

Investigating the Rise and Fall of Indian Trading Houses, 1795–1822

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ABSTRACT

Between 1795 and 1822, the United States government established and operated a series of Indian trading houses (or “government factories”) on the western frontier. These trading houses purchased pelts and other items at fair market price from Natives and sold domestic and imported products to them for cost. The belief was that these trading houses would counteract the fraudulent practices pursued by private traders (both foreign and domestic) on the frontier, tie the Natives into closer relations with the United States (as agents of Spain and Britain lurked nearby), and ultimately enable greater Indian land sales to the United States. The trading houses showed some successes over their lifespan, but they ran afoul of private traders who viewed them as unwanted competition. Eventually, following the Panic of 1819 and succeeding depression, the enemies of the trading houses were successful in lobbying Congress for their abolition. This paper examines the factors behind the rise and fall of Indian trading houses from the perspective of the president and Congress, via a legislative policy history that incorporates all key proceedings and roll-call votes.

Keywords: Congress; the President; Indian trading houses

Introduction

After the American colonies broke from Great Britain and established their own nation — the United States — they faced a set of collective-action problems

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that their mother country had previously dealt with. One such problem, made clear from the terms of the Treaty of Paris (1783), was control of the new land area in the West — beyond the Appalachian Mountains and extending to the Mississippi River — that was ceded by the British. While the United States now ostensibly owned this large territory, leaders recognized that the Native inhabitants — the American Indians — were still present and would contest such ownership. Yet, a growing American population created pressure to extend homesteads and communities into this new land, which meant that White Americans increasingly came into contact — and often conflict — with various Indian tribes.¹

As a result, some military conflict on the new western frontier occurred, with the US army often coming out on the losing side. Results from these engagements convinced most US leaders that the army was too small and weak to be a conquering force in the West. Thus, creating and managing relations with the various Indian tribes was a vital necessity. Formal treaties were established to demarcate boundaries and protect both the tribes and American settlers from depredations. But fairly quickly, US leaders recognized that a set of formal rules (laws) was also needed for systematically managing relations — “trade and intercourse” — with the Indian tribes. During the Confederation years, in a series of Ordinances, an initial licensing system for trade with the Indians was established, district superintendents of Indian affairs were established, and Congress was given sole and exclusive rights to deal with the Indians (Horsman, 1967). With the advent of the Constitutional Republic, however, calls were made for more encompassing legislation, and Congress passed a set of Trade and Intercourse Acts — temporary ones in 1790, 1792, 1796, and 1799, and the first permanent one in 1802 — to protect Indians and their land and regulate commerce between White Americans and the Indian nations (Prucha, 1962).

Apart from treaties and laws to regulate trade and intercourse, however, there was a third strategy pursued to manage relations with the Indian tribes: the creation of Indian trading houses. This was an idea pushed by President George Washington, whereby a set of government trading houses (or “factories”) would be created on the frontier to enable better commercial relations and promote good diplomatic relations with the Indians (Nichols, 2016; Prucha, 1994). Washington envisioned these trading houses purchasing Indian pelts and other items at fair market price and selling domestic and imported products to the Natives for cost. He believed that trading houses would counteract the fraudulent practices pursued by private traders (both foreign and domestic) on the frontier, tie the Indians into closer relations with the United States (as agents of Spain and Britain lurked nearby), and ultimately enable greater

¹The literature on American western expansion and “empire” is large. Some good recent accounts include White (1991), Saler (2015), Frymer (2017), Witgen (2021), and Blackhawk (2023).

Indian land sales to the United States. The first Indian trading house laws were enacted in 1795 and 1796, and Congress passed additional legislation — and the trading-house system was expanded — over the quarter century.

Indian trading houses were among the first “federal government corporations.”² There were 29 Indian trading houses authorized at various points between 1795 and 1822, covering (what are now) 12 states.³ (See Appendix 1 for a list.) They were typically located near forts, so that the army could provide both assistance and protection. The types of goods that the factories sold included blankets, brass kettles, calico, cigars, guns, gunpowder, knives, needles, rifles, saddles, shirts, shoes, strouds, and tobacco; the types of goods purchased by the factories from Indians included furs and pelts (bear, beaver, cat, deer, fisher, marten, mink, muskrat, otter, and raccoon), feathers, lead, sugar, tallow, and wax (Nichols, 2016, pp. 131–32). The total value of the goods — in both nominal and real (2022) terms — shipped to the factories from 1805 to 1819 is illustrated in Table 1.

The Embargo Act of 1807 hindered shipments to the factories, as American products were not readily available — or were often inferior — to substitute for foreign products. Shipments then fell during the years spanning the War of 1812, before ramping up again starting in 1815. A significant decline occurred in 1819, the first year of the financial panic, and (beyond the scope of the Treasury report) continued during the depression years that followed.

Trade with the Indian nations comprised most of the major legislative enactments of the early decades of the new US constitutional republic. Stathis (2014) provides a list of “landmark legislation” across American history; for the first 17 Congresses (1789–1823), he lists seven landmark laws dealing with Indian Affairs. Of those seven landmark laws, six deal specifically with issues of trade. And of those six landmark laws, three deal specifically with Indian trading houses. (See Appendix 2 for the list.) This serves as *prima facie* evidence of the importance of Indian trading houses as a key element of federal Indian policy from the Washington through Monroe administrations.

In the years after the War of 1812, however, increased pressure was placed on the Indian trading houses. Private traders — both large and small — had grown more numerous and influential over time, and they actively opposed reauthorizations. Supporters of the trading houses, inside and outside of

²The Congressional Research Service defines a federal government corporation as “an agency of the federal government, established by Congress to perform a public purpose, which provides a market-oriented product or service and is intended to produce revenue that meets or approximates its expenditures” (Kosar, 2009, p. 2). The First Bank of the United States (1791) and the U.S. Post Office Department (1792) were examples of federal government corporations in existence at the time the Indian trading houses were officially created in 1796.

³Of these, 28 were operating at some point. The 29th, at St. Peters in Minnesota, was authorized in 1821 (to be a consolidation of the factories at Green Bay and Chicago) but was never opened.

Table 1: Total value of goods shipped to government factories, 1805–1819.

Year	Nominal (Actual) Dollars	Real (2022) Dollars
1805	71,530	1,840,000
1806	100,659	2,490,000
1807	39,513	1,030,000
1808	50,430	1,210,000
1809	46,354	1,140,000
1810	45,287	1,110,000
1811	42,811	984,000
1812	29,916	679,000
1813	28,494	539,000
1814	33,237	572,000
1815	68,283	1,340,000
1816	76,100	1,640,000
1817	69,709	1,580,000
1818	58,404	1,390,000
1819	29,666	704,000

Source: United States Treasury Department Report, *American State Papers, Indian Affairs*, p. 214. Real dollar estimates created using the Consumer Price Index (CPI) calculator at <https://www.measuringworth.com>.

Congress, fought off these challenges for a time, but the Panic of 1819 and subsequent depression created the need for retrenchment in government. This, combined with an active opponent in the Senate, Thomas Hart Benton of Missouri, led Congress to finally reverse course in 1822 and shut down the trading-house system.

Much has been written about federal treaties with Indian tribes and the various trade and intercourse laws, but less is known about the Indian trading houses. Some good histories exist,⁴ but most focus on the factories themselves — where they were located, how they were physically constructed, what they sold, and what their revenues and costs were — and how tribal leaders and members interacted with them. The political aspects of their creation, maintenance, and ultimate dissolution have not received as much attention. My focus in this article is on Congress’s role in the rise and fall of the Indian trading houses. I pursue a congressional policy history, by examining the legislative proceedings and laws that were crucial to the story, along with analyzing partisan and ideological coalitions using roll-call votes (when available).

⁴Stand-alone studies of Indian trading houses include Coman (1911), Way (1919), Wesley (1932), Peake (1954), and Nichols (2016). More comprehensive studies of Indian affairs with valuable sections on Indian trading houses include Wesley (1935), Harmon (1941), Viola (1974), Prucha (1986, 1994), and Rockwell (2010). Studies that focus on specific Indian trading houses include Plaisance (1952a,b, 1954) and Morris (1969).

The rest of this article proceeds in a chronological fashion with sections built around presidential administrations. I first examine the Washington/Adams years, when President George Washington pushed for the creation of Indian trading houses and Congress eventually answered his call. I then explore the Jefferson years, when a significant expansion in the trading houses occurred, before turning to the Madison years, when the War of 1812 hampered the economic health of the trading houses. I then cover the Monroe years, when opponents of the trading houses sought their demise and eventually (thanks to conditions internal and external to Congress) were successful. Finally, I conclude with a trading-house postmortem by considering the factors that led to the system's eventual demise.

The Washington/Adams (Federalist) Years

Little was said in the Constitution about managing relations with the Indians. The only reference appeared in Section 8, Clause 3, as part of the enumerated powers of Congress: “To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.”⁵ This clause and the Senate's advise-and-consent powers vis-à-vis ratification of treaties (Section 2, Clause 2) were the only Constitutional guidelines for federal lawmakers.

Nevertheless, constant contact between Whites and Indians on the frontier — often leading to “outrages” perpetrated by the former on the latter — required swift action, and President Washington and Secretary of War Henry Knox called on Congress for legislation to meet the problem head on. Congress responded with “An Act to Regulate Trade and Intercourse with the Indian Tribes,” enacted on July 22, 1790, which established a licensing system for private traders along with a punishment system (for trading without a license), prohibited land sales from Indians to Whites outside of federal treaty stipulations, and provided for the punishment of crimes by Whites against Indians on Indian land.⁶ This was a temporary measure, to be in force for only two years.

Continued disturbances on the frontier led President Washington to call for greater action. In his third annual address to Congress (October 25, 1791), he proposed a six-point plan “to advance the happiness of the Indians, and to

⁵This would be known as the “Indian Commerce Clause” — for a good history, see Ablavsky (2015). The only other reference to “Indians” in the Constitution was in Section 2, Clause 3, which notes that Indians were excluded from calculations for House representation and direct taxes. Prucha (1962, p. 42) notes that more was included on Indian relations than what ultimately appeared in Section 8, Clause 3, but it was removed in committee.

⁶1 *Stat.* 137-138. “An Act to Regulate Trade and Intercourse with the Indian Tribes.” See https://avalon.law.yale.edu/18th_century/na024.asp. For more on the Washington administration's views on Indian sovereignty and trade, see Ablavsky (2015).

attach them firmly to the United States.”⁷ When Congress made no progress on this request, he reiterated his call a year later (November 6, 1792) “to promote civilization among the friendly tribes,” even as troops were being raised to quell the continued hostilities on the frontier.⁸ Congress responded with a second Trade and Intercourse Act, enacted on March 1, 1793, that was considerably more detailed than the 1790 Act (fifteen sections compared to seven sections). It strengthened the licensing and land sale provisions and the White-on-Indian violence penalties, and added provisions authorizing the president to provide money and gifts to the tribes and punishing horse thievery.⁹ Once again, this was a temporary measure, to be in force for only two years.

But Washington sought additional action beyond the immediate conflicts on the frontier — which continued through 1793 — in order to create more permanent “ties of interests” between Whites and Indians. In his fifth annual address to Congress (December 3, 1793), he laid out his thinking clearly:

Next to a rigorous execution of justice on the violators of peace, the establishment of commerce with the Indian nations in behalf of the United States is most likely to conciliate their attachment. But it ought to be conducted without fraud, without extortion, with constant and plentiful supplies, with a ready market for the commodities of the Indians and a stated price for what they give in payment and receive in exchange. Individuals will not pursue such a traffic unless they be allured by the hope of profit; but it will be enough for the United States to be reimbursed only.¹⁰

Washington was advocating for a system of government trading houses (or “factories”) to compete with — and if Washington had his way, replace — private traders.

Washington had long thought a public solution to trade with the Indian tribes was the best course of action — having first proposed in 1783 that Congress build trading posts to provide for Indians’ needs and secure their

⁷George Washington, Third Annual Address to Congress Online by Gerhard Peters and John T. Woolley, The American Presidency Project: <https://www.presidency.ucsb.edu/node/204464>.

⁸George Washington, Fourth Annual Address to Congress Online by Gerhard Peters and John T. Woolley, The American Presidency Project: <https://www.presidency.ucsb.edu/node/205453>. By this time, the US army had suffered significant defeats in the Harmar campaign and the Battle of Wabash River. See Calloway (2018).

⁹1 Stat. 329-323. “An Act to Regulate Trade and Intercourse with the Indian Tribes.” See https://avalon.law.yale.edu/18th_century/na025.asp.

¹⁰George Washington, Fifth Annual Address to Congress Online by Gerhard Peters and John T. Woolley, The American Presidency Project: <https://www.presidency.ucsb.edu/node/206832>.

allegiance — as he “distrusted private traders, viewing them as men of poor character and bad habits” (Nichols, 2016, p. 32). And after he raised the issue again as president in December 1793, Washington made it a point to get a government trading house law enacted.¹¹ When Congress did not heed his request, he brought it up again the following year (November 19, 1794): “But I cannot refrain from again pressing upon your deliberations the plan which I recommended at the last session for the improvement of harmony with all the Indians within our limits by the fixing and conducting of trading houses upon the principles then expressed.”¹²

The House would be the first to act on the president’s request. On January 22, 1795, Rep. Josiah Parker (Pro-Admin-VA) introduced a bill for establishing trading houses for the purpose of supplying the Indian nations within the United States. Five weeks later, on February 28, the bill was considered in the Committee of the Whole. Rep. Parker spoke in favor of the bill, considering it “of the utmost consequence” and that “the expense proposed was not great, as the affair was only experimental.”¹³ Rep. William Montgomery (Anti-Admin-PA) concurred, believing “that the Indians had common sense enough not to quit allies who supplied them with articles that they wanted.” Rep. Elias Boudinot (Pro-Admin-NJ) agreed, arguing “there ever would be nor could there be a complete peace till something of this kind was done.” Rep. William Murray (Pro-Admin-MD) also spoke in favor, stating that the creation of trading houses would be part of a system that would produce “peace on the frontier.” Yet, their advocacy was for naught, as the House voted to throw the bill out, 36–41.¹⁴

Not to be denied, near the end of the 3rd Congress, the pro-trading houses coalition tried again. On March 2, 1795, Rep. Thomas Fitzsimmons (Pro-Admin-PA) moved that the president, as an experiment, “be authorized to buy goods, this season, for supporting intercourse with the Indians.” Rep. Montgomery agreed, stating that “if the Indians go to the British to buy goods, they will still be under British influence” and that “it was clear as a sunbeam that the establishment of trade be the foundation of amity.”¹⁵ The two chambers worked quickly and passed the bill the next day (the last of

¹¹ As Prucha (1962, p. 48) notes: “[Washington] was to hammer at the point again and again until he was heeded by Congress.”

¹² See George Washington, Sixth Annual Address to Congress Online by Gerhard Peters and John T. Woolley, The American Presidency Project: <https://www.presidency.ucsb.edu/node/207788>.

¹³ Party codes for members of Congress are taken from Martis (1989). In the first three Congresses, Martis classifies members by whether they supported or opposed the Washington administration. These divisions transformed into more modern institutional party divisions (Federalists and Democratic-Republicans) by the Fourth Congress.

¹⁴ All quotes come from *Annals*, 3rd Congress, 2nd session (February 28, 1795): 1262–64. The vote was by division.

¹⁵ See *Annals*, 3rd Congress, 2nd session (March 2, 1795): 1276.

the Congress).¹⁶ The law, as written, provided “a sum, not exceeding fifty thousand dollars, be appropriated to the purchase of goods for supplying the Indians within the limits of the United States, for the year 1795; and that the sale of such goods be made under the direction of the President of the United States.”¹⁷ President Washington and Secretary of War Timothy Pickering used these experimental funds to establish the first two trading houses, which would serve the Cherokee and Creek nations, at Coleraine, on the St. Mary’s River in Georgia, and at Tellico, on the Little Tennessee River in what is now east Tennessee (Wesley, 1932, pp. 490–91; Nichols, 2016, pp. 36–37).

Proponents of Washington’s Indian trading house concept would not settle for the small funds provided at the end of the Third Congress. And they were helped along by external events, principally the Jay Treaty that was ratified by the Senate on June 24, 1795.¹⁸ The treaty averted war with Great Britain — amid escalating tensions on the Atlantic Ocean in recent years — and resolved lingering issues between the United States and Britain on the American frontier. In particular, Article III of the treaty stated:

It is agreed, that it shall at all times be free to His Majesty’s subjects, and to the citizens of the United States, and also to the Indians dwelling on either side of the said boundary line, freely to pass and repass, by land or inland navigation into the respective territories and countries of the two parties on the continent of America . . . and freely carry on trade and commerce with each other.¹⁹

In short, the treaty allowed British trappers and fur traders — coming down from Canada — to operate freely on the American frontier, and (to many) threatened American security and control in those land areas. Increased relations between the British (through their private citizens) and the Indians was now considered a clear and present danger — and improving American relations with the various tribes was of paramount importance. A serious effort at developing Indian trading houses on the frontier thus became a critical diplomatic imperative.

¹⁶ *Annals*, 3rd Congress, 2nd session (March 3, 1795): 1282. No votes were recorded.

¹⁷ 1 *Stat.* 443. “An Act Making Provision for the Purposes of Trade with the Indians.” See https://avalon.law.yale.edu/18th_century/na027.asp.

¹⁸ The vote was 20–10, which was the bare supermajority necessary (i.e., two-thirds) for ratification. Voting on the Jay Treaty was an important factor in the move from informal party divisions in Congress (Pro-Administration vs. Anti-Administration) to more formal ones (Federalists vs. Democratic-Republicans). See Hoadley (1986) and Aldrich (1995).

¹⁹ For the full set of treaty provisions, see https://avalon.law.yale.edu/18th_century/jay.asp.

President Washington made this point clear in his seventh annual address to Congress (December 8, 1795),²⁰ and his co-partisans in the Fourth Congress acted quickly. On December 29, 1795, Rep. Parker reported a bill from committee to establish trading houses for the Indian tribes.²¹ Consideration began on January 8, 1796, as the House debated provisions and made amendments. Rep. Zephaniah Swift (F-CT) argued against the bill, as he “disapproved of public bodies being concerned in trade” and believed “it [was] always managed better by individuals.” Rep. Nathaniel Macon (DR-VA) agreed, stating “the business was highly improper for Government to embark in.” Parker responded with support for the bill, as “he wished a fair experiment to be made” and argued that “it will cost much less to conciliate the good opinion of the Indians than to pay men for destroying them.” Rep. James Hillhouse (F-CT) supported Parker in pushing for a fair experiment. Rep. John Swanwick (DR-PA) noted the concerns about British traders’ influence over the Indians, and thought that the best route for balancing or countervailing this generally was via private American citizens. But he also recognized that Americans traders were not sufficiently ready for the task, and that “Government, alone, can do this in the infancy of commerce.” Rep. Murray agreed with Swanwick that “supplanting the British traders in their influence over the tribes” was best done by “the mediated mode of supply by public agency” — i.e., the trading houses — and not by private individuals.²²

Consideration of the bill continued on January 13, 1796. Much of the debate centered on how much money to appropriate. Reps. Parker, Hillhouse, Isaac Smith (F-NJ), and Aaron Kitchell (DR-NJ) advocated for \$200,000, while Rep. John Williams (F-NY) countered with \$100,000. Rep. Giles came down in the middle — \$150,000 — but was also “exceedingly disposed to doubt whether the bill, if passed, would produce the good consequences expected from it.”²³ Further consideration was postponed until February 1, 1796, when an appropriation for \$150,000 was moved. Rep. Robert Goodloe Harper (F-SC) sought to recommit the bill to committee — and thus kill it — because he was worried about trusting public money to individuals “at fifteen hundred or two thousand miles’ distance.” Harper’s recommittal motion failed, 34–52.

²⁰Washington’s address included this language: “if there can be added an adequate provision for supplying the necessities of the Indians on reasonable terms (a measure the mention of which I the more readily repeat, as in all the conferences with them they urge it with solicitude), I should not hesitate to entertain a strong hope of rendering our tranquillity permanent. I add with pleasure that the probability even of their civilization is not diminished by the experiments which have been thus far made under the auspices of Government.” See George Washington, *Seventh Annual Address to Congress Online* by Gerhard Peters and John T. Woolley, The American Presidency Project: <https://www.presidency.ucsb.edu/node/206729>.

²¹*Annals*, 4th Congress, 1st session (December 29, 1795): 170.

²²All quotes come from *Annals*, 4th Congress, 1st session (January 8, 1796): 229–32.

²³For all debate, including the Giles quote, see *Annals*, 4th Congress, 1st session (January 13, 1796): 240–43.

The motion to insert \$150,000 as the appropriation amount passed (56 votes in favor). And, finally, after additional consideration, the bill — as amended — passed (58 votes in favor).²⁴ The Senate received the bill from the House the next day, and after more than a week of consideration and amendment, passed it on February 11.²⁵ Additional amending on the part of both chambers occurred — which included the work of a conference committee — before a final bill (to be in force for a term of two years, and to the end of the next session of Congress thereafter) was passed on April 11, 1796.²⁶ President Washington signed it into law a week later.²⁷

By the Spring of 1796, the purpose of Indian trading houses had evolved with external events. As Wesley (1932, p. 492) notes, “the bill establishing the government factory system may be summed up as (1) diplomatic, since its purpose was to destroy British influence and secure the friendship of the Indians, (2) economic, in that it sought incidentally to eliminate British traders, and (3) military, as a system of controlling the Indians.” Administration officials used the appropriation to shore up the two trading houses created the year before — at Colerain and Tellico — and establish a new trading house at Fort Wilkinson in Georgia.²⁸ New agents and clerks were also hired, and (per the new law) goods were priced merely to maintain the principal.

While support for a government-operated factory system on the frontier finally commanded majority support in Congress, there was also evidence by mid-1796 that external forces were building against it.²⁹ As the prior debates indicated, many members of Congress felt that private American traders were too few and inexperienced — and the American fur trade too nascent — to compete effectively against British (and other foreign) traders on the frontier.³⁰ Many members also believed — led by President Washington — that maintaining good relations with the tribes was essential, in order to safeguard White settlers on the frontier (as the US army was too small and weak to protect them effectively). In fact, the American fur trade grew rapidly in the latter-half of the 1790s (Clayton, 1966), and entrepreneurs like John Jacob Astor reacted to the provision in the Jay Treaty wherein the British surrendered western ports (on the Great Lakes) to secure more furs

²⁴For all debate and discussion of votes, see *Annals*, 4th Congress, 1st session (February 1, 1796): 282–85. All votes were by division.

²⁵See *Annals*, 4th Congress, 1st session (February 2–11, 1796): 42–45.

²⁶*Annals*, 4th Congress, 1st session (April 8, 1796): 67–68; (April 11, 1796): 904.

²⁷1 *Stat.* 452–453. “An Act for Establishing Trading Houses with the Indian Tribes.” See https://avalon.law.yale.edu/18th_century/na028.asp.

²⁸The trading house at Fort Wilkinson (established in 1797) actually replaced the trading house in Colerain (Prucha, 1994, p. 124).

²⁹For a useful theoretical account of how White leaders’ thinking vis-à-vis the Indians changed over time as forces around them changed — along with some empirics — see Anderson and McChesney (1994).

³⁰While Americans’ main fear was the British (and Canadians) coming down from the North, they also feared the Spanish in Florida and Mexico.

independent of Canadian control and to gain access to new markets (Haeger, 1988). And in August 1794, a newly reorganized US army, under the command of General “Mad” Anthony Wayne, achieved a commanding victory against the Northwestern Confederacy of Indian tribes at the Battle of Fallen Timbers in Ohio — which was viewed as “opening up of the West” to safe White migration (Hogeland, 2017; Stockwell, 2018).

These forces can be seen on the roll-call votes that exist on related policy at the time — specifically on the third Trade and Intercourse Act, adopted on May 19, 1796.³¹ It was built on the previous two Acts with “additional provisions restricting the whites who looked upon the Indian lands with covetous eyes and upon the Indians themselves with murderous intent” (Prucha, 1962, pp. 49–50). Debate in both chambers was rancorous, and votes on the various provisions were often close. Three amendments elicited roll calls, two in the Senate and one in the House: (1) that no penalty shall be brought against an individual who illegally enters Indian country in search of stray horses or other stock (Senate: failed, 11-13), (2) eliminating the penalty of \$50 for illegally entering Indian country (Senate: failed, 11-14), and (3) preventing forfeiture of land by anyone who shall enter upon it to survey or attempt to mark out Indian lands (House: failed, 36-47).

Table 2 presents results from some simple regressions on these roll calls (DV = 1 if yea, 0 if nay), using party (Democratic-Republican = 1, Federalist = 0) and ideology (the first two DW-NOMINATE dimensions) as covariates.³² Clear associations are present. First, Democratic-Republicans were significantly more likely to vote in the anti-Indian direction (i.e., voting “yea” on each amendment). Second, the first (left-right) NOMINATE dimension is significant on all three roll calls, with more “liberal” members more likely to vote in an anti-Indian direction. Overall, these regression results suggest that, as of mid-1796, a coalition was emerging — disproportionately made up of Democratic-Republicans (in terms of party) and those on the left of the main policy dimension (in terms of “revealed” ideology) — to limit Indian rights.

The remainder of the 1790s saw the Indian trading house initiative stagnate. As President Washington gave way to President John Adams following the

³¹1 *Stat.* 469-474. “An Act to Regulate Trade and Intercourse with the Indian Tribes, and to Preserve Peace on the Frontiers.” See https://avalon.law.yale.edu/18th_century/na030.asp.

³²NOMINATE scores, which represent a measure of ideology (or “central tendencies”) for members of Congress, is ubiquitous in the political science literature. See Poole and Rosenthal (2007). For a useful introduction to NOMINATE, see Everson *et al.* (2016). We use a particular type of NOMINATE scores — Nokken–Poole DW-NOMINATE scores, also known as One-Congress-at-a-Time DW-NOMINATE scores — as the scaling allows for the maximum amount of movement (in either a left or right direction) from Congress to Congress (Nokken and Poole, 2004). For more information, see <https://legacy.voteview.com/Nokken-Poole.htm>.

Table 2: Factors associated with vote choice on key amendments, 4th Congress.

Variable	Senate Vote 1	Senate Vote 1	Senate Vote 2	Senate Vote 2	House Vote	House Vote
Democrat-Republican	0.87*** (0.09)		0.87*** (0.09)		0.72*** (0.07)	
DW-NOMINATE 1		-0.69*** (0.07)		-0.71*** (0.07)		-0.95*** (0.05)
DW-NOMINATE 2		-0.29** (0.08)		-0.15 (0.10)		-0.03 (0.06)
Constant	0.13 (0.09)	0.56*** (0.05)	0.13 (0.09)	0.56*** (0.06)	0.05 (0.04)	0.64*** (0.04)
<i>N</i>	24	24	25	25	83	83
<i>R</i> ²	0.71	0.82	0.72	0.76	0.53	0.64
<i>F</i> -stat	53.63***	95.40***	57.96***	84.39***	96.96***	170.74***

Note: Coefficients are OLS estimates with robust standard errors in parentheses. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

1796 election, a fourth Trade and Intercourse Act was adopted in 1799.³³ But nothing was done to extend the government factory system, as the temporary legislation was allowed to lapse on March 4, 1799 (the final day of the 5th Congress). Why an extension was not pursued is unclear. Prucha (1994, p. 118) suggests that perhaps President Adams, being a “New Englander, did not push it aggressively.” Nevertheless, the trading houses at Fort Wilkerson (which replaced Colerain) and Tellico endured. As Wesley (1932, p. 492) notes: “The mere lapse of the law could not extinguish the capital invested nor suddenly deprive factor of their positions; so the system was continued by sufferance.”

The Jefferson Years

After Thomas Jefferson’s election as president — which required a vote in the House of Representatives on February 17, 1801, to settle the race — he made trade with the Indians a priority of his administration. He sought a new and permanent Trade and Intercourse Act, which Congress passed and Jefferson signed on March 30, 1802.³⁴ Jefferson also noted the lapse of the Indian trading

³³1 Stat. 469-474. “An Act to Regulate Trade and Intercourse with the Indian Tribes, and to Preserve Peace on the Frontiers.” See https://avalon.law.yale.edu/18th_century/na034.asp.

³⁴2 Stat. 139-146. “An Act to Regulate Trade and Intercourse with the Indian Tribes, and to Preserve Peace on the Frontiers.” See https://avalon.law.yale.edu/19th_century/na005.asp.

house law and asked Congress to revive the system and extend it.³⁵ Congress acted quickly on renewal, and a new law was enacted on April 30, 1802 — which allowed the trading-house system to continue in force until March 4, 1803.³⁶ Secretary of War Henry Dearborn was then given presidential approval to establish four new trading houses, which he did at Fort St. Stephens (Alabama), Chickasaw Bluffs (Tennessee), Fort Wayne (Indiana), and Detroit (Michigan).

Up until this time, the Federalists were the prime movers of the government factory system. Democratic-Republicans were routinely critical of Federalist efforts to expand government power — including the Indian trading houses — and Jefferson promised retrenchment generally should he be elected president. And while he pursued this track once in office, he did not apply the philosophy to the Indian trading houses.³⁷ Indeed, he expanded the government factory system well beyond the initial reauthorization in 1802. Why? Nichols (2016, p. 44) provides part of the answer:

The Democratic-Republicans expanded the factory program because, while they believed in a limited federal government, they also favored the expansion of American settlements and thought that trading houses could help effect this goal cheaply and peacefully.

Peters notes one aspect of Democratic-Republican philosophy that is often overlooked — they were *expansionists*. (This became increasingly clear after the small-government Jefferson agreed to purchase the Louisiana Territory — a large swath of land west of the Mississippi River, which doubled the size of the young republic — from France in April 1803.) Democratic-Republicans opposed generally the heavy hand of the federal government in the West, but they supported the independent migration of yeoman farmers into the region.

³⁵ *American State Papers, Indian Affairs*, Volume I, 653. Jefferson was reacting (at least in part) to the report on December 8, 1801, by Secretary of War Henry Dearborn, who examined the “books” of the two trading houses in existence, and determined “the business . . . has been so managed, as, from the best information to be obtained, not only to save the original stock from diminution, but even to increase it about three of our percent.” Dearborn argued that Indians greatly appreciated the trading houses as ready stores of supplies and the factors as honest brokers. He concluded his report by remarking “The intercourse which grows out of such establishments has a powerful tendency toward strengthening and confirming the friendship of the Indians to the people and Government of the United States, and towards detaching them more and more from the influence of neighboring Governments.” *American State Papers, Indian Affairs*, Volume I, 654–55.

³⁶ 2 Stat. 173. “An Act to Revive and Continue in Force, An Act Entitled ‘An Act for Establishing Trading Houses with the Indian Tribes.’” See https://avalon.law.yale.edu/19th_century/na006.asp. Also see *Annals*, 7th Congress, 1st session (April 27, 1802): 1249 [House]; (April 28, 1802): 296 [Senate]. No debate or votes were recorded in the *Annals*.

³⁷ Jefferson and his Democratic-Republican majority in Congress, for example, lowered federal taxes, reduced the size of the army and navy, and slowed construction projects in the District of Columbia (Nichols, 2016).

Jefferson was willing to make an exception for government “intrusion” vis-à-vis Indian trading houses because of the positive spillovers they would create. That is, Jefferson, as a firm proponent of White farmers settling in the West, believed Indian trading houses could help facilitate sales of land belonging to the Indians. Peters (2016, p. 45) lays out the thinking:

Providing chiefs and hunters with inexpensive good would make American officials “objects of affection to them,” while the accumulation of Indian debts at the factories would give chiefs incentive to sell lands, for “debt[s] . . . when too heavy to be paid they are willing to lop off by a cession of land.”

Jefferson also believed that Indian land cessions would be beneficial to *them*. He held that the hunting pursued by various tribes needed to be replaced by agricultural pursuits, as game would inevitably dry up (as western lands filled up) and farming (and related pursuits) would “civilize” the Indians and enable them eventually to assimilate into White society.³⁸ A turn toward agricultural pursuits would also allow US agents to strengthen their case for additional Indian land sales, as farming required less land than Indians’ traditional mode of living (Prucha, 1994).

On January 18, 1803, Jefferson sent a special message to Congress extolling the Indian trading houses and their place in Indian policy — noting particularly their role in “settling and marking boundaries with the different tribes” — and advocated for additional appropriations (to make “further progress in marking boundaries and in new extinguishments of title in the year to come”).³⁹ Not six weeks later, on February 28, 1803, Congress renewed the 1796 Act for a period of two years (and from then until the end of the next session of Congress).⁴⁰ And on March 3, 1805 — the last day of the Eighth Congress — an additional appropriation of \$100,000 was provided for establishing additional trading houses with the Indian tribes.⁴¹ Secretary of War Dearborn used these funds to open four new factories that year: in Chicago (Illinois), Belle Fontaine

³⁸For more on Jefferson’s view of the Indian nations, see Wallace (1999).

³⁹See Thomas Jefferson, Special Message Online by Gerhard Peters and John T. Woolley, The American Presidency Project: <https://www.presidency.ucsb.edu/node/204286>.

⁴⁰2 *Stat.* 207. “An Act for Continuing in Force a Law, Entitled ‘An Act for Establishing Trading Houses with the Indian Tribes.’” See https://avalon.law.yale.edu/19th_century/na007.asp. Also see *Annals*, 7th Congress, 2nd session (February 15, 1803): 522, (February 17, 1803): 534, (February 18, 1803): 543 [House]; (February 10, 1803): 81, (February 16, 1803): 91, (February 17, 1803): 100; (February 18, 1803): 101, (February 25, 1803): 207. No debate or votes were recorded in the *Annals*.

⁴¹2 *Stat.* 338. “An Act Making Appropriations for Carrying into Effect Certain Indian Treaties, and for Other Purposes of Indian Trade and Intercourse.” See https://avalon.law.yale.edu/19th_century/na009.asp. Also see *Annals*, 8th Congress, 2nd session (January 28, 1805): 1019, (March 2, 1805): 1215, (March 3, 1805): 1220 [House]; (March 3, 1805): 73, 75 [Senate]. No debate or votes were recorded in the *Annals*.

on the Missouri River just north of St. Louis (Missouri), Natchitoches on the Red River (Louisiana), and Arkansas Post on the Arkansas River (Arkansas).

Jeffersonian ambition regarding government factories — and their role in producing Indian land cessions⁴² — led the president to push for more comprehensive legislation, and on April 21, 1806, Congress responded with a new and expansive law (to be in force for three years).⁴³ It continued provisions in previous acts but (1) stipulated that it shall be lawful for the president “to establish trading houses at such posts and places on the frontiers, or in the Indian country, on either or both sides of the Mississippi river, as he shall judge most convenient for the purpose of carrying on a liberal trade with the several Indian nations, within the United States, or their territories,” (2) increased appropriations to \$260,000, and perhaps most importantly, and (3) created a Superintendent of Indian Trade, “whose duty it shall be to purchase and take charge of all goods intended for trade with the Indian nations.” The Superintendent of Indian Trade would provide greater oversight of the various factories and coordinate the important trading functions (like the purchasing and distribution of goods) that had been delegated previously to a series of agents; he was also required to provide quarterly reports to the Secretary of the Treasury.

Between 1806 and 1808, six additional government factories were created — at Sandusky (Ohio), Ocmulgee Old Fields on the Ocmulgee River (Georgia),⁴⁴ Hiwassee on the Tennessee River (Tennessee), Fort Osage on the Missouri River (Missouri), Fort Mackinac on Mackinac Island (Michigan), and Fort Madison at the mouth of the Des Moines River (Iowa). As Prucha (1994, p. 121) notes:

These new posts reflected the advance of the American frontier; as the Indians were pushed westward by white settlement, old factories were closed, and new ones, more convenient for the changing circumstances of the trade, were substituted.

⁴²In his fifth annual address to Congress, on December 3, 1805, Jefferson argued that the Indian tribes were responding favorably to “civilizing” efforts: “Our Indian neighbors are advancing, many of them with spirit, and others beginning to engage in the pursuits of agriculture and household manufacture. They are becoming sensible that the earth yields subsistence with less labor and more certainty than the forest, and find it their interest from time to time to dispose of parts of their surplus and waste lands for the means of improving those they occupy and of subsisting their families while they are preparing their farms.” See Thomas Jefferson, Fifth Annual Message Online by Gerhard Peters and John T. Woolley, The American Presidency Project: <https://www.presidency.ucsb.edu/node/202789>.

⁴³2 *Stat.* 402-404. “An Act for Establishing Trading Houses with the Indian Tribes.” See https://avalon.law.yale.edu/19th_century/na010.asp. Also see *Annals*, 9th Congress, 1st session (January 17, 1806): 342, (February 24, 1806): 497, (April 8, 1806): 993, (April 9, 1806): 996, (April 17, 1806): 1064 [House]; (April 9, 1806): 231, (April 10, 1806): 232, (April 12, 1806): 235, (April 14, 1806): 238, (April 17, 1806): 243 [Senate]. No debate or votes were recorded in the *Annals*.

⁴⁴The factory at Ocmulgee Old Fields was designated Fort Hawkins in 1808.

And finally, on March 3, 1809, the final day of the Tenth Congress and Jefferson's last day as president, Congress extended the 1806 law for an additional three years; appropriations were increased by \$40,000 (to \$300,000) and two other small changes were made.⁴⁵

In sum, Jefferson revived and expanded the government factory system while president, and he saw that it would continue in his absence. And with the election of James Madison — Jefferson's protégé and Secretary of State — to the presidency in 1808, the future of Indian trading houses seemed bright.

The Madison Years

While government factory legislation was statutorily active through March 3, 1812, the 11th Congress chose to act a year early and renew the legislation. On March 3, 1811, Congress extended the law for another three years (plus the duration of the succeeding Congress) — maintaining the (enlarged) appropriation of \$300,000, providing the president with authority to open additional trading houses, and increasing the responsibilities of the Superintendent of Indian Trade to include handling annuities for the tribes.⁴⁶ The first significant Superintendent was John Mason, who held the position from 1807 to 1816.⁴⁷ He had previously been the president of the Bank of Columbia in DC, and “worked diligently to standardize and organize recordkeeping, salaries, instructions, duties and lines of authority” (Rockwell, 2010, p. 80). He also permitted the granting of credit (with caution) and prohibited the sale of liquor in the factories.

⁴⁵2 Stat. 544-545. “An Act Supplemental to the Act Entitled ‘An Act for Establishing Trading Houses with the Indian Tribes.’” See https://avalon.law.yale.edu/19th_century/na016.asp. The two small changes were (1) \$800 was included to hire an additional clerk in the Office of the Superintendent of Indian Trade and (2) the twelfth section of the 1806 act (which called for two public auctions per year) was repealed. Also see *Annals*, 10th Congress, 2nd session (December 29, 1808): 941, (February 17, 1809): 1448, (March 1, 1809): 1546 [House]; (March 1, 1809): 453; (March 2, 1809): 454 [Senate]. No debate or votes were recorded in the *Annals*.

⁴⁶2 Stat. 652-655. “An Act for Establishing Trading Houses with the Indian Tribes.” See https://avalon.law.yale.edu/19th_century/na019.asp. Also see *Annals*, 11th Congress, 3rd session (December 26, 1810): 465, (January 17, 1811): 596, (February 13, 1811): 963, (February 27, 1811): 1062, (February 28, 1811): 1096 [House]; (February 14, 1811): 175, (February 15, 1811): 208, (February 16, 1811): 240, (February 23, 1811): 350, (February 26, 1811): 353-54, (February 27, 1811): 354 [Senate]. No debate or votes were recorded in the *Annals*.

⁴⁷Mason was the second person to hold the Superintendent position, following the initial appointment in 1806 of John Shee of Philadelphia, who Prucha (1994, p. 121) calls “a shadowy figure who made no appreciable mark on the office.” For more on Shee and Mason, see DeJong (2022).

The momentum that the government factories enjoyed to this point was hampered by the War of 1812. During the conflict, the British and their Indian allies captured the trading houses at Mackinac, Chicago, Sandusky, and Fort Wayne. And the commander of the garrison at Fort Madison set fire to the factory — and destroyed it — to prevent the contents from falling into enemy hands. But even these setbacks were not critical, as Mason reported a net gain of \$12,500 between 1811 and 1815, and the factory at Chicago was reopened and two new factories — at Green Bay and Prairie du Chien — were established in 1815 (Prucha, 1994, p. 125). Thus, Congress, on March 3, 1815, continued in force the factory legislation for another two years.⁴⁸

The bigger threat to the Indian trading houses was not the war — but its *aftermath*. The Treaty of Ghent (ratified in February 1815) ended the war and made no allowance — unlike the Jay Treaty — for British traders to operate freely in the Northwest Territory. Congress ran with this and, on April 29, 1816, formally banned foreigners from either selling goods to Indians or purchasing items from them within the territorial limits of the United States.⁴⁹ This law led American fur traders — who had increased over time — to move steadily into the Great Lakes and upper Mississippi areas. John Jacob Astor and his American Fur Company were the biggest players. Astor had a leg up on his domestic competition, as he was able to sell furs to Europe and China during the war with Britain; this meant that after the war he had “the deepest pockets and a fervent desire to control as much of the fur trade as possible” (Dolin, 2010, p. 221). Astor viewed the government factories as a threat, and he used his political connections during the Madison administration to try to get them closed. But he failed, as Secretary of War William Crawford instead sought to revive the factory system and expand it — advocating for increasing its appropriation to \$500,000.⁵⁰ Crawford found strong support

⁴⁸3 Stat. 239. “An Act to Continue in Force, for a Limited Time, the Act entitled, ‘An Act for Establishing Trading Houses with the Indian Tribes.’” See https://www.loc.gov/resource/llsalvol.llsal_003/?sp=281&st=image. Also see *Annals*, 13th Congress, 3rd session (February 25, 1815): 1195, (February 27, 1815): 1209, (March 1, 1815): 1255 [House]; (February 17, 1815): 246, (February 18, 1815): 250, (February 20, 1815): 254; (February 21, 1815): 259, (February 22, 1815): 261, (February 23, 1815): 266, (February 24, 1815): 272 [Senate]. No debate or votes were recorded in the *Annals*.

⁴⁹3 Stat. 332–333. “An Act Supplementary to the Act Passed the 30th of March, 1802, to Regulate Trade and Intercourse with the Indian Tribes, and to Preserve Peace on the Frontiers.” See https://www.loc.gov/resource/llsalvol.llsal_003/?sp=374&st=image. Also see *Annals*, 14th Congress, 1st session (February 26, 1816): 1058–59, (April 11, 1816): 1356, (April 15, 1816): 1374 [House]; (April 15, 1816): 320, (April 16, 1816): 323, (April 18, 1816): 328, (April 25, 1816): 355, (April 26, 1816): 362 [Senate]. No debate or votes were recorded in the *Annals*.

⁵⁰*American State Papers, Indian Affairs*, Volume II, 26–28.

in Superintendent Mason as well as in his successor in the office, Thomas McKenney.⁵¹

Congress would once again act on the session's final day, March 3, 1817, to continue in force the factory legislation.⁵² But this time, instead of two or three years, as had been the norm, the continuance was for just under 14 months.

Because there were no roll-call votes on any of the various Indian trading house bills, it is hard to assess where members of Congress stood on the matter. There was one vote, however, at the end of the 14th Congress — that led to an enactment just after trading-house legislation was continued in force on March 3, 1817 — where senators were put on the spot. It involved establishing federal jurisdiction over Indian crimes and offenses (and provided for punishment therein).⁵³ The bill was passed on February 24, 1817, on a 17-13 roll call.⁵⁴

The results of some simple regressions appear in Table 3. The DV is senator vote choice on the federal jurisdiction bill (1 = yea, 0 = nay), with party (Democratic-Republican = 1, Federalist = 0) and ideology (the first two DW-NOMINATE dimensions) as the initial covariates. These regression results suggest that party was not a main driver of voting, as there were groups of both Democratic-Republicans (who were nominally more supportive) and Federalists on both sides of the roll call. Likewise, the traditional left-right ideological dimension (DW-NOMINATE 1) does not explain the vote. But there is some explanatory leverage from the second dimension (DW-NOMINATE 2), which is defined for this Senate as tapping preferences on “veterans’ benefits” (Poole and Rosenthal, 2007, p. 60). There were several votes, for example, that provided land in the West for recent officers of the War of 1812. So scores on this dimension correlate well with vote choice. When a variable is added to indicate whether a state had a government factory (Indian trading house) within its boundaries (1 = at least one factory, 0 = otherwise), it is nominally

⁵¹Mason resigned his position on April 1, 1816, “pleading the necessity of attending his private business because of his large family” (Prucha, 1994 p. 127). McKenney took over on April 12, 1816. Of McKenney, Prucha (1986, p. 38) says this: “He was one of the key figures in the development of American Indian policy, a sentimental and romantic man who could not always keep his accounts straight, who lived beyond his means, and who was continually trying to advance his importance in the political circles of the day, but withal a sincere humanitarian committed to the welfare and betterment of the Indians.” For more on McKenney, see DeJong (2022) and especially Viola (1974).

⁵²3 Stat. 363. “An Act to Continue in Force, for a Limited Time, the Act entitled, ‘An Act for Establishing Trading Houses with the Indian Tribes.’” See https://www.loc.gov/resource/llsalvol.llsal_003/?sp=405&st=image. Also see *Annals*, 14th Congress, 2nd session, (December 19, 1816): 336, (March 3, 1817): 1055, 1057 [House]; (March 1, 1817): 196, (March 3, 1817): 204 [Senate]. No debate or votes were recorded in the *Annals*.

⁵³3 Stat. 383. “An Act to Provide for the Punishment of Crimes and Offences Committed within the Indian Boundaries.” See: https://www.loc.gov/resource/llsalvol.llsal_003/?sp=425&st=image.

⁵⁴See *Annals*, 14th Congress, 2nd session (February 24, 1817): 146–47.

Table 3: Factors associated with senator vote choice on federal jurisdiction over Indian crimes and offenses, 14th Congress.

Variable	(1)	(2)	(3)	(4)
Democratic-Republican	0.17 (0.20)	0.09 (0.22)		
DW-NOMINATE 1			0.22 (0.21)	0.23 (0.21)
DW-NOMINATE 2			0.56*** (0.14)	0.52** (0.15)
Factory		0.30 (0.21)		0.16 (0.20)
Constant	0.44* (0.17)	0.44* (0.17)	0.58*** (0.07)	0.55*** (0.08)
N	30	30	30	30
R^2	0.03	0.08	0.36	0.38
F -stat	0.74	1.58	7.88**	4.97**

Note: Coefficients are OLS estimates with robust standard errors in parentheses. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

positive in models 2 and 4 — as we might expect — but not statistically significant.

The Monroe Years

During the Monroe presidency, McKenney would be an active Superintendent of Indian Trade. He believed strongly in attempts to “civilize and Christianize” the tribes, and pushed for reforms that would hasten their move to agricultural pursuits. He was also a vocal opponent of private traders on the frontier, who he believed liberally distributed liquor to the Natives as a way of undercutting the mission and benefits of the government factory system and defrauding them in economic exchange (Nichols, 2016; Viola, 1974).

In 1817, McKenney devised a bold program for the renewal and expansion of the Indian trading houses, by tying them to a “civilization” effort built around Indian schools. Each government factory — and McKenney proposed eight more of them — would have a government school next to them, as a means of developing the next generation of Indian residents who would learn the arts of “civilized” society. Their teachers would be Christian missionaries, who would be paid from the profits of the factories. In joining factories to Indian schools, McKenney believed that he was expanding the scope of the program and building a new constituency for it (i.e., Protestant mission societies).

On January 22, 1818, the House Committee on Indian Affairs, chaired by Rep. Henry Southard (DR-NJ), reported favorably back to the House on McKenney's bill. The committee report stated:

The committee believe that increasing the number of trading posts, and establishing schools on or near the frontiers for the education of Indian children, would be attended with beneficial effects both the United States and the Indian tribes, and the best possible means of securing friendship or those nations with us, and, in time, to bring the hostile tribes to see that their true interest lies in peace, and not war.⁵⁵

But in the course of House and Senate negotiations, McKenney's bold program was rejected, and on April 16, 1818, Congress acted simply to continue the prior factory legislation in force for just under 11 months.⁵⁶

Around the same time, opponents of Indian trading houses were building their case. Astor, and his lieutenant at the American Fur Company, Ramsay Crooks, spent considerable time lobbying politicians inside and outside of Congress. Claims were made that the government factories were sloppily run and charging Indians exorbitant prices. As a result of these and other charges, Governors Ninian Edwards of Illinois Territory and Lewis Cass of Michigan Territory, for example, came out against the government factories (Wesley, 1932). And on April 4, 1818, Rep. Jesse Slocumb (F-NC) moved that the Secretary of War be "directed to prepare and report to this House, at the next session, a system providing for the abolition of the existing Indian trading establishments of the United States, and providing for the opening of trade with the Indians to individuals, under suitable regulation."⁵⁷

Secretary of War John C. Calhoun did as he was directed and issued his report on December 8, 1818, which was referred to the House Committee on Indian Affairs.⁵⁸ He provided the committee with options should the government factory system be abandoned, recommending vesting the trade in a single company (with sufficient capital) for a period of 20 years, rather than

⁵⁵For full committee report, see *Annals*, 15th Congress, 1st session (January 22, 1818): 800–02. Quote taken from page 802.

⁵⁶3 *Stat.* 428. "An Act Directing the Manner of Appointing Indian Agents, and Continuing the 'Act for Establishing Trading Houses with the Indian Tribes.'" See https://www.loc.gov/resource/llsalvol.llsal_003/?sp=556&st=image. Also see *Annals*, 15th Congress, 1st session (January 28, 1818): 824, (January 29, 1818): 829, (February 6, 1818): 854, (April 3, 1818): 1672, (April 4, 1818): 1676 [House]; (January 7, 1818): 84, (January 9, 1818): 92, (January 20, 1818): 116–17, (January 21, 1818): 120, (January 26, 1818): 131; (January 28, 1818): 137, (April 6, 1818): 344, (April 7, 1818): 345–46, (April 8, 1818): 349, (April 13, 1818): 362–63, (April 14, 1818): 364, 366–67 [Senate]. No debate or votes were recorded in the *Annals*.

⁵⁷*Annals*, 15th Congress, 1st session (April 4, 1818): 1675.

⁵⁸*Annals*, 15th Congress, 2nd session (December 8, 1818): 366.

“leaving the trade open to the competition of private adventurers.” However, he advanced the idea of “fixing the trading establishments” instead, “compelling the proprietor to keep books, containing regular entries of all their sales and purchases [so that] important checks will be presented to prevent fraud and exorbitant charges.” Once fixed, Calhoun believed, the trading houses “will become the nucleus of Indian settlements, which by giving greater density and steadiness to their population, will tend to introduce a division of real property, and thus hasten their ultimate civilization.”⁵⁹ Calhoun’s strong support stymied the government factory opposition for the time being,⁶⁰ and Congress chose to continue the prior factory legislation in force for another year.⁶¹

McKenney won another bittersweet victory before the Congress adjourned. While his broad proposal of tying an expended government factory system to the creation of a government school system for Indian children was not successful, some members of the Senate Committee on Indian Affairs decided to push forward on the school idea separately. And they were successful, as the “Civilization Act,” to “provide against the further decline and extinction of the Indian tribes,” was enacted on March 3, 1819.⁶² The Act provided the President a sum of \$10,000 annually to hire “capable persons of good moral character” to train Indian children in “the habits and arts of civilization” — which included “reading, writing, and arithmetic” as well as the “mode of agriculture suited to their situation.”⁶³ While McKenney supported the endeavor, it proved to be a setback for the Office of Indian Trade. As Nichols (2016, p. 157) states: “The Civilization Act . . . took the annual fund for Indian schooling from the Treasury, rather than factory profits. This deprived McKenney of both control

⁵⁹See *American State Papers, Indian Affairs*, Volume II, 181–85.

⁶⁰On January 15, 1819, Rep. Southard, undeterred by Calhoun’s report, introduced a bill providing for the abolition of the Indian trading houses and for opening the trade with the Indians to individuals. It was read twice, committed to the Committee of the Whole, and never acted upon. *Annals*, 15th Congress, 2nd session (January 15, 1819): 546.

⁶¹3 *Stat.* 514. “An Act to Continue in Force, for a Further Term, the Act Entitled ‘An Act for Establishing Trading Houses with the Indian Tribes,’ and for Other Purposes.” See https://www.loc.gov/resource/lisalvol.lisal_003/?sp=556&st=image. Also see, *Annals*, 15th Congress, 2nd session (December 14, 1818): 392, (February 26, 1819): 1416–17 [House]; (February 18, 1819): 241, (February 19, 1819): 246, (February 23, 1819): 254, (February 24, 1819): 255–56 [Senate]. No debate or votes were recorded in the *Annals*.

⁶²3 *Stat.* 516–517. “An Act Making Provision for the Civilization of the Indian Tribes Adjoining the Frontier Settlements.” See https://www.loc.gov/resource/lisalvol.lisal_003/?sp=558&st=image. Also see *Annals*, 15th Congress, 2nd session (February 19, 1819): 246–47, (February 26, 1819): 270, (March 1, 1819): 273 [Senate]; (January 15, 1819): 546, (March 1, 1819): 1427, (March 2, 1819): 1432, 1435 [House]. No debate or votes were recorded in the *Annals*.

⁶³While the provisions of the Act were intended to support (or develop) schools in Indian villages along the frontier, future iterations of the legislation would be used in the late-19th and early-20th centuries to establish numerous Native American boarding schools.

of the Indian school fund and one of his best arguments for retaining and expanding the factory system.”

While McKenney, Calhoun, and supporters of government factories had staved off opposition through the end of the 15th Congress, forces beyond their control were imminently on the horizon. A severe economic panic gripped the nation in 1819 — driven in part by global market adjustments in the aftermath of the Napoleonic Wars, which was compounded by excessive speculation in public lands and fueled by the unrestrained issue of paper money from banks — and led to general economic collapse (Rothbard, 1962). The congressional response was to economize, which led to calls for retrenchment in government. This gave the enemies of Indian trading houses the perfect opportunity to sharpen their knives and take down the factory system.

McKenney and Calhoun spent much of 1820 dueling with Ramsay Crooks of the American Fur Company in the newspapers and inside the halls of Congress. While Crooks spread rumors of “malfeasance” within the government factories, McKenney shot back about private traders being “pernicious” whiskey peddlers; Calhoun subsequently supported McKenney, stating that private traders were “in many instances the most abandoned characters,” and asked Congress that control of trading licenses be given to the Superintendent of Indian Trade (McKenney).⁶⁴ On March 1, 1820, the Senate passed a bill consistent with Calhoun’s objectives,⁶⁵ which “Crooks and his allies viewed . . . as an effort to destroy the private fur trade, and they remained in Washington to lobby the House of Representatives against it” (Peters, 2016, p. 161). The House received the bill on March 2, 1820, and it was committed to the Committee of the Whole on March 21 — where it received no further consideration or action.⁶⁶ Crooks took credit for the demise of the trading-license reform bill, writing to Astor on May 30, 1820:

The new-fangled obnoxious Indian system died a natural death. The House of Representatives pleading a press of more important business refused to act on the bill from the Senate and from the interest our friends took in the explanations given them. Had Mr. Secretary Calhoun carried his point in getting the proposed law passed, it is no longer concealed that his first step was to license so few traders that the factories were sure of reviving.⁶⁷

The opponents of the government factory system also went on the offensive. On March 1, 1820, Senator David Trimble (DR-KY) submitted a motion

⁶⁴Useful summaries appear in Peters (2016, p. 161) and Viola (1974, pp. 60–61).

⁶⁵*Annals*, 16th Congress, 1st session (February 16, 1820): 417, (February 18, 1820): 492, (February 29, 1820): 459–60, (March 1, 1820): 462.

⁶⁶*Annals*, 16th Congress, 1st session (March 2, 1820): 1574, (March 21, 1820: 1660).

⁶⁷Crooks to John J. Astor, May 30, 1820, *American Fur Company Letter Books*, Volume I, pp. 305–06. Quoted in Viola (1974), pp. 61–62.

instructing the Committee on Indian Affairs “to inquire into the expediency of providing for the abolition of the system of Indian trade . . . and for the disposition of the goods and property of the United States.”⁶⁸ On April 5, 1820, Senator Walter Leake (DR-MS) reported back from the Committee on Indian Affairs “that it is inexpedient to abolish the present system of Indian trade, as it now established.”⁶⁹ Less than a week later, the Senate concurred in Leake’s report (with Trimble waiving his opposition).⁷⁰ The Indian trading houses had survived the first meaningful attack on them.

And while the trading-license reform and trading-house abolition bills were making their rounds on Capitol Hill, McKenney had managed to secure another extension for his operation. Once again, Congress chose to continue the prior factory legislation in force for another year, leading to a new enactment on March 4, 1820.⁷¹ Yet, McKenney understood that pressure was building against him, noting that the annual fight to keep the factories afloat “was bad policy.” But, an optimist at heart, he also felt “the time is at hand when all will go right.”⁷²

On February 24, 1821, supporters of the government factory system in the House sought to continue the legislation in force once again. Opponents made a stand. Rep. Christopher Rankin (DR-MS) moved “to recommit the bill to the Committee of Indian Affairs, with instruction to report a bill for winding up the present establishments on the first day of September next.”⁷³ Reps. Southard and Felix Walker (DR-NC) opposed the motion, arguing for the positive effects of the trading house in terms of both protecting and civilizing the Indians. Reps. Albert Haller Tracy (DR-NY), Henry Storrs (F-NY), and John Floyd (DR-VA) supported the motion, arguing that the trading houses did not in fact civilize the Indians, but kept them in a hunter state, and were a bastion of fraud and abuse. Rankin’s motion to recommit was successful, “by a

⁶⁸ *Annals*, 16th Congress, 1st session (March 1, 1820): 461; (March 2, 1820): 467.

⁶⁹ *Annals*, 16th Congress, 1st session (April 5, 1820): 575. For the committee’s full report, see *American State Papers, Indian Affairs*, Volume II, 205–206.

⁷⁰ *Annals*, 16th Congress, 1st session (April 11, 1820): 595.

⁷¹ 3 *Stat.* 544. “An Act to Continue in Force for a Further Time, the Act Entitled ‘An Act for Establishing Trading-Houses with the Indian Tribes.’” See https://www.loc.gov/resource/lisalvol.lsal_003/?sp=586&st=image. See also *Annals*, 16th Congress, 1st session (February 14, 1820): 1290–91, (February 15, 1820): 1330 [House]; (February 17, 1820): 424–25, (February 21, 1820): 431, (February 24, 1820): 442, (February 29, 1820): 460 [Senate]. A short debate occurred in the House whether to refer the bill to the Committee of the Whole. See *Annals*, 16th Congress, 1st session (February 14, 1820): 1290–91.

⁷² Quotes taken from Viola (1974), p. 62.

⁷³ *Annals*, 16th Congress, 2nd session (February 24, 1821): 1227. A day earlier, as Rep. Southard moved to discharge the Committee of the Whole from further consideration of the bill, Rep. Tracy moved to lay the bill on the table (thus killing it). The *Annals* reports that Tracy’s motion was “negatived.” As a result, “the bill was ordered to be engrossed for a third reading.” See *Annals*, 16th Congress, 2nd session (February 23, 1819): 1221.

majority of fifty votes.”⁷⁴ This was the first formal defeat for the government factory system.

Supporters of the Indian trading houses had an easier go in the Senate. A key moment came on February 24, 1821, when debate was had on continuing the government factory system in force. Senator Trimble spoke at length against the factories, while Senators David Holmes (DR-MS) and Richard Johnson (DR-KY) supported them. Trimble proposed to amend the bill by adding a section that would limit the Superintendent’s purchasing ability and authorize the President to “adopt such measures as may be necessary and proper to have the funds and the property employed in the Indian trade to be paid into the Treasury of the United States.” Trimble’s amendment would effectively lay the groundwork for a near-term abolition of the government factory system. A roll-call vote was held on Trimble’s amendment — the *only* roll call that dealt specifically with the Indian trading houses in the history of Congress — and it failed, 12-23.⁷⁵ The Senate then approved the bill two days later.

Table 4 presents results from some simple regressions on the amendment roll call (DV = 1 if yea, 0 if nay) using party (Democratic-Republican = 1, Federalist = 0) and ideology (the first two DW-NOMINATE dimensions) as the initial covariates. No associations exist — there are no significant differences between Democratic-Republicans and Federalists (model 1) and there are no indications that ideology played a role in vote choice (model 3). When a variable is added to indicate whether a state had a government factory (Indian trading house) within its boundaries (1 = at least one factory, 0 = otherwise), it is nominally positive but not statistically significant in the party model (model 2), but it is both positive and statistically significant in the ideology model (model 4). Overall, model 4 is the best in terms of fit, and the results indicate that having a factory in a senator’s state increased (all else equal) his likelihood of voting to kill the government factory system by 47 percentage points.

This latter result comports well with the scholarly literature, which suggests that, by 1821, (a) the capacity of the American fur trade had increased significantly from the days when President Washington thought that a government operation was necessary on the frontier and (b) traders of all types saw the government factory system in a negative light: small and independent traders viewed Indian trading houses as a threat to their livelihood while large trading firms (like Astor’s American Fur Company) considered them an unwanted competitor. As a result, “these interests would eventually coordinate

⁷⁴ *Annals*, 16th Congress, 2nd session (February 24, 1821): 1227.

⁷⁵ See *Annals*, 16th Congress, 2nd session (February 24, 1821): 380–81. For other steps in the Senate’s approval of the government factory system in this session, see *Annals*, 16th Congress, 2nd session (December 6, 1820): 40, (December 7, 1820): 43, (January 4, 1821): 143, (February 26, 1821): 384.

Table 4: Factors associated with senator vote choice on limiting the purchasing of government factories, 16th Congress.

Variable	(1)	(2)	(3)	(4)
Democratic-Republican	0.21 (0.18)	0.11 (0.19)		
DW-NOMINATE 1			0.11 (0.21)	0.32 (0.19)
DW-NOMINATE 2			0.16 (0.18)	−0.35 (0.18)
Factory		0.27 (0.19)		0.47* (0.18)
Constant	0.17 (0.16)	0.17 (0.16)	0.33*** (0.08)	0.17* (0.07)
<i>N</i>	35	35	35	35
<i>R</i> ²	0.03	0.09	0.02	0.19
<i>F</i> -stat	1.36	1.57	0.46	3.29*

Note: Coefficients are OLS estimates with robust standard errors in parentheses. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

a successful attack on the factories” through their elected representatives in Congress (Rockwell, 2010, p. 62).

On February 25, 1821, the House received word that the Senate passed new government factory system legislation and asked for concurrence.⁷⁶ Given a second chance, factory supporters in the House went to work. On March 1, 1821, Rep. Southard reported a clean bill out of committee (i.e., no amendments), and the House went about considering it.⁷⁷ On March 3, 1821, Rep. Storrs tried to limit the continuance of the legislation — moving to strike out “June,” provided in the said bill (which the Senate agreed to), and insert instead “February,” thus shortening it by four months. Storrs’s amendment was defeated (no vote was recorded) and the bill was read a third time and passed.⁷⁸ The new Act continued the government factory system in force for fifteen additional months (until June 3, 1822).⁷⁹

The narrow victory for government factories in the waning months of the 16th Congress was their last hurrah. The 17th Congress saw repeated attacks on Indian trading houses, almost from the outset. A new antagonist emerged in the form of Senator Thomas Hart Benton (DR-MO). Missouri was admitted

⁷⁶ *Annals*, 16th Congress, 2nd session (February 25, 1821): 1228.

⁷⁷ *Annals*, 16th Congress, 2nd session (March 1, 1821): 1263.

⁷⁸ *Annals*, 16th Congress, 2nd session (March 3, 1821): 1299.

⁷⁹ 3 *Stat.* 641. “An Act to Continue in Force, for a Further Time, the Act, entitled ‘An Act for Establishing Trading-Houses with the Indian Tribes.’” See https://www.loc.gov/resource/llsalvol.llsal_003/?sp=683&st=image.

int the Union as the 24th state on August 10, 1821, and Benton arrived in Washington in December of that year. He lived in the same hotel with Ramsay Crooks and Russell Farnham of the American Fur Company and Rep. John Floyd (DR-VA), who served the Company's interests in the House (Mueller, 2014). Benton, who had been editor of the *St. Louis Enquirer*, a principal mouthpiece for the community of St. Louis fur traders, shared his hotel mates' interests in ridding the nation of the Indian trading houses (Nichols, 2016). Unlike some others in the Senate, however, Benton proved to be a skilled orator and master persuader.

On February 25, 1822, Senator Henry Johnson (DR-LA), on behalf of the Committee of Indian Affairs, reported a bill to abolish the government factory system and to provide for the opening of the Indian trade to individuals. The bill was read and passed to a second reading (which occurred three days later).⁸⁰ The Senate resumed consideration of the bill on March 25, 1822, when Benton took to the floor. He articulated the logic for the Indian trading houses at the time of their creation in 1796: trade could gain the good will of the Indians and counteract the influence of the British. But, Benton continued, "private traders had not the capital or the strength to accomplish these objects, and national trading houses were resolved upon." Over the succeeding decades, however, Benton argued that (a) the Superintendent, in purchasing goods, (b) the factors, in selling them, and (c) Superintendent, in selling the furs and pelts received from the factors, committed great abuses. He used as evidence written statements by Majors John Biddle, Benjamin O'Fallon, and John Bell, all of whom were Indian agents, and Ramsay Crooks (referred to as "a fur trader"); Benton remarked that he knew all four and considered them "gentlemen of truth and honor." He also used written statements of Superintendent McKenney himself.⁸¹ All of these statements were provided to the Senate by early-March 1822.⁸²

While McKenney believed that the government factory system was instrumental in protecting the Indians' interests — as private traders would use every advantage to deceive and cheat them — Benton used the other testimony to undercut him.⁸³ The three agents and Crooks told a different story, one in which the "trading houses had become 'useless' and that Indians viewed them with 'sickly indifference'" (Peters, 2016, p. 163). They also believed that McKenney was infantilizing the Natives, whom they felt were competent

⁸⁰ *Annals*, 17th Congress, 1st session (February 25, 1822): 235–36; (February 28, 1822): 240.

⁸¹ For the entirety of Benton's argument, see *Annals*, 17th Congress, 1st session (March 25, 1822): 317–31.

⁸² See *American State Papers, Indian Affairs*, Volume II, pp. 261–65, 326–64.

⁸³ McKenney understood that forces were conspiring against him and the factory system, and his chances of surviving were slim. He asked his missionary friends to initiate a petition drive for the continued existence of the factory system, and scores of petitions would stream into Congress. But they were to no avail. See Viola (1974).

traders and judges of merchandise quality. The Indians' decisions to deal with private traders, in their estimation, was ultimately a comment on the low quality — and high prices — of factory goods. Furthermore, there was a large stock of “fine” merchandise in the trading houses that could only be meant for White customers (which negated the stated purpose of the government factories). Finally, they argued that factories were failing at their charge of civilizing the Indians. The factors continued to purchase any and all furs from the Indians, and their sale of agricultural merchandise to the Natives remained low. And this was a result, they argued, of economic interest — to civilize the Indians would mean eliminating the need for government factories. If this happened, the factors would be out of a job.

After wrapping up his collection of evidence and arguments, Benton stated that he hoped:

it was now fully shown to the Senate, by unimpeachable testimony, that the factory system was worse than useless; that every public consideration required it to be immediately abolished, the accounts of all concerned be returned to the public Treasury, so far as it could be found; the salaries of all its officers to be stopped, and an exhibit of its profits or loss to be shown at the next session of Congress.⁸⁴

He then offered an amendment to accomplish all of these purposes.⁸⁵ The Senate adjourned until the following day, March 26, 1822, when senators on both sides of the issue responded to Benton and his proposed amendment. Senator Henry Johnson (DR-LA) spoke on behalf of McKenney, the factors, and the agents, believing them all to be “honest, correct men.” Senator Richard M. Johnson (DR-KY) did as well, but he was willing to “wind up” the system given the doubts many had about it being the best mode to pursue relations with the tribes. Senator Walter Lowrie (DR-PA) argued that private competition was better suited to the task at hand, which would lead to the Indians being “better supplied, and on better terms.”⁸⁶ Additional debate occurred the following day, with many of the same arguments raised.⁸⁷

On March 28, 1822, after some additional remarks, voting on Benton's amendments commenced, and they were adopted 17-11.⁸⁸ The following day,

⁸⁴ *Annals*, 17th Congress, 1st session (March 25, 1822): 331.

⁸⁵ As described, Benton's amendments would “discontinue the establishment in June 1822, instead of 1823; take the settlement of its affairs out of the hand of the present officers; and confine the present bill to that abolition simply.” See *Annals*, 17th Congress, 1st session (March 27, 1822): 351.

⁸⁶ For full debate (including quotes), see *Annals*, 17th Congress, 1st session (March 26, 1822): 339–43.

⁸⁷ *Annals*, 17th Congress, 1st session (March 27, 1822): 351–52.

⁸⁸ *Annals*, 17th Congress, 1st session (March 28, 1822): 354. The vote was by division.

Benton moved that all tertiary issues be removed, which limited the bill to a “simple abolition and settlement of the concerns of the present factory system.” Benton’s motion carried without debate or objection, and the bill was amended.⁸⁹ Finally, on April 1, 1822, the bill was read a third time and passed.⁹⁰

The House received word that same day that the Senate had adopted the government-factory abolition bill, and it was referred to the Committee on Indian Affairs on April 2, 1822.⁹¹ Eight days later, the committee reported out the bill without amendment.⁹² On April 18, 1822, the bill was committed to the Committee of the Whole — and it was finally taken up on May 3, 1822.⁹³ The following day it was read a third time, when Rep. William Milnor (F-PA) noted “as this was a bill of which he considered the policy to be, to say the least of it, extremely doubtful, and, as it was one of great importance, he should ask for the yeas and nays upon its passage.” But Milnor’s call for the yeas and nays was not sustained, and “the bill was passed without debate or division.”⁹⁴ President Monroe affixed his signature two days later, on May 6, 1822, and the Indian trading house system was abolished.⁹⁵

The 1822 Act called for the factories to be closed by June 3, 1822, but Benton’s insistence that McKenney and his agents be barred from the clean-up work slowed down the process. Benton had hoped that an audit by others would reveal fraud and mismanagement in McKenney’s operation. George Graham, former Secretary of War, was put in charge of the liquidation, and his inexperience led to considerable losses as property was auctioned off. (An example of such an auction appears in Figure 1, whereby trade goods remaining from the government factories at Chicago and Green Bay were sold off.) As for McKenney, on March 1, 1823, he was exonerated of any misdeeds in his handling of factory business, following an investigation conducted by the Committee of Indian Affairs.⁹⁶ In terms of definitively straightening out all of McKenney accounts, however, more time would be needed; it took until 1833 for Treasury Department auditors to finally finish their work and close the books on the government factory system (Viola, 1974).

Both Benton and McKenney wrote their memoirs decades later. Time did nothing to alter their opinion of the Senate battle of 1822. For McKenney,

⁸⁹ *Annals*, 17th Congress, 1st session (March 29, 1822): 354–55.

⁹⁰ *Annals*, 17th Congress, 1st session (April 1, 1822): 357.

⁹¹ *Annals*, 17th Congress, 1st session (April 1, 1822): 1444; (April 2, 1822): 1454. Rep. Rankin sought to refer the bill immediately to the Committee of the Whole, but Rep. John W. Taylor (DR-NY) believed that “the bill might require details by a committee.”

⁹² *Annals*, 17th Congress, 1st session (April 10, 1822): 1529.

⁹³ *Annals*, 17th Congress, 1st session (April 18, 1822): 1617; (May 3, 1822): 1781.

⁹⁴ *Annals*, 17th Congress, 1st session (May 4, 1822): 1787.

⁹⁵ 3 *Stat.* 679–80. “An Act to Abolish the United States’ Trading Establishment with the Indian Tribes.” https://www.loc.gov/resource/lisalvol.lsal_003/?sp=721&st=image.

⁹⁶ See *American State Papers, Indian Affairs*, Volume II, 417–27.

\$13,000.
INDIAN GOODS
At Auction.

—•••••—

WILL be sold at Auction at the Council-House in the city of Detroit, at 10 A. M. (without postponement, if not previously disposed of,) on Wednesday, the 18th inst. a large assortment of Indian Goods belonging to the United States, received from the late factory stores at Green-Bay and Chicago.

Among which are

42 pieces Cloths, assorted,	72 dozen Looking Glasses,
9 do Flannels, do.	45 lbs. horse and sleigh bells,
944 pairs 3 1-2 point Blankets,	200 lbs. Soap,
280 do 2 1-2 do	40 do. Vermilion,
50 Rugs and Wrappers,	6650 Needles,
874 yards blue stroud or cloth.	10 groces finger rings,
536 do red do.	12 pairs silver arm-bands,
500 do calico do.	10 dozen Combs,
28 dozen Madrass Hdk'fs.	19 U. S. Rifles,
13 dozen cotton Bandannas,	21 Fusees or shot guns,
7 dozen Shawls,	100 Squaw axes and hoes,
200 pieces London, fancy and quality binding.	3000 Flints,
	1 large Packing Screw, complete.

Ravens duck, Platillas, ribands, beads, mamodies, gurrahs, worm lace, nankins, military sashes, knives, spurs, snuff-boxes, buttons, silk flag and cotton pocket handkerchiefs, black silk do. powder flasks, shot pouches, tin and brass kettles, tin pans and cups, padlocks, scissors, penknives, lead, tobacco, snuff, fire steels, moccasin awls, wafers, ink powder, salt, saddles and many other articles.

A liberal credit will be given for notes payable at the Bank of Michigan, with approved endorsers.

A. B. LINDSLEY, U. S. Agent.
 G. M'DOUGALL, Auctioneer.

Detroit, December 11, 1822.

Figure 1: A broadside advertising the auction of goods from two recently-closed government factories, 1822.

Source: https://commons.wikimedia.org/wiki/File:Indian_goods_auction_1822.jpg. Public domain.

the sting of the factory liquidation was still strong in 1846, and he considered Benton's actions to be both personal and instrumental:

I was assailed by Hon. Thomas H. Benton, of the United States Senate, with such severity and bitterness, as indicated a purpose not to abolish the factory system, only, but demolish my humble self along with it. It was quite natural, perhaps, that Mr. Benton should kindle up into an uncommon zeal, and make war with extra energy upon whatever connected itself with the United States factory system, seeing that the Missouri Fur Company had much at stake in the result, and he was the legitimate organ of the individuals composing it.⁹⁷

For Benton, the arguments he made in 1822 were ones he still hewed to in 1854:

The experience of the Indian factory system is an illustration of the unfitness of the federal government to carry on any system of trade, the liability of the benevolent designs of the government to be abused, and the difficulty of detecting and redressing abuses in the management of our Indian Affairs.

He then added a parting jab, sure in his belief — all evidence to the contrary and be damned! — that McKenney and his agents were corrupt:

But its history still has its uses, in showing how differently from its theory a well intended act may operate — how long the Indian and the government may be cheated without knowing it — and how difficult it is to get a bad law discontinued (where there is an interest in keeping it up), even though first adopted as a temporary measure, and as a mere experiment.⁹⁸

Conclusion

For just over a quarter century, beginning in the Washington administration and ending in the Monroe administration, the United States employed a government-operated system of trading houses for the American Indians. These Indian trading houses (or “government factories”) were designed to serve

⁹⁷McKenney (1846), p. 25. McKenney also noted: “When President Monroe read Mr. Benton’s speech, he said to a friend who communicated the fact to me, ‘I am made unhappy by this attack of Colonel Benton upon Colonel McKenney.’ On reading my answer, he said to the same person, ‘I am relieved. Colonel McKenney has completely vindicated himself. He is what I always believed him to be. My confidence in him is unimpaired’” (25). Of course, when Monroe received the bill abolishing the Indian trading houses, after it passed both the Senate and House, he did not veto it — he signed it.

⁹⁸Benton (1854), pp. 20–21.

multiple purposes — diplomatic, economic, and miliary. In a nutshell, they were intended to protect the Indians from abuses by Whites on the frontier at a time when American military capacity was lacking, to build good economic relations with the Indians at a time when foreign (typically British) agents operated on the frontier, to encourage the Indians to move from hunting to agricultural pursuits (and thus to “civilize” them), and to incentive the tribes to cede more land to United States (by accumulating sizable debt and developing less need — as farmers — for expansive land areas).

As Chittenden (1935, p. 14) states: “The system was well conceived and should have succeeded [but] the government didn’t have the courage of its convictions.” This was because Congress and the president created a dual system rather than a government monopoly. That is, the government chose to operate a factory system to compete with private traders, rather than to replace them. While the government could and did limit the number of private trading licenses in operation, the system in practice was hard — nearly impossible — to police on the frontier. The belief was that because government factories could buy furs and pelts at market prices, but sell goods at cost, the Indians would patronize the factories rather than private traders.

When private trading capacity was low, the dual system worked. But as American traders improved in numbers and quality — and British (Canadian) traders were pushed out of the Northwest Territory after the War of 1812 — the dual system faced increased pressure. American traders had a number of advantages — they often married Indian women and built strong relations with the tribe; they could move around and operate freely on the frontier, making economic exchange easier for the Indians, who otherwise had to travel (sometimes) great distances to government factories; and they provided one good that Indians wanted but the factories were forbidden to sell, liquor — and over time there were more and more calls for the abolition of the trading houses.

But as Prucha (1994, p. 134) notes: “The ineffectiveness of the factories, which their critics charged, was belied by the opposition itself, for the violence of the attacks is indication enough that factories were offering serious competition.” The Indian trading houses survived several attempts to kill them, in part because Benton was correct in at least one sense in his memoirs: institutions are “sticky.” Policies create interests, which help to “lock in” the status quo (Schattschneider, 1935) — and the factory system was no different. These interests included some percentage of the tribes themselves, federal government officials like Crawford and Calhoun, members of the Committee on Indian Affairs in each chamber of Congress, Indian agents, and (increasingly as time went on) missionaries and religious group members in the nation. But increased pressure from both small and large traders — a different set of interests — along with skillful political leadership in Congress (led by Benton) and strategic use of legislative procedures (not using roll-call votes and thus avoiding public revelation to constituents), eventually led to the factories’ demise.

Appendix 1: Indian trading houses (government factories), 1795–1822

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- (1) Colerain (Georgia). Established 1795; moved to Fort Wilkinson 1797
 - (2) Tellico (Tennessee). Established 1795; moved to Hiwassee 1807
 - (3) Fort Wilkinson (Georgia). Established 1797; moved to Ocmulgee Oil Fields 1806; designated Fort Hawkins 1808
 - (4) Fort St. Stephens (Alabama). Established 1802; moved to Fort Confederation 1807
 - (5) Chickasaw Bluffs (Tennessee). Established 1802; moved to Spadra Bluffs 1818
 - (6) Fort Wayne (Indiana). Established 1802; closed 1812.
 - (7) Detroit (Michigan). Established 1802; closed 1805.
 - (8) Chicago (Illinois). Established 1805; destroyed 1812; reopened 1815; closed 1821
 - (9) Belle Fontaine (Missouri). Established 1805; closed 1808
 - (10) Natchitoches (Louisiana). Established 1805; moved to Sulphur Fork 1818
 - (11) Arkansas Post (Arkansas). Established 1805; Closed 1810
 - (12) Sandusky (Ohio). Established 1806; destroyed 1812
 - (13) Ocmulgee Old Fields (Georgia). Established 1806; designated Fort Hawkins 1808
 - (14) Hiwassee (Tennessee). Established 1807; closed 1811
 - (15) Fort Osage [Fort Clark] (Missouri). Established 1808; reopened at Arrow Rock 1813; reestablished 1815; closed 1822
 - (16) Fort Mackinac (Michigan). Established 1808; captured by British 1812
 - (17) Fort Madison (Iowa). Established 1808; closed 1812
 - (18) Fort Hawkins (Georgia). Designated 1808; moved to Fort Mitchell 1817
 - (19) Green Bay (Wisconsin). Established 1815; closed 1821
 - (20) Prairie du Chien (Wisconsin). Established 1815; closed 1822
 - (21) Fort Confederation (Alabama). Established 1817; closed 1822
 - (22) Fort Mitchell (Alabama). Subagency of Fort Hawkins 1816; principal factory 1817; closed 1819
 - (23) Fort Johnson [Le Moin] (Illinois). Branch of Prairie du Chien 1817; moved to Fort Edwards 1819
 - (24) Spadra Bluffs (Arkansas). Established 1818; closed 1822
 - (25) Sulphur Fork (Arkansas). Established 1818; closed 1822
 - (26) Fort Edwards (Illinois). Established 1819; moved to Fort Armstrong 1821
 - (27) Marais des Cygnes (Missouri). Branch of Fort Osage 1820; independent factory 1821; closed 1822
 - (28) Fort Armstrong (Illinois). Established 1821; closed 1822
 - (29) St. Peters (Minnesota). Authorized 1821 as consolidation of Green Bay and Chicago; never opened
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Source: Prucha (1994), p. 124 (Table 1).

Appendix 2: Landmark legislation on Indian affairs, 1st–17th Congresses (1789–1823)

Congress	Years	Law
1	1789–91	Trade and Intercourse Act of 1790
4	1795–97	Trade and Intercourse Act of 1796
9	1805–07	Additional Trading Houses Established and Office of the Superintendent of Indian Trade Created
10	1809–11	Indian Trading House Act of 1811
12	1811–13	Retaliation for Injustices by Indians
14	1815–17	Indian Trading License Law of 1816
17	1821–23	Indian Trading Houses Abolished

Source: Stathis (2014), p. FG-18.

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