

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, 1647.

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for \$20 - Brouga august 19th 1849,

please pay to might flag

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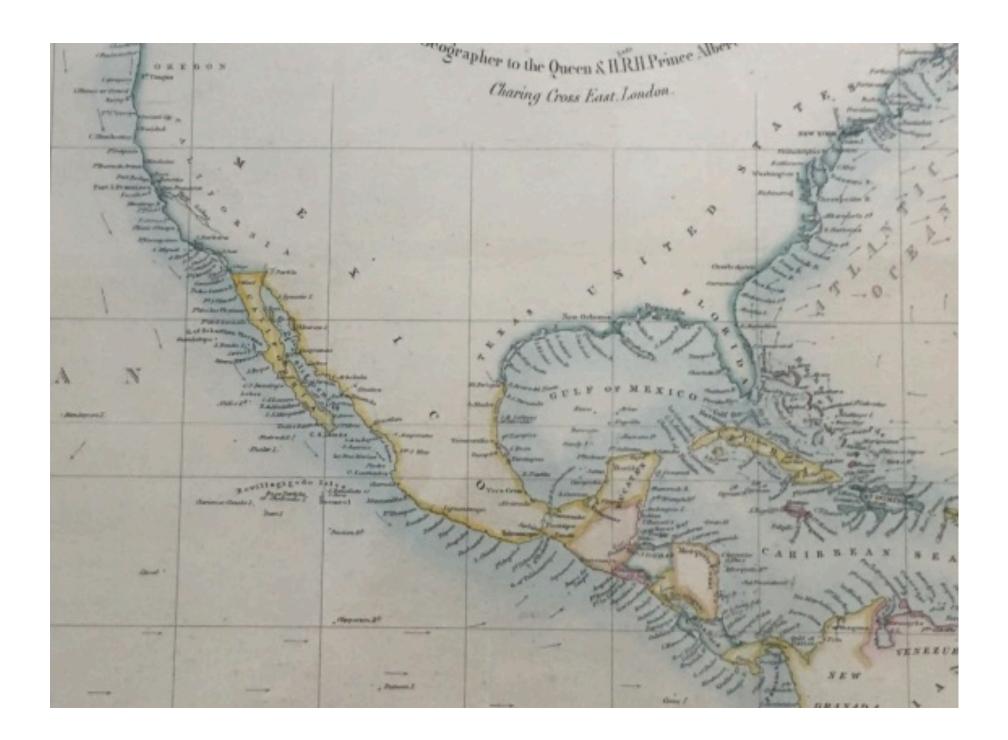
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Sources: Californian newspaper; California Historical Society





GOLD RUSH BANKING

Taking deposits and making loans

Buying gold dust

Selling "exchange"



TAKING DEPOSITS





DEALING IN GOLD DUST

	No. 1357 ADAMS & GO., DIPLICATE. San Francisco, Nov 30 1850
PITEBURG, I PRITEBURG, I CUMBERLANI WHEELING, CINCINNATI, COUSTULE, MADISON, IN ST. LOUIS, M NEW ORLEAN	One blow sais to contain gold dust
DAMES & C.	Insured by ADAMS & Co., for that amount.
Where All TRENTON PHILADE HARRIER LANCAST WIAMNO BALTIMO WASHING NORPOLE NORPOLE COLOR	and deliver to He Derive In D
ist of place sw York, v Haven, trone, trone, tron, vribence, vribe	Freight and Insurance \$ 1477 having been paid here.
	For Stdams & Co. Church At Wavis

Augustin Hale Papers, Box 1, Account Books, Huntington Library



SELLING "EXCHANGE"



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



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
	San Francisco.	
PA	GE, BACON & C	,
Warr		
	RNER OF CALIFORNIA	
	ight or on time, in sum	
		London
		London
American Exchange	Bank	New York
Duncan Sherman &	Co	New York
Atlantic Bank		Boston
Philadelphia Bank		Philadelphia
Josiah Lee & Co		Baltimore
Louisiana State Ban	k	New Orleans
Page & Bacon		St. Louis
Hutchings & Co		Louisville
r. S. Goodman & Co		Cincinnati
Jones & Co		Pittsburg
Gold Dust and Fre	change purchased at cu	irrent rates. il

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



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

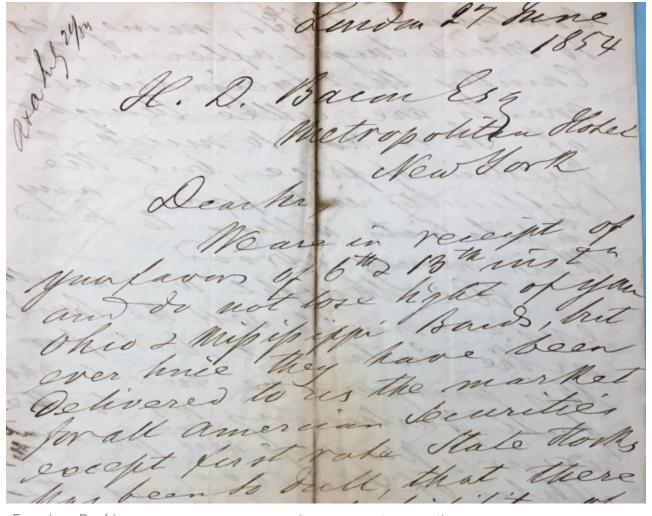
Bacon buys out contract to build

Bacon seeks more financing in 1854

European capital markets are closed



BACON SOUGHT FINANCING IN LONDON





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

BACON SOUGHT FINANCING IN PARIS

Compagne du Chemm fer \$ 1000. 3 Ohio et Mitsitsipper Far ces presentes, que tout homme Sache, que la Compagnie du Chemin de fer de Ohio of Middistippe Le reconnait debitrice, envers Edward D. Mansfield on le porteur, de la domme de mille Dollard, me légale des blats Unis; la quelle somme, elle promet de payer à Edward D Mansfield, ou au porteur, dans la Cete de New York, le premier Jour

Bacon Papers, Box 2, BC1232, Huntington Library



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



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

