



CATTLE HIDES TO THE CRIMEAN WAR: BANKING IN EARLY SAN FRANCISCO

Jonathan Tiemann
March 19, 2019

PLAN OF THE TALK

Pre-Gold Rush Economy

Gold Rush Banking

Page, Bacon & Co.

Story of Page, Bacon & Co.'s failure

Implications for Policy

WILLIAM A LEIDESDORFF.

Born Dutch West Indies c. 1810

Naturalized as Mexican Citizen, granted *Rancho Rio de los Americanos*

San Francisco merchant

Kept accounts in pesos, dollars —
and hides



ACTING AS HIS OWN BANKER.

LUMBER.
WILLIAM A. LEIDESDORFF has made arrangements for supplying the Town with LUMBER, persons wishing any kind of lumber can have their orders executed by leaving them at his Store.
San Francisco, May 29, 1847. 2-y

for \$20 - Brodya August 17th 1847
please pay to Mr. H. Clay
Twenty Dollars and charge the same
to my account
Stephen Smith
To Capt. Wm. A. Leidesdorff
Yerba Buena

Sources: Californian newspaper; California Historical Society

Early San Francisco Banking



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GOLD RUSH BANKING

Taking deposits and making loans

Buying gold dust

Selling “exchange”

TAKING DEPOSITS



Early San Francisco Banking

DEALING IN GOLD DUST

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| <p>List of places where ADAMS & Co., have Offices.</p> <p>NEW YORK, NEW HAVEN, HARTFORD, SPRINGFIELD, WORCESTER, BOSTON, PROVIDENCE, NORWICH, Ct. NEW LONDON, Ct.</p> <p>TRENTON, N. J. PHILADELPHIA, HARRISBURG, Pa. LANCASTER, Pa. WILMINGTON, Del. BALTIMORE, WASHINGTON, D. C. RICHMOND, Va. NORFOLK, Va.</p> <p>PITTSBURG, Pa. CUMBERLAND, Md. WHEELING, Va. CINCINNATI, O. LOUISVILLE, Ky. MADISON, Ind. ST. LOUIS, Mo. NEW ORLEANS.</p> | <p>No. <u>1357</u></p> <p>ADAMS & CO.,</p> <p>San Francisco, <u>Nov 30 1850</u></p> <p>Received of <u>A. W. Hale</u></p> <p><u>One pkgd said to contain gold dust</u> <u>Valued Two hundred eleven Dollars,</u></p> <p>Insured by ADAMS & Co., for that amount.</p> <p>which we agree to forward to <u>New York</u> and deliver to <u>H. D. Farnes M.D.</u></p> <p><u>Albany N.Y.</u> or order,</p> <p>Freight and Insurance \$ <u>14.77</u> having been paid here.</p> <p>For Adams & Co. <u>Chas. St. Davis</u></p> |
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Augustin Hale Papers, Box 1, Account Books, Huntington Library

Early San Francisco Banking



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SELLING “EXCHANGE”



mssBC 1354, Box 23, H.D. Bacon Papers, mssBC 1–2561, Huntington Library

Early San Francisco Banking



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PAGE AND BACON

Daniel D. Page (1795 – 1869): second mayor of St Louis; real estate investor

Henry D. Bacon (1817 – 1893): Dry goods and iron; moved to St Louis, married Julia Anne Page 1844

Formed Page & Bacon, St Louis bank 1848

PAGE, BACON & CO., SAN FRANCISCO

Page and Bacon formed Page, Bacon & Co., San Francisco bank, 1850

Sent Henry Haight, David “Judge” Chambers, and Page’s son Francis W. Page to California

BUSINESS OF PAGE, BACON & CO.

| | | |
|-----------------|-----------------|-----------------|
| DANIEL D. PAGE, | DAVID CHAMAERS, | FRANCIS W. PAGE |
| HENRY D. BACON, | HENRY HAIGHT, | Sacramento City |
| St. Louis. | San Francisco. | |

PAGE, BACON & CO.,
BANKERS,

MONTJOMERY, CORNER OF CALIFORNIA ST., SAN FRANCISCO.

Draw at sight or on time, in sums to suit, on

| | |
|------------------------------|--------------|
| George Peabody & Co..... | London |
| F. Huth & Co..... | London |
| American Exchange Bank | New York |
| Duncan, Sherman & Co..... | New York |
| Atlantic Bank..... | Boston |
| Philadelphia Bank..... | Philadelphia |
| Josiah Lee & Co..... | Baltimore |
| Louisiana State Bank..... | New Orleans |
| Page & Bacon..... | St. Louis |
| Hutchings & Co..... | Louisville |
| T. S. Goodman & Co..... | Cincinnati |
| S. Jones & Co..... | Pittsburg |

Gold Dust and Exchange purchased at current rates. jl

Advertisement in Daily Alta California, January 1, 1854. cdnc.ucr.edu

Early San Francisco Banking



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PAGE & BACON'S REACH

Page, Bacon & Co., San Francisco, Sacramento,
Sonora (Calif.) and Honolulu

Quincy (Ill.) City Bank

Canal project near Des Moines, Iowa

Major investor in Belcher & Brother, sugar refiners,
St Louis, New Orleans, and Matanzas, Cuba

Ohio and Mississippi Railroad

OHIO AND MISSISSIPPI RAILROAD

Cincinnati to St Louis

Initial financing by sale of bonds

Part of London-financed RR boom of 1853

Participation by St Louis City and St Louis County

OHIO AND MISSISSIPPI RAILROAD

Late 1853 – cost over-runs and construction problems

Bacon buys out contract to build

Bacon seeks more financing in 1854

European capital markets are closed

BACON SOUGHT FINANCING IN LONDON

axah 24/54

London 27 June
1854

H. D. Bacon Esq
Metropolitan Hotel
New York

Dear Sir,

We are in receipt of
your favor of 6th & 13th instth
and do not lose sight of you
Ohio & Mississippi Bonds, but
ever since they have been
delivered to us the market
for all American Securities
except first rate State Bonds
has been so dull, that there

Early San Francisco Banking Bacon Papers, Box 3, BC1013, Huntington Library

BACON SOUGHT FINANCING IN PARIS

N: 761. Compagnie du Chemin de fer \$ 1000. 3
de
Ohio et Mississippi.
(vigrette)
Cincinnati et Saint Louis.

Par ces présentes, que tout homme sache, que
la Compagnie du Chemin de fer de Ohio & Mississippi,
se reconnaît débitrice, envers Edward D. Mansfield,
ou le porteur, de la somme de Mille Dollars,
monnaie légale des États Unis; la quelle somme, elle
promet de payer à Edward D. Mansfield, ou au
porteur, dans la Cité de New York, le premier jour

Bacon Papers, Box 2, BC1232, Huntington Library

Early San Francisco Banking



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AUTUMN AND EARLY WINTER 1854

Siege of Sevastopol; Charge of the Light Brigade

Mitchel (for O&M RR) to London; last-ditch effort to sell bonds (no success)

Bacon to New York to increase lines of credit

Page to San Francisco to increase remittances of gold

JANUARY 1855 – FAILURE OF PAGE & BACON

Bacon barely meets \$500K obligations of Jan. 1, 1855

Belcher & Bro. fail; P&B suffer loss of \$300K

Bacon negotiates additional \$100K credit from Duncan, Sherman & Co., *but* —

DS & Co. pull credit as Bacon presses ahead with Railroad — refuse to accept drafts from Jan. 12, 1855

Page & Bacon suspend Jan. 14, 1855

FEBRUARY 1855 – FAILURE OF PAGE, BACON & CO.

Steamer brings news of P&B suspension to SF Feb.
17, 1855

Initial response optimistic, but

PB&Co. sent \$1,968,000 in gold from SF to the east
between Jan. 14 and Feb 17

BLACK FRIDAY, FEBRUARY 23, 1855

**BANKING HOUSE OF PAGE, BACON & Co., }
San Francisco, Feb. 22d, 1855. }**

We must suspend. The suspension of Page & Bacon has impaired our credit. We have large funds in New York, and in transitu to us, unavailable. We cannot raise coin on our bills. Coin is not in the country. We believe and know we are solvent, and will be able to pay, and that soon, and have a large surplus.

PAGE, BACON & Co.

Page, Bacon & Co.; Adams & Co.; Wells, Fargo & Co. and many others suspend

Markets, Daily Alta California, February 23, 1855, CDNC

Early San Francisco Banking

PAGE, BACON & CO.; PAGE & BACON; AND ADAMS & CO. ULTIMATELY FAIL

P&B reopens – Bacon uses PB&Co. gold to justify financial position

PB&Co reopens – Page uses the same gold to justify its position

Both close permanently in May 1855

Adams & Co. never reopens

Countless small creditors of both suffer near total losses, despite seemingly endless litigation

GLOBALIZATION 1855: THE CRIMEAN WAR UPENDED SAN FRANCISCO BANKING

Page & Bacon became overextended, most severely
in building the O&M Railroad

The Crimean War closed capital markets in Europe

P&B exhausted their credit in continuing to build the
O&M RR

Bacon drew on PB&Co. resources to shore up P&B,
weakening both houses

Final crisis also exposed weaknesses in other firms



IMPLICATIONS FOR POLICY

Once bankers weaken themselves, external shocks can become catastrophic

Hard money principles provide no protection against catastrophic failure

Prudential policies should guard against institutional weakness, rather than try to prevent external shocks