Reconstruction, depression and duels. Thomas O'Conner epitomized the Redeemer industrialist with a bit of the riverboat gambler thrown in. In his story, the definition of entrepreneur included large doses of politics, railroads, convict lease and strong home-town business ties. The irony lies in the stark contrast between the flashy O'Conner and his ultra-conservative East Tennessee business associates. The alliance formed by O'Conner, Luttrell, McTeer, Ross and others pre-dated the Civil War, yet remained based on more than their Gay Street addresses. Tennessee state railroad bonds provided O'Conner with a direct infusion of capital while indirectly providing his Knoxville business associates with contacts and contracts for railroad goods and services. The railroad boom of 1865-1875 formed the basis for the interconnection of their commercial and wholesale

investment opportunities. As they worked and profited together, these men formed an interlocking network as business associates that would serve them well through their business, banking and industrial investments for the remainder of the century. While the railroad boom provided initial investment opportunities, Mechanics' Bank acted as the conduit through which local investments in land, industry and natural resources established a local pattern of investment until the twentieth century.

The shareholders of Mechanics' Bank formed a tight, interlocking network of personal and business connections based on a generation of cooperation and trust. By purchasing stock in each other's companies they also spread the liability and shared the risks. By lending money to companies in which they had interests, they supported those industries and activities that had group support. They recommended only those investments that were solid in order to protect the bank, the basis of their financial coalition. As a result, Mechanic's Bank remained extremely conservative in its lending, shunning all but the safest ventures. The elite ownership of stock in Mechanics' Bank provided the stockholders with a large pool of resources for their personal industrial investment. As a group, the stockholders attained personal and financial power within the industrial, commercial and civic community. The shareholders of Mechanics' Bank were primarily investors, not bankers. This pattern of investment, if replicated throughout Knoxville's banks, forms a matrix of conservative businessmen controlling the economic investments and industrial development of the East Tennessee region.

The National Bank Act mandated high financial requirements for obtaining a charter. The entry requirement of 100,000 dollars appeared high, but in Knoxville, the investors in Mechanics' Bank pooled their resources to provide the capital. Many of them purchased only ten shares of stock at one

hundred dollars a share. For that small sum, they gained access to a large pool of local investment capital. Mechanics' Bank also easily circumvented federal regulatory constraints against real estate loans and mortgages by forming independent, local land corporations that became some of the bank's largest depositors. Through his land companies, Knoxville Land & Improvement, and Knoxville Real Estate Company, Luttrell borrowed money from the bank, purchased land, subdivided it and provided mortgages to the purchasers.

The shareholders of Mechanics' National Bank had experience, capital and connections. They solidified their commercial and wholesale businesses, promoted their legal and professional services, and established themselves as part of Knoxville's business elite. Their expertise at commerce masked their inexperience as industrialists. Their business experience centered on the wholesale movement of goods, not the manufacture of goods. With no expertise in creating and managing industry, they placed their industrial investments in the exploitation of natural resources that required little technology or skill. The extractive industries of lumber, coal, and marble promised fast returns on investment and provided them with immediate financial success.

Given the absence of local skilled workers, experienced industrial managers and outdated technology, the shareholder's expertise lay in their financial investments, leaving the hands-on management of industry to others. They were primarily investors, not captains of industry.

Mechanics' National Bank regularly delivered dividends at the expense of industrial innovation. They neither stifled nor facilitated new industry. Instead, they were shaped by the reality of their economic environment. Local and regional markets remained undeveloped, thus marketable resources flowed north to readily available markets.

Their indifference to organized booster efforts cost them no esteem in the eyes of the community. Turn-of-the-Century booster efforts centered on regional economic development based on large infusions of northern investment. Boosters expressed enthusiasm for regional industrial development while ignoring a quarter century pattern of conservative economic investment fueled almost exclusively through local funds. As boosters cast aspersions on the existing civic elite, they forgot the lessons that had already been learned: while Knoxville's businessmen were establishing local investment strategies, Northern investment patterns increasingly spread to the West. The devastation of war had left the South with political, economic and racial baggage that contrasted sharply with the new, vibrant West in the competition for northern investment capital.

To leading Knoxvilleans, black smoke and a burgeoning population represented progress. The need to plan for and confront the problems of long-term economic growth remains a twentieth century concept. Throughout the Examiner's Reports the men of Mechanics' often describe their occupation as "capitalist" but never "entrepreneur." They were not entrepreneurs in the modern definition of the word as entrepreneurship requires a high degree of technology and risk.

In the early postbellum years, with no federal, state or other avenues of financing available, economic stimulation became a local affair. Mechanics' stockholders invested in secure, conservative ventures, reflecting their desire to marshal their resources rather than gamble with them. Knoxville financed its own industrial growth without waiting for, or banking on, capital investments from northerners. The stockholders at Mechanics' National Bank did not oppose, promote or lead the efforts to industrialize Knoxville. But by controlling a primary source of financing, they influenced the speed, scope

and direction of industrial and commercial growth, thus putting the stamp of conservatism on the town's future.

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