

NEBRASKA "WILD-CAT" BANKS.

AN EXPERIMENT IN FINANCE IN THE WEST BEFORE THE
CIVIL WAR.

The two following articles may very properly be read as fitting addenda to that of MAJOR SHERMAN, printed elsewhere in this number of THE ANNALS. They throw more light upon early financial conditions in Iowa and the neighboring territory of Nebraska. The first is a farther elucidation of what is meant by the terms "wild-cat" and "red-dog" currency; and the second is an unanswerable argument in favor of laws under which banks could be established for the benefit of the people in communities where up to that time there had been none.

An object lesson in finance is presented by two large frames hanging in the Museum of the Public Library of Omaha. In them is an almost complete collection of issues of the "wild-cat" banks that flourished in Nebraska in the later 50s, when the theory of an irredeemable currency first found lodgment in the West. For many years there hung attached to one of the frames the following quotation from a speech made by A. D. Jones, a representative from Douglas county, at the time the first bill authorizing "wild-cat" bank charters was passed:

When I shall have been gathered to my fathers and an humble monument graces the spot where lie buried my bones, it will gratify my soul to look down from the high battlements of heaven and read engraved thereon this simple and truthful inscription: "Here lies an honest man—he voted against the inauguration of 'wild-cat' banks in Nebraska."

Curiously enough the first aggregation of capital ever incorporated in Nebraska was a banking institution, which obtained the privilege by a subterfuge. Its title was the Western Fire and Marine Insurance and Exchange Company. Its charter gave it power to deal in exchange, and this power was speedily construed as a license to do a general banking business. Its cashier was L. R. Tuttle, who was under President Lincoln treasurer of the United States, and its paying teller was A. U. Wyman, who held the same office under a later administration. This was in 1855.

At the legislative session in 1856, the first real battle over the incorporation of "wild-cat" banks was fought out. J. Sterling Morton, afterward Secretary of Agriculture under President Cleveland, led the fight against the banks. He was just fresh from college, and his declaration that legitimate banking business could be maintained only upon surplus capital, of which there was then none in the Territory, carried no weight. When the measure came up in the Council he handed in a minority report from the committee to which the bills had been referred in which he sarcastically urged that each note issued should bear the legend, "Bill holders individually liable."

On the day the bill became a law five banks, at Nebraska City, Bellevue, Florence, Omaha and Brownsville, were incorporated. The stock ranged from \$50,000, and the stockholders were made individually liable for the redemption of all currency issued. There was no provision for a specie reserve and no safeguard against individual rascality. So attractive a method of gaining wealth without exertion brought dozens of promoters of banks to the State when the next Legislature met. Six applications for charters were made. The committee grew alarmed and in its report pointed out that if these charters were granted and the banks issued currency to the limit allowed it would give a per capita circulation to Nebraska of \$750.00. As a result only two charters were granted.

Then the panic of 1857 came. The wave of bankruptcy which started with the failure in Cincinnati of the Ohio Life and Trust Company, and in New York of John Thompson, the broker, did not strike Nebraska until several months later. Even while eastern banks were toppling, the western newspapers congratulated themselves upon the supposed fact that while Wall street might be the money center and the great stock and currency regulator, the money strength of the country was in the West.

The Tuttle Bank of Omaha failed first. It had issued

currency without check and had less than \$200 cash on hand when it closed. The Brownsville Bank was closed soon afterward. Its collapse was occasioned by the presentation for redemption by a lot of steamboat hands on their way up the Missouri of a few hundred dollars' worth of its currency. The cashier excused himself for a moment, walked out the back door and never came back. Just \$63 was realized at the sale of its assets. In the safe was found several thousand dollars' worth of the bank's currency. The notes were excellent samples of the engraving of the day, and so unimpaired were they in public estimation that long afterward a Brownsville man was able to pass the bills at St. Louis as good money.

But two of the nine banks survived the panic. The only reminders of their existence are in the musty court files and in the collections of several numismatists. The only statistics available show that the total value of their notes in circulation, at their maximum of prosperity, was \$420,000, when their specie reserve was only \$136,000. The maximum of deposits was \$125,291 and loans and discounts \$418,097. The maximum of capital stock issued was \$205,000.

The Platte Valley Bank at Nebraska City stood the strain longest, and so great was public confidence in it that when other banks were failing many helped to hold it up by deposits of specie. When it failed it redeemed every note at par, because its president would not allow it to be said that such paper bearing his name was ever hawked about at a discount. It was the only State bank owned by residents of the Territory, men from Indiana, Illinois and Wisconsin being behind the others.

One curious result of the circulation of so much money in the Territory was that people came to believe that if a man could only get his bills engraved he had a right to start a bank. One without a charter was floated at De Soto, a town no longer in existence. Its bills were sent as far away from home as possible. A local paper gave warning that

when the crash came the good name of the town would suffer. An opposition paper retorted that the bank was as safe as any other, because its solvency and the redemption of the notes of all depended upon the individual stockholders. It had half a dozen imitators. The newspapers of the day tried to do their duty by occasionally quoting the market value of the various bank issues, which ran from fifty cents on the dollar to par.

The craze to get rich by means of manufactured money seized all kinds of companies. At one point a hotel was erected purely upon scrip, at Lincoln the city government sought to make both ends meet by issuing scrip that passed current at par for a time, and was principally used at the last to pay city taxes, a reaction that furnished the basis for the municipal debt of today. Only a year ago, in tearing down an old building once used as a bank, a bundle of this scrip was found. Most of it was preserved as curiosities, but some notes found their way into circulation, and were passed upon suburban grocers. At Omaha scrip to the amount of \$50,000 was issued to build a capitol. The sum proved insufficient and another \$50,000 was printed. The capitol was completed, but was lost a few years later to Lincoln. Most of the scrip proved a dead loss to the holders, but its issue was complacently justified as a war measure in which the citizens who bore the loss gained by the temporary situation of the capitol at Omaha.

Only two of the banks issued bills of a denomination as high as \$10, and the intention was that they should wander so far away that they could not return to trouble the bank.
—*Cor. N. Y. Sun, April, 1900.*

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