



# **GLOBALIZATION 1855: HOW THE CRIMEAN WAR UPENDED BANKING IN GOLD RUSH SAN FRANCISCO**

---

Jonathan Tiemann  
July 16, 2018

# PLAN OF THE TALK

---

Gold Rush Economy

Gold Rush Banking

Page, Bacon & Co.

Story of Page, Bacon & Co.'s failure

Implications for Policy



# GOLD RUSH BANKING

---

Taking deposits and making loans

Buying gold dust

Selling “exchange”

# TAKING DEPOSITS

---



Globalization 1855



# DEALING IN GOLD DUST

<p><b>List of places where ADAMS &amp; Co., have Offices.</b></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 &amp; 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 &amp; 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, Freight and Insurance \$ <u>14.77</u> having been paid here. For Adams &amp; Co. <u>Chas. St. Davis</u></p>
---	---

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

Globalization 1855



**TIEMANN**  
INVESTMENT  
ADVISORS, LLC

## SELLING “EXCHANGE”



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

Globalization 1855



## 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*

## 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 2/24*

London 27 June  
1854

H. D. Bacon Esq  
Metropolitan Hotel  
New York

Dear Sir,

We are in receipt of  
your favor of 6<sup>th</sup> & 13<sup>th</sup> inst<sup>th</sup>  
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

Globalization 1855

Bacon Papers, Box 3, BC1013, Huntington Library



# BACON SOUGHT FINANCING IN PARIS

N: 761. Compagnie du Chemin de fer \$ 1000.<sup>3</sup>  
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

Globalization 1855



TIEMANN  
INVESTMENT  
ADVISORS, LLC

## 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.**

---

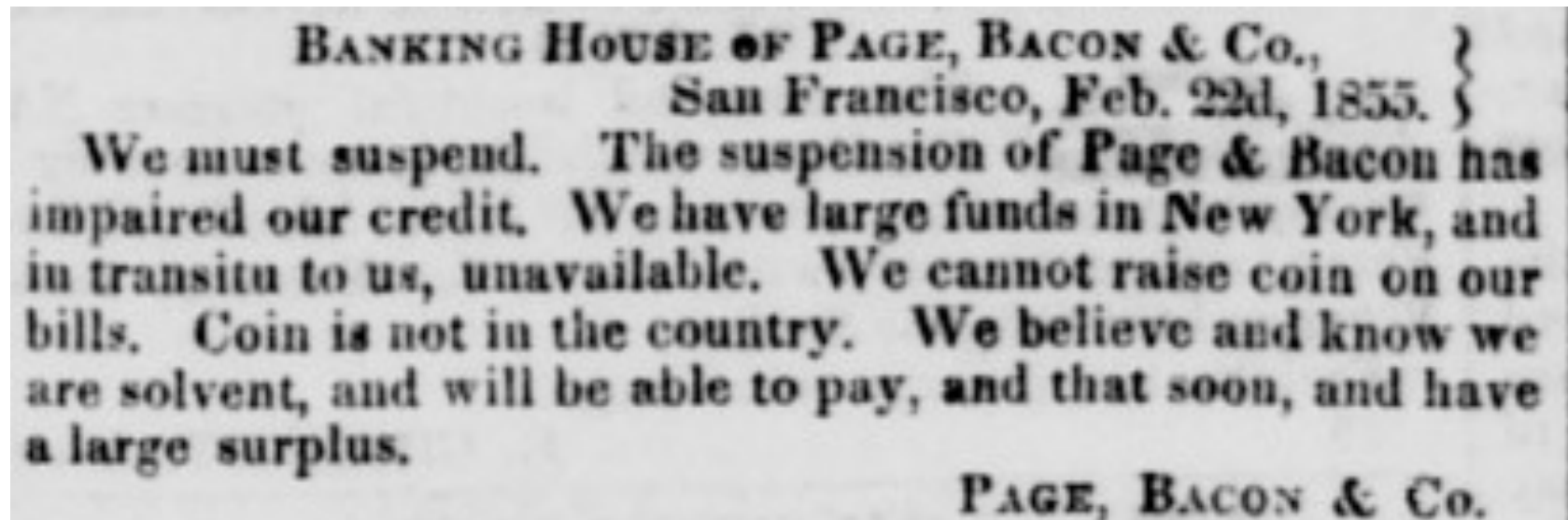
Steamer brings news of P&B suspension to SF Feb.  
17, 1855

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

---



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