

THE STATE BANK OF IOWA.

BY THE HONORABLE HIRAM PRICE, ONE OF ITS FOUNDERS.

Bacon is recorded as saying, "let there be no bank, or common stock, but every man be master of his own money." But Bacon's management of his own financial affairs was not so phenomenally successful as to induce men to be governed by his advice on questions of finance. For, if the history of his transactions in matters of this kind can be relied upon, he was unable, though for many years in receipt of a splendid income, to so manage his own money matters as to prevent being arrested for debt—and his entire career as a financier is *only* useful as a warning to avoid both his example, and his teaching on that subject.

Bacon may or may not have written what are known as Shakespeare's plays. Ignatius Donnelly has had that matter under consideration, and the public seems willing to leave the settlement of that question in his hands. It is not the purpose of this paper to discuss that question, for it seems very similar to an inquiry as to who was the Father of Zebedee's children. The business and commercial world has after mature deliberation decided by a large majority that banks of deposit and banks of discount, and banks to facilitate exchange and transfer of funds between remote parts of this and other countries, are among the important advantages of modern civilization. It is not necessary now, as it was in past generations, for an individual to travel on horseback hundreds of miles, at much expense of time and money, with the cash in his saddlebags, to pay a debt or make a purchase. Any well regulated bank will for a very small compensation transact all his business for him in a few minutes to the entire satisfaction of all concerned. And if it be true, as poor Richard says, that time is money, then the bank transacting this business has saved its customer much time, and consequently much money. It may be said that banks have sometimes been managed by bad or incompe-

tent men, and that consequently loss has resulted to honest people. The answer to this is found in the fact that such cases are the exception and not the rule. Christianity, the highest type of human civilization, has had and possibly will continue to have counterfeit members in its folds, but this only proves the system to be good, for men do not counterfeit a bad article. Among all the banking institutions of the different States of the Union, prior to the War of the Rebellion, the State Bank of Iowa, although among the youngest, was by no means the least important. The provisions of the law authorizing its organization, and providing for and relating to its management, were of such a wise and conservative character that, if strictly observed, the bill holder and the general public were safe beyond doubt or contingency. Prior to that time the whole country, but more particularly the Western States, had suffered much loss and embarrassment in business, on account of a spurious and depreciated paper currency. In those days in Iowa the two most important books that every business man needed were a Bible and a counterfeit detector. And of these two the detector seemed to be the most important for at least six days out of the seven, and most men in business seemed to act as though it had been written "six days shalt thou diligently study thy counterfeit detector, but the seventh, which is the Sabbath, thou mayest give heed to thy Bible."

A counterfeit detector in those days was the best safeguard that was available or obtainable; but business men were not even then secure against imposition and loss from depreciated and counterfeit bank paper, because a bank might be in good condition when the detector was published, but the next week afterward, and before he could procure a new edition, showing the standing of the banks, the paper which he had taken as good would have depreciated from five to twenty per cent; and sometimes even more. I have now in my possession some bank bills taken at par some years before the State Bank of Iowa was established, and proved to be utterly worthless. Money in those days in Iowa was scarce, and

much of what there was, had a doubtful value. About the only silver money in circulation in Iowa in those days that could be depended upon as to value were the five-franc pieces and the $12\frac{1}{2}$ and $6\frac{1}{4}$ cent pieces. The larger of this silver fractional currency was called "eleven-penny bit" and sometimes "bits" or "levies," and the smaller pieces went by the Spanish name of "picayune." These francs and bits and picayunes were all foreigners, merely abiding on American soil, and but few of them ever became naturalized citizens, and if ever naturalized were never afterward known by the same name. These foreigners were not only tolerated on American soil, but actually sought after and courted by all citizens "to the manner born." The more wealthy people, however, monopolized to a great extent the entertainment of these visitors from foreign lands. No select party or joyous occasion was considered complete, or a social success, unless some of these aliens were present, and the more of them the better. They were not only popular and influential in polite society and in social and commercial circles, but also somewhat important in the political field. Candidates for office who could not or would not command some aid from this source found their political pathway more difficult to travel than it otherwise would have been.

Americans all remember, of course, that one of our most able and venerated statesmen once cautioned his countrymen against "entangling alliances with foreigners." This caution in reference to these silver foreigners was sometimes conveniently forgotten on election days. But, however much may be said against the foreign silver used in those times, it was nevertheless true that with this kind of money a person could sleep soundly with the assurance that he would find it as good in the morning as when he retired the night before. The much-abused and recently legally-tabooed silver dollars of this day were not then troubling people very much, simply because very few people were fortunate enough to get them, however highly prized when obtainable. The history of Iowa for the last forty years in reference to her paper money, or

more properly speaking, the different kinds of paper which circulated in place of and as a representative of money, would be amusing and ought to be instructive. Almost all kinds of all systems of paper issues have been experimented with, and the results ought to be useful as lessons of warning to the present and future generations. But one of the greatest troubles which confront the descendants of the man who would not be satisfied about the consequences of biting that historic apple until he had personally experimented with it, is that each seems determined to try for himself, and so Adam's children continue to keep on experimenting, each feeling that he has the ability to succeed where others have met disaster and defeat. The ingenuity of man has left but few (if any) schemes that have not been given the test of time and trial, to evolve some Utopian plan by which everybody could have plenty of good money, and at the same time have it at cheap rates. It would seem from the history made by all civilized nations in the past that sufficient experiments had been made in that line to prove conclusively that the terms *plenty* and *cheap* do not as a rule belong in the same family. But nevertheless the wild chase still continues in search of the philosopher's stone, or Aladdin's lamp, or something that will repeal or neutralize the command, "In the sweat of thy face shalt thou eat bread." In searching for some kind of *cheap* money which would act as a panacea for the cure of all the financial ills that "flesh is heir to," all kinds of "red dog," "wild cat," and kindred schemes in the shape of paper promises to circulate as money have been resorted to. All of which had the same object in view, to-wit, to get something for nothing; and after exhausting all the old and familiar subterfuges, some new and heretofore untried plans have been resorted to, such for instance as bits of paper called in common parlance "shin plasters" (sometimes issued by corporations and sometimes by individuals) have had trial, and ever and again failure, defeat, and frequently disaster, have been the result.

During the days of which this record speaks, when some people conceived the idea that "every man could be his own

banker," one prominent firm in Davenport, operating as merchants, millers and pork packers, undertook single handed and alone to supply a "long felt want" in the financial world, by furnishing a paper circulation. I have a very distinct recollection of seeing the chief member of the firm carrying in his hat (a large bell-crown, such as our Uncle Samuel is represented as wearing) whole printed sheets, resembling bank bills, of what was called the money of the firm, and in his vest pocket a pair of scissors, so that whenever and wherever he was met on the street or other place he was prepared to pay in this currency for wheat or pork, or any other legal claim, by simply extracting from his capacious hat a sheet of what he called, and what for the time being passed for, "money," and with his scissors cutting off the necessary sum to liquidate the claim!

Somebody once said or sung that he dreamed he "dwelt in marble halls." But this man with his bank in his hat and his scissors in his pocket, did not only dream about the splendor and magnificence of his abiding place, and the "pomp and circumstance" of his surroundings, but he had the substantial evidence also daily before him, in his palatial residence with pillars, and porticos and halls. And, having heard somehow, somewhere, about a city that was "set on a hill," this gentleman had his mansion built upon a no-mistake, real hill. So that from his elevated position he could look down and upon the more humble and less pretentious domiciles of his apparently less fortunate neighbors. Nor did his ambition stop here. He did not propose that any "pent-up Utica" should limit or confine his movements or his power. He had somehow heard something "said or sung" about Alexander and his splendid horse Bucephalus, so his next startling surprise for his more humble neighbors was the procurement of a splendid equipage. Other people might trudge along life's rugged and dusty pathway on foot, or perchance in common, every-day wheel vehicles, but "for him and his house" he provided a conveyance called a coach, drawn by high-stepping chargers with flowing manes, caparisoned with splendid trappings and adorned with

trimmings and tinselry, all of which splendid turnout was under the special care and management of what ordinary mortals call a driver, but this was presided over and controlled by no less a personage than a coachman. The owner of all this magnificence seemed to have found some kind of substitute for the fabled philosopher's stone, which, if it did not turn to gold all it touched, did at least seem to turn it into something which, for the time being, appeared to answer the same purpose. The paste, in this case, seemed to answer the purpose of a diamond, and some common, every-day people plodding along life's steep and rugged pathway, began to have serious doubts as to the reliability of some things which they had been taught to believe were rock-ribbed and substantial, and that the time-honored declaration of all men being "created equal," might after all be only a myth of high-sounding phrases and "glittering generalities." But time, that tries all the things of earth, clutched with rude and relentless grasp this seemingly solid and beautiful structure of wealth and all its surroundings, and it crumbled and fell, and then the common people made the discovery that all that seems to glitter may not be gold, and that in the language of a pious colored brother, many beautiful and substantial structures may be built upon "foundy sandations."

And so it has ever been in the ceaseless roll of years, the line which divides the upper *ten* from the lower *million* is ever changing, and as a consequence he who occupies a palace to-day may have his domicile in a cabin to-morrow, and so, on the other hand, the cabin may give place to the mansion. The successful on life's financial battlefield are greeted with plaudits, and the unsuccessful with neglect. Pope wrote, "Worth makes the *man*, the want of it, the *fellow*." But the world of mankind in these last years seems to act as though wealth makes the man, the want of it the fellow. Some one has said, or sung, in reference to possession of this world's goods:

"'Tis virtue, wit, and wealth, and all
That men divine and social call;
For what is worth in anything.
But so much money as 'twill bring?"

What makes all doctrines plain and clear?
About two hundred pounds a year,
And that which was proved true before,
Proved false again for two hundred more."

It is not to be understood, however, in what is here recorded in reference to this case, that the individual referred to had no good qualities. On the contrary he was a constant attendant at the church of which he was a member, and no community ever had a more industrious citizen. The object had in view, in referring to this case, and the lesson to be learned from it, is to emphasize the fact, that while a man may be a good farmer, or a good mechanic, or a good lawyer, or a good physician, or a good preacher, he may not be, and in a multitude of cases, is not, a very good financier. There are thousands of cases on record to prove that multitudes of men, able, efficient, and even eminent in the various pursuits of life, have been utter failures as financiers. A man may be able to learn almost anything, but no man ever did or ever will learn everything, because life is too short, and possibly that fact may have been the reason for the homely adage, that "the shoemaker should stick to his last."

Professional financial tinkers in all ages and in all countries have succeeded better as breakers than as menders. Books have been written to demonstrate how every man could be his own lawyer, or his own doctor, and reasoning from these premises, some people supposed that every man, without any special training or natural adaptation, could be a skilled financier, with the right and ability to manufacture something and to call it money. Eventually, however, this condition of affairs in monetary and financial matters in Iowa aroused to some extent the sleeping energies of the people, and thoughtful men of all parties and all schools of finance united in an honest and earnest endeavor to devise some plan or some arrangement of governmental policy, by which a sound and stable currency, with a solid coin basis, could be devised and established, which would be safe and advantageous to the commercial, manufacturing and agricultural, as well as to the

laboring classes. All profound thinkers on questions of money or finance, from the days of Alexander Hamilton to the present, no matter how widely they may have differed as to details, have been in accord as to the wisdom of so framing our financial system that all grades of society should be equally benefited and protected. Equal rights to all and exclusive privileges to none, has been inscribed upon all banners of all parties. "Money," says Hamilton, "is with propriety considered as a vital principle of the body politic, and enables it to perform its most essential functions." James Madison, in his comments on that clause of the Constitution which prohibits any State in the Union from issuing bills of credit as money, says: "The loss which America has sustained from the pestilential effect of paper money on the confidence between man and man, and on the morals of the people, and on the character of republican government, constitutes an accumulation of guilt which can be expiated in no other way than by a voluntary sacrifice on the altar of Justice of the power which has been the instrument of it."

The same author further says on this subject: "The same reasons which show the necessity of denying to the States the power of regulating coin, prove with equal force that they ought not to be at liberty to substitute paper for coin." The use of the words "paper money," by Mr. Madison, is, at this day, a misnomer. The paper issues of to-day are not money, but simply *promises* to pay money. "Money," says Locke, "differs from uncoined silver in this: that the quantity of silver in each piece of money is ascertained by the stamp it bears, which is a public voucher." Our lexicons describe money as being "stamped metal, generally gold, silver or copper," never as paper. Banks and bank paper *create* no money, but under wise laws for their government, and when properly conducted, are of incalculable benefit to the commerce of the Nation, and to all classes of people; and it is very doubtful if the business of the world could be successfully conducted without them. It is safe to say that very few people are aware of the amount of labor performed by banks for little or no compen-

sation. If all the banks in the Nation were closed, and all the people compelled to transact their business without the facilities which they furnish, for thirty days, there would be such a stirring up of the business community as has not been heard of since the firing of the first gun upon Fort Sumter.

The law creating the State Bank of Iowa, designated Iowa City as the place of its location. This, however, was not a bank of discount and deposit, but simply an office to be occupied by the president and secretary, where all the business relating to all the branches of said bank in the State was transacted, and where all the circulating notes of all the branches were kept and delivered to the several branches, at such times, and in such sums, as they were each entitled to. All the worn out or mutilated notes of any of the branches had to be returned to the bank at Iowa City for cancellation and destruction, and new notes delivered to each branch in lieu of the notes so destroyed. The provision of law, for the destruction of the mutilated currency of the several branches of the State Bank, required it to be burned to ashes in the presence of the president or vice-president, and two of the directors of said bank. This burning was done in a large, old-fashioned, ten-plate stove, in the office of the State Bank at Iowa City. Sometimes, in warm weather, this was by no means a pleasant job. The door of the stove had to be kept open so that the witnesses could certify, *not* that the mutilated currency had been put into the fire in the stove and burned, but that the burning was done in the presence of those who made the certificate. It was also necessary to keep the door of the stove open, so that there should not be draft enough to carry any of the bills only partially scorched out of the chimney; and it was no unusual thing for one of the committee to go outside occasionally to see whether any of the mutilated notes were escaping in that condition through the flue. For it must be remembered that the certificate had to state, *not* that the notes were put into the stove, but that they were burned to ashes. This provision of law made it necessary for the committee to *see* them burned; and it was necessary, also, to do consider-

able stirring up of the charred and smouldering paper so as to make it certain that the certificate could truthfully state that the notes were burned to *ashes* in their presence. Those who have had experience in this kind of work know that greasy, mutilated bank bills make a very hot fire.

This particular statement is given in detail, to show with what care every minutia of this business was attended to, so that no chance was left for mistake or oversight, and the result has, I think, been satisfactory to all the people of Iowa, and to all who were officially or financially associated with, or interested in the safe conduct of the affairs of the institution. Subsequent to this time, and for some years after the passage of the National bank law, the act of Congress required the destruction of all mutilated National bank notes to be burning. Now, the mutilated National bank bills are macerated instead of being burned. Once while the law of Congress required the burning of mutilated notes, I was requested by an Iowa National bank, while in Washington at one time, to witness the burning of some of its mutilated currency. When I presented my authority at the Treasury Department, I was shown into the room where the mutilated currency was kept, and a couple of young gentlemen employes detailed to witness with myself the burning. When the package of bills to be burned was handed to me, I took a seat at a table and commenced to count the bills. This seemed to amuse these two gentlemen, as being in their opinion entirely unnecessary, because, as they *kindly* informed me, these bills had already been counted. To which I replied, "That may be sufficient for you, but not for me," and so I continued counting until I had verified the correctness of the amount to be burned. Then we three proceeded to another room in the same building, where a small furnace, which seemed to be enclosed in, and part of a brick wall, was located, and these mutilated notes were thrown into the fire in the furnace. One of these gentlemen then attempted to close the door of the furnace, which I prevented him from doing. This seemed strange to these government employes. I inquired if they could see the notes burned

if the door was closed, and if they could not, how could they truthfully certify that they saw the notes burned to ashes? I refer to this transaction merely to show a sample of how a great deal of business, both public and private, is done, and to furnish an explanation of how so many things happen, which are called unexpected occurrences, or unavoidable or unlooked for misfortunes, when in fact they are the legitimate result of criminal carelessness, or absolute and willful neglect of plainly expressed and positive duty. It may not be possible to make specific provision by law for every exigency that may arise. Human wisdom does not reach that far, and consequently the wisest and best men sometimes make mistakes. Good laws, administered by good, careful men, would minimize the ills of life. Bad men and bad laws would make this world a howling wilderness. Scheming men with evil intent have sometimes over-reached themselves and there have been some instances in the history of human affairs where such men have succeeded in having such laws passed for their personal benefit or gratification, but such laws sometimes operate against the author, and he has had good reason to exclaim with Dryden:

"The blow recoils and hurts me while I strike!"

Such cases serve to "point a moral," even if they do not "adorn a tale." When Daniel's enemies succeeded in procuring a decree, which, from a human standpoint, looked as though they were certain of closing forever the old Prophet's career on earth, they made what proved to be to them a fatal mistake in the specifications. They took it for granted that if Daniel could be safely deposited in the "den of lions," and no appeal or change of venue could be evoked to interfere with or defeat their designs, his case would be closed. But when the "Presidents and Princes" framed that celebrated decree, causing Daniel to be cast into a den with those savage wild animals, they forgot to specify that he should remain there, and this omission was fatal to their law, and eventually to themselves. These "Presidents and Princes" simply digged a pit and fell into it themselves.

But I have wandered from my subject all the way from a city on the sundown side of the "father of waters" to a city built by Nimrod, on the banks of the Euphrates, about four thousand years before Iowa City, or the State Bank of Iowa, was dreamed of, and must now try to get back to my text. But just as I came to this conclusion, I chanced to see in the *Christian Advocate*, of New York, an article on the subject of money, written by a gentleman who has the prefix of "Rev." to his name, in which he says: "All money is *fiat* money. The intrinsic of so called coin is sunk in the *fiat* value of the coin, and what is wanted now, is for the creation and distribution of far more *fiat* money. Not less, but more *fiat* money." And immediately after reading this receipt for the cure of all the financial "ills that flesh is heir to" a preacher in Washington city one Sunday took for his text these words, "The Money of the Nation," and in the course of his sermon is reported in the newspapers as saying: "The remedy in this money matter lies in nationalizing the entire currency of the country, stripping it of all *intrinsic value*," and in support of this theory quoted Dr. Franklin as in favor of issuing "proclamation money," to be loaned to the people in sums not exceeding five hundred dollars, payable in sixteen years and secured by real estate. Possibly Dr. Franklin may at one time, while this country was merely an English colony, have advocated the issuing of paper, without a coin basis, to be used as a substitute for money. But when he did this, he gave as the reason for such an opinion the following words, which can be found on page 443 of volume II of the life and works of Benjamin Franklin: "Gold and silver are not the product of North America, which has no mines, and that which is brought here cannot be kept here in sufficient quantity for currency. The colonies are dependent governments, and their people having naturally great respect for the sovereign country, and being immoderately fond of its modes, manufactures and superfluities, cannot be restrained from purchasing them, because such law, if made, would be repealed as prejudicial to the interest of Great Britain." Now, if we are still a colony

of Great Britain, and must shape our laws and customs as she directs, we may as well close our gold as well as our silver mines, and confine our financial operations to such plans as she may decide are best for *her* interests. But if we have still any faith in what we call our "Declaration of Independence," which we made without the advice or consent of Great Britain and if instead of not producing any gold or silver, as was the case when Dr. Franklin wrote on that subject, we are now the largest producers of these metals of any nation in the world, the case presents an entirely different aspect. It is certainly not fair to quote Dr. Franklin as favoring irredeemable, *fiat* money at this day, when one of his chief reasons, and the one on which all his others are based, for the issuance of that kind of paper promises, is that this country at that time produced no gold or silver, and was entirely dependent on foreign countries for *coin* money.

If Dr. Franklin had known that this country in the years of the then coming future would be a very large producer of both gold and silver it is safe to say he would have given very different advice on the money question. A country that produces no gold or silver, as was the condition of this country at the time the Doctor made his statement, occupies a very different position in the commercial and financial world, from a gold and silver producing country, such as this country is now. It seems, however, to be the fashion in these days, when an individual wishes to bolster up some pet theory of his own, to lug in the words of some man for whose life and character the world has great respect, and in doing so, very little or no regard is paid to the intention of the writer. Sometimes, while what is told is true, yet the *whole* truth is not told, and that is why it has been asserted that *half* a truth is in many cases a falsehood. Our laws require a witness, when answering under the solemnity of an oath, not *only* to tell the truth, but also to tell the *whole* truth. If the whole truth in Dr. Franklin's case is told, he cannot be fairly counted on the side of an irredeemable paper currency. Dr. Franklin has also been represented as an infidel, by some who possibly

wished it to be so, and it may not be generally known that the Doctor, while mentally and physically in good condition, wrote his own epitaph to be placed on his tombstone, in these words: "The body of Benjamin Franklin, Printer (like the cover of an old book, its contents torn out, and stripped of its lettering and gilding), lies here food for worms. Yet the work itself shall not be lost, but will (as he believed) appear once more in a new and more beautiful edition corrected and revised by The Author." In quoting Dr. Franklin, or any other of the great names of former generations, it ought to be remembered that the conditions surrounding the commercial relations of a gold and silver producing country, and those of a nation producing little or none of these metals, are as different as can be imagined. The reverend gentleman to whom I have referred as quoting Dr. Franklin as being in favor of "proclamation money" is reported at the same time as admitting that he was himself a "Nationalist, and even a Socialist."

One hundred years ago a committee appointed by the Government to examine and report "facts relative to paper money" said in their report, among other things: "When paper was issued in lieu of money, bankruptcy followed, and creditors suffered accordingly." One writer of some prominence as authority in financial matters says: "Every medium of trade should have an *intrinsic* value, which paper money has not; gold and silver are therefore the fittest for this medium, as they are an equivalent which paper money never can be." Now, if I understand the meaning of the word *fiat*, as applied to money by the writer whose words I have quoted, he is preaching a very dangerous doctrine. The word *fiat* denotes a decree, or an order. No mere order or decree by human authority can create something out of nothing. That is an attribute alone of Deity, and outside of and beyond the power of man. Cowper says:

"Why did the fiat of a God give birth
To you fair sun and his attendant earth?"

The word *intrinsic*, used by one of the writers whose words I have quoted from the *Christian Advocate*, means fixed in the

nature of things; inherent, internal, genuine, possessing value. And the word *value* means a price equal to the worth of the thing bought; equivalent; the amount of labor necessary to produce a thing; excellence; a given quantity of labor. As a general rule, the value of anything depends, not entirely but to a great extent, upon the amount of time and labor required to produce it. The value of the mainspring of a watch is more than one thousand times greater than that of the crude ore out of which it was produced, and labor has caused all the additional value. And the word *labor* means, exertion, toil, task, fatigue, etc. If any one doubts this statement, or calls in question the importance which is here given to the word labor, I refer him to 1st Thessalonians, 2d chapter and 9th verse. Applying the labor test, it becomes very clear that a mere promise to pay money is not in itself money, and the value of the promise depends entirely upon the ability and disposition of the promiser to make good his promise. The financial world has had at least two striking proofs of this in the case of the assignats of France and the continental paper of this country. Fiat money, strictly speaking, is a delusion and a snare. It "keeps the promise to the ear (or more properly, to the eye) and breaks it to the hope." It has always seemed strange to me that this Government, when it became able to pay the continental currency, did not do so, because, in the line of even-handed justice, "no time, or space or roll of years" should have prevented this from being done. An honest debt, either public or private, in the hands of an honest holder, ought to be held sacred, and beyond the reach of outlawry. A solemn promise given for the performance of a sacred duty should be as lasting as the years.

Paper promises, to be valuable as a circulating medium, must have behind them some responsible grantor and a *place* of as well as a *time* for redemption. One of the best and most important features of the National Banking System, and one which is not appreciated as it should be, is the fact that all the notes of all the National Banks in the United States are furnished by the Government at Washington, so that the

official records of the Comptroller show at all times just what amount and to whom circulating notes have been issued. And the same law requires all mutilated or worn out notes from all National banks to be returned to Washington for cancellation and destruction, so that the official records at all times show the amount of outstanding paper circulation of each bank and of all the banks in the United States.

Reference to this feature of the National Banking Law is now made for the purpose of saying that this is exactly the system upon which the State Bank of Iowa was founded, so far as furnishing and retiring circulation were concerned. And the fact ought to be emphasized and never forgotten by the citizens of Iowa, that while the systems in this particular were similar, the framers of the Iowa law did not borrow the idea from the law of Congress establishing the National banks, because the law creating the State Bank of Iowa was passed and the Bank in operation in 1858, and the National Banking law was not passed until about five years after. If the law creating the State Bank of Iowa did not in express terms compel the several branches to receive at par the notes of all the other branches, the same thing was accomplished by the general supervisory power given in Section 3, for the inspection, control and general oversight of all the branches, in the following words: "The Directors shall have power, by themselves or by a committee of one or more members of their own body, or by a special agent appointed by them for that purpose, whenever and as often as they think proper, to visit any branch, inspect its books, records and accounts, and all the evidences of debt, due to, and securities held by such branch, examine and ascertain the amount of money and other property held by such branch, examine on oath the President, Vice-President and Directors and Cashier, and all other officers, clerks or servants of the branch, touching its condition, means and liabilities. They shall have power to require any branch to reduce its circulation or other liabilities within such limits as they shall, after full inquiry as to its condition, deem necessary to secure from loss either the dealers with such branch,

or the other branches of the State Bank of Iowa." This provision of law, with the additional one requiring a meeting of representatives of all the branches every ninety days, for the purpose of consultation, as to the best and safest measures to be adopted for the benefit of all the branches, was considered a sufficient safeguard against all possible danger, and the result has proven the correctness of that policy.

The records of the State Bank at Iowa City showed at all times the exact amount of circulating notes and the date of delivery to each branch, and also the amount of mutilated notes returned for destruction by each branch, so that the exact amount of circulation outstanding of each branch, and of all the branches, could be exactly ascertained at any time by a reference to these records.

In the case of the National banks the Government holds its own bonds to secure their circulation. In the case of all the branches of the State Bank of Iowa, the President of the State Bank was the custodian of the securities of all the branches, to secure their circulation. During all the years of the existence of the State Bank of Iowa it redeemed its circulation when presented for redemption, in coin. Its history as a Bank was an honorable and useful one, and it is safe to say, that the men who were connected with the management of the Bank, and of the several branches in any part of the State, have reason to feel an honest pride in the manner in which the institution was conducted.

It is worthy of note that the law under and by authority of which this Bank came into existence was neither violent nor arbitrary in any of its provisions, nor was it of any force or effect until it had passed the crucial test of an examination by the people and had received their indorsement and approval at an election held for that special purpose. It was, therefore, in a double sense, a law of the people, for the people and by the people. The language in the 56th Section of the act creating this bank provides as follows: "This act shall take effect and be in force from and after its approval by a majority of all the electors of the State, voting for and against it at an

election provided by law, and *not* otherwise." And the law providing for the government of this system of banking, directs that there shall be one representative from each of the branches in the State, and three directors on the part of the State. The language of the law on this point is in these words: "It shall be the duty of the General Assembly to elect three directors of the State Bank of Iowa at each regular biennial session." These, with the President and Secretary of the State Bank, were required to meet every three months at the office of the State Bank in Iowa City, for the transaction of such business as was necessary for the safe management and best interests of the general public and the banks. At each of these meetings the President was required to make a written report of all matters and things pertaining to the business and operations of the several branches, so that the Board of Directors could decide what, if any, action was necessary in reference to any branch. This constant and special oversight of all the branches, enabling *all* to know what *each* was doing, and *each* to know how *all* were conducting their business, was at once a stimulus to correct action and a safeguard against loose and careless management. In short, it was a verification of the saying that "in union there is strength."

In order that the President might be able to make the report at each meeting above referred to, it was made his duty to visit and examine the several branches, so that he could state from personal knowledge the true condition of each of the branches. The safety fund held by the President, before referred to, to secure the circulating notes of the several branches, consisted of State bonds, stocks that had a cash value, and cash. The law under which this bank was organized, did not allow any branch to receive any circulating notes until it had made the required deposit to secure its circulation. For the safe keeping and proper disposition of the bonds so deposited with the President of the State Bank, he was required by the Board of Directors of said bank to give a bond with approved sureties in the sum of one hundred thousand dollars. Section 4 of the act authorizing the estab-

lishment of the State Bank of Iowa, fixes the "compensation of the President for his services at such rate as said bank shall allow." It is worthy of note in this instance, as a case probably without parallel in the history of banking or other moneyed corporations, that the President of this State Bank, who, in addition to all his other duties, was personally responsible for the safe keeping and proper disposition of the large sums of cash and bonds held by him as the safety fund of all branches in the State, was expected to, and did perform all these duties, and shoulder all these responsibilities for a much less pecuniary compensation for his services than an ordinary clerk receives in most of the commercial or banking houses of the country. But while his compensation in "filthy lucre" was very small, he had, when his work was faithfully performed, the better and more valuable pay, from all his associates and all others who were interested, of "well done, good and faithful servant." All persons who do anything in this world to "smooth the rough paths of peevish nature," or to accelerate the movements of the business wheels of progress in the right direction, are good servants, and it speaks well for the better side of humanity if, in judging the work of such, we apply the language of one who said:

"Expect not more from servants than is just;
Reward them well if they observe their trust."

Attention has already been incidentally called to similarity between the law under which the State Bank of Iowa was organized, and the law of Congress authorizing the National banks, in reference to the distribution and cancellation of circulating notes, and to the further fact that the Iowa law was passed some five years prior to the National Banking law. But that this may be better understood, the letter of the Iowa law is here given. Section 3 of the Iowa law directs that "the officers of the State Bank shall procure and furnish each branch with notes for circulation, and decide on the amount to be furnished from time to time to each, within the limits, and agreeable to the rules and restrictions prescribed by the law." And in Section 6, it is directed that "all

notes designed for circulation by the branches shall be furnished by the State Bank of Iowa, but no notes shall be delivered to any branch until they are numbered and countersigned by some person authorized by the State Bank of Iowa to countersign the same as register. And all such notes shall have stamped or printed on their face the words 'Registered by the State Bank of Iowa.'" And in the same section of the law it is required that "all notes so worn, defaced or mutilated as to unfit them for circulation, shall be returned by the branch by which they were issued, to the Bank, and an equal amount of new notes received therefor. All such notes so returned by a branch shall be credited, and all new notes delivered in their stead shall be charged to said branch on the books of said Bank, and the notes so returned shall be burned to ashes in the presence of the President or Vice-President, and at least two of the Directors of said bank." So it will be seen that the law of Congress authorizing the creation of National banks followed the policy adopted five years before by the framers of the Iowa Banking law, so far as the issuance, retirement and cancellation of circulating notes are concerned.

It also provided in express terms that all National banks thereby created should protect the issues of all other banks similarly organized. Section 5196 of the Revised Statutes provides as follows: "Every national banking association formed or existing under this title shall take and receive at par, for any debt or liability to it, any and all notes or bills issued by any lawfully organized national banking association." This 5196th section of the law is the keystone of the arch, which has upheld and made strong and complete the entire National bank structure. Without it the National banks in remote parts of the country would have been at war with each other, and their notes circulating hundreds and thousands of miles from the place of issue would not in many cases have been received at par. If proof of this is desired, it is only necessary to refer to the fact that prior to the establishment of the National banks no bank paper in the United

States ever was at par in all parts of our domain. Even the old United States Bank bills, that came the nearest to it, were always at a discount at points remote from the place of issue. When the National Banking law was being framed, there was an earnest desire on the part of many members of Congress to make some provision by which all banks organized under it should be placed on an equality, and as far as possible be mutually interested. Among those who took an active part in framing that law may be named James A. Garfield, James G. Blaine and Thaddeus Stevens, all of whom had much ability to "govern men and guide the State;" and all these, and many others, seemed to think that fixing a uniform rate of interest, to be charged by all these banks, would be the means of accomplishing the desired purpose, and six per cent was the rate which was most generally named as the rate of interest beyond which no bank organized under that law should be allowed to charge.

My experience in banking in Iowa made it very clear to me that such a provision as that would not only not accomplish what its advocates desired, but would also be fatal to the law, so far as the territory west of the Mississippi river was concerned, because money in the West in those days was in demand at ten per cent. Uniformity in the rate of interest to be charged upon loans, could not by possibility have insured equality of value to the circulation of National Banks, in all parts of the United States, but would have left each bank from the Atlantic to the Pacific at liberty to say at what rate of discount it would receive the bills of any other National bank. This would have been like Achilles' heel, the vulnerable point that would have led eventually to the destruction of the system. If Achilles' mother had tumbled the boy into the river Styx, and then fished him out again, he would have been proof against the weapons of his enemies. In the part which I was allowed to take in the discussion, I tried to show that by compelling *all* National banks to take the notes of *each* at par, and leaving the *rate* of interest to be fixed by the law of the State where the bank was located, the "greatest good to

the greatest number" would be accomplished. This policy was finally adopted and the result has been generally satisfactory. It ought to be a gratification to the people of Iowa that the system of establishing one central point, from which all circulating notes of National banks should emanate and to which they should be returned for cancellation, was exactly the system upon which the State Bank of Iowa was established *five years before the National Bank law was thought of.*

The present National banks are to the Nation what the State Bank of Iowa was to the State of Iowa, with this difference, however, that all National bank notes lost or destroyed in any manner, amounting at this date to many millions of dollars, is a clear gain to the Government, the banks by which such notes were issued deriving no benefit of any kind from such loss. But in the case of the loss of circulating notes of the State Bank of Iowa, the branch of the bank issuing such notes derived the benefit. This Iowa system of State banking, where all the branches radiated from and were directed by a central head, gave strength and power to as well as confidence in the system, and the public felt more immediately identified with the management than would have resulted from any other system. If it is a fact that money is the "life blood of trade and the wings of commerce," then it follows as a consequence that the volume of money, or bank bills representing and redeemable in money (and no other bank bills should be allowed), is an important factor in determining the condition of the financial health of a nation, and consequently of every State in the Nation.

If a certain volume of currency, based on coin, is essential to the prosperity of any country, then it follows as a consequence that a reduction of that volume is injurious to that country. An examination of the books of the Comptroller of the Currency discloses the fact that on the 1st day of October, 1882, the circulation of the National banks then outstanding and in circulation was \$362,889,134
and on the 10th of October, 1893, it was only 208,659,520
showing a reduction in eleven years of . . . \$154,229,614

which is just \$14,020,874 of a reduction of the circulating medium for each year of the eleven; and this, too, in the face of the fact that in those eleven years our population has increased many millions, which would seem to indicate that an increase rather than a decrease of the circulating medium is needed. And it needs no argument to prove that the financial outlook to-day is much less encouraging than it was a few years ago. An increase of population demands (not a decrease, but) an increase of something as a circulating medium based on coin, to facilitate transfers and exchanges. Recent National legislation seems to favor strengthening the picket line, to prevent an onslaught from silver. But when the fact is considered that it would require about five years for our mints to coin enough silver to equal the amount of the reduction of the National bank currency the danger line must be somewhere in the dim distance. In addition to what has been already said in reference to the volume of currency, the fact must not be lost sight of, that this is only a *part* of the real condition. The books of the Comptroller show how much has been issued and how much returned, but do not and cannot show how much has been lost or destroyed.

Every person who has ever had any personal experience with issuing and returning bank currency, knows that no bank ever got back all its notes. Losses by fire, losses by flood, losses from accident, misfortune or carelessness, amount in the aggregate to many millions of dollars, and these losses of National bank notes are all clear *gain* to the Government and also a reduction of the volume of the circulating medium. Some years ago the Government called in all the outstanding fractional currency, and the call demonstrated conclusively the fact that some ten millions of that currency had gone to the "tomb of the Capulets," or some other tomb, and the Government was just that much richer, and the general public just that much *short* on currency. In giving these facts and figures, to show the reduction of the volume of currency with which the general business of the country has to be transacted, I must not be understood as viewing the question

from any Republican, Democratic, Populist or partisan standpoint. The intention is simply to "hold the mirror up," not to nature, but to truth. The question is one of cold, naked, stubborn facts of such a character that even a "wayfaring man" can understand them and need not err—and so plain "that he may run that readeth it" (Habakkuk 2d chap. and 2d verse), run doubtless to some refuge or place of safety. What and where that city of refuge is in this case is left entirely to the judgment of the reader.

The State Bank of Iowa had its birth in the days when peace spread her white wings over all the land, including "lake and ocean," unclouded by any sign of "grim-visaged war," and its circulating notes seldom traveled far beyond the boundary of the State.

But when the "dogs of war" were let loose and the bugle-call to arms was sent ringing through the land, then in response to that call the farmer left his plow, the merchant his counter and his trade, the lawyer his briefs and his clients, and the preacher his pulpit and his flock, and all rallied as one man to protect and preserve a united nation. But when all this grand exhibition of patriotic, unselfish zeal had been demonstrated by the people from all the peaceable pursuits of life, and these unbroken ranks of freemen stood marshaled beneath the starry banner, the unwelcome fact was demonstrated that neither the general Government nor the State of Iowa had one dollar of money to equip or to subsist these patriotic volunteer defenders.

Then it was that some individuals, prominently connected with the State Bank of Iowa, voluntarily came to the rescue, and from their own private means and without authority of law, or order or request of either the National or State Government, paid to the three Iowa regiments then in the field, thirty-three thousand dollars (\$33,000), most of which was Iowa currency, and thus it was that some of the Hawkeye currency found its way to the Sunny South, the land of the orange and the palm, "away down South in Dixie." So, when the returns are all in and the accounts are all made up,

it will be found that the State Bank of Iowa, in addition to its other good qualities, had something to do in defeating rebellion and restoring the Union.

The history of the different systems of banking, and the laws regulating and governing the same, in this country, furnish many instructive lessons on the subject of finance and financial systems, which if properly heeded will be of immense advantage in the future. The many wrecks of financial enterprises and Utopian schemes for the rapid accumulation of wealth, which are strewn along the shores of time, are object-lessons which teach in a manner not to be misunderstood or mistaken that permanency and stability are generally plants of slow growth. The rapid growth of Jonah's gourd must have been a surprise to the slower-growing plants around it, but its decay was equal in rapidity to its growth. It is recorded upon authority from which no successful appeal was ever taken, that "they who make haste to be rich shall not be innocent, and shall fall into divers temptations and a snare." 1st Timothy 6th and 9th, and Proverbs 20th and 28th.

The State Bank of Iowa, while it continued in existence, served well the purpose for which it was created. But there came a day when it seemed to be a patriotic duty to close up its business as a State institution and give place to the National banking system, based upon the bonds of the Government, and thus accomplish two laudable purposes, to wit: First, furnishing a sound and reliable currency, not to one State only, but for all the States; and in the second place, to aid the Government in disposing of its bonds, in those dark days and severe trial hours of the Republic. Those Government bonds, it must be remembered, were not as popular in the financial world at that time as they are now, and a market for them was found mainly among the friends and supporters of the old flag. For the reasons above stated, the State Bank of Iowa closed up its business, returned the safety fund to each of the branches, called in and destroyed, by burning, the circulation of the branches, and left a clear field for the National banks.

In addition to what has already been stated in these pages, in reference to the law regulating and controlling the management of the State Bank of Iowa, and of the machinery which the law provided for putting it in working order, it may be proper to state that the act of incorporation provided for a board of Bank Commissioners whose business it was to make the necessary preliminary arrangements for the commencement of business by the Bank. The first meeting of these Commissioners was held at Iowa City, on the 28th of July, 1858, and the following persons were present and took the oath of office as said Commissioners, to wit: C. H. Booth, E. H. Harrison, Ezekiel Clark, W. J. Gatling, C. W. Slagle, Elihu Baker, Wm. S. Dart and Edward T. Edgington. The official record of that meeting shows that the board organized by appointing Ezekiel Clark as President and W. J. Gatling as Secretary *pro tem.* This board of Commissioners met and adjourned from time to time, at the same place, until such business as had been intrusted to them by the act of the General Assembly had all been transacted, and then on the 9th of October, 1858, adjourned, as the records show, to "meet on the 11th of November, unless sooner called together according to law." But the records fail to show that any subsequent meeting of this board was ever held. But the records do show that on the 27th of October, 1858, just eighteen days after the last meeting of the Board of Commissioners, the representatives of the several branches of the State bank was held, and organized, by the "appointment of Samuel J. Kirkwood as President *pro tem.* and Hoyt Sherman as Secretary *pro tem.*," and the following persons were present as representatives from the several branches, to wit: William T. Smith of the Oskaloosa branch, Samuel R. Miller of the Keokuk branch, P. M. Casady of the Des Moines branch, Samuel J. Kirkwood of the Iowa City branch, Chester Weed of the Muscatine branch, Richard Bonson of the Dubuque branch, Timothy Whiting of the Mount Pleasant branch, and H. Price of the Merchants' branch; and the representatives on the part of the State were Hoyt Sherman and Benja-

min Lake. Subsequent to this time, seven other branches sent their representatives, to wit: Washington, Maquoketa, Council Bluffs, McGregor, Lyons, Fort Madison and Burlington, making the whole number of branches in the State fifteen. At the first meeting of the representatives of the eight branches first named, the organization of the State Bank was completed by the election of Chester Weed as President and Elihu Baker as Secretary. Mr. Baker continued as Secretary during all the years of the existence of the bank. Chester Weed retired from the Presidency at the end of one year and the writer of this article was elected President, and continued as such until the closing of the Bank and the final winding up of all its affairs on the 22d of November, 1865, at which time all the currency of all the branches then remaining uncanceled and outstanding, amounting at that date to \$35,460, was destroyed, by burning, in the presence of the following persons representing several of the branches: R. E. Graves, H. M. Holden, Samuel Rand, Col. Samuel Merrill, Otto V. Schrader, S. D. Viele, Wm. T. Smith, O. C. Hale, Samuel J. Kirkwood, Lyman Cook and H. Price.

From the books and records of the State Bank it will be seen that its life was seven years and twenty-five days. Counted by years its life was brief, but counted by its acts and influence, seven years was not its limit.

“We live in deeds, not years—in thoughts, not breaths—
In heart throbs, not in figures on the dial;
He most lives, who thinks most, feels the noblest, acts the best.”

As a financial institution the State Bank of Iowa now belongs to the history of the past and is no longer a factor in the business affairs of the world. It is, however, a satisfaction to know that the final page of its record closed with the verdict of the people—that it served its day to good purpose and performed in good faith all its promises. The holder of an Iowa State Bank note could rely implicitly upon its being redeemed at its face value on demand, in the lawful coin of the realm. The promise and the figure on the face of every one of its notes meant the same thing at all *times*, in all *sea-*

sons and to all *people*. The institution was at no time, or under any circumstances, either the tool or the slave of any *party or clique or faction*. Its debt-paying power and its purchasing power of all the comforts and conveniences of life were as great in the hands of the poor as of the rich. It was every man's friend, and no man's enemy. It *lived* and operated to benefit and to bless, and it *died* to give place to the Nation's favorite, and its record ought to be an inspiration and a benediction in the world of commerce, and its history a beacon star in the firmament of honest financiering.

Most of the men who helped to organize this bank and were active in the management of its affairs, have closed their bank accounts on the time side of the "dark river" and have reported for the final settlement of their accounts on the "other shore," where let us hope the final balance sheet kept in the *main* office, in the land of the great hereafter, may show the largest figures in the credit column of the "general ledger" of eternity, in which all accounts of time are condensed and forever closed. The record which men make in this present time is only additional testimony to that of the millions who have preceded them in life's journey, that

"These struggling tides of life that seem
In aimless, wayward course to tend,
Are eddies of the mighty stream
That rolls to its appointed end."

If, in the years of the coming future, State banks shall be substituted for the present National Banking System, it will be fortunate for the country if the new banks so established shall be as sound, conservative and reliable as the old State Bank of Iowa.

November, 1893.

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