From Gold Rush to Bust: Misplaced Confidence and the Rise and Fall of Page, Bacon & Co. of California, 1850-1855.

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To my parents-
For encouraging me to chase my dreams.

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"Banking in California began with the beginning. In every other community on earth banking has been a subsequent, not an antecedent, condition... Here, in the very nature of things, banking went hand in hand with the initial efforts of the population that came with the discovery of gold. Agriculture had not been attempted. Manufacturing had not been considered. There was but one step from the pioneer to the bank. The man who struck a spade in virgin soil, along rivers which for a million of years had toyed with the treasure, found gold. And, because he found it and accumulated it, he needed a bank to take care of it for him."

-Le Roy Armstrong
Financial California

Introduction

On February 17, 1855, the steamer *Oregon* arrived in San Francisco's port. The ship, one of a few that were the bustling city's fastest connection with the Atlantic states, brought disastrous news concerning a prominent local banking house. Its passengers reported that the notes of Page & Bacon of St. Louis, the parent firm of Page, Bacon & Co. of California, were protested for nonpayment in New York. Until this pivotal moment, Page, Bacon & Co. was one of California's most successful banking houses, often shipping over a million dollars in gold a month to the East. However, almost immediately after this news circulated, Page, Bacon & Co.'s depositors stormed the bank's San Francisco headquarters. The following day, *The Daily Herald* reflected: "The news spread with astonishing rapidity to every quarter of the city, and an immense crowd soon gathered in front of the Bank, each individual struggling to be first at the counter as if life and death depended upon the loss or gain of a moment's time."[1] During this crisis, Page, Bacon & Co.'s partners, along with an assembly of some of California's most respected businessmen, attempted to persuade the public that the bank was viable and they had nothing to fear. Yet, these pleas fell on deaf ears; the confidence that initially drove depositors to entrust their funds to the bank was shattered. Over the next few days, depositors continued to withdraw funds. On February 22, the bank was forced to suspend operations.

This thesis offers an analysis of the rise and fall of Page, Bacon & Co., which operated from 1850 to 1855, and was one of the most successful banks of the early Gold Rush period. While Page, Bacon & Co. is mentioned in other California banking histories, no prior work has devoted itself exclusively to recounting the history of this

[1] "Run on the Bank of Page, Bacon & Co.," *The Daily Herald,* February 18, 1855.

short-lived, yet extremely successful bank. I trace the fall of the firm from railroad investments in St. Louis turned sour, to protests of drafts in New York, to bank runs on Montgomery Street in San Francisco. These events, occurring thousands of miles and a months-long journey away from each other, all played a major role in the shuttering of Page, Bacon & Co.'s doors in 1855.

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Historians of California Gold Rush Banking are preoccupied with identifying the first bank in San Francisco. Some claim that Robert A. Parker, owner of the Parker House, ran a store in an adobe building on Dupont Street and "very possibly conducted a little primitive banking."[2] Others assert that Dr. Stephen A Wright opened the first bank, known as the Miner's Bank, in late 1848, conducting an exchange and brokerage business along with some banking. Lastly, some say that Naglee and Stinton was San Francisco's first bank, opening on June 9, 1849.[3] One's identification of the first bank in San Francisco, and implicitly California however, depends on their definition of a bank. For Forty-Niners, this definition was not as clear-cut as it is today.

For some Californians, including merchants and capitalists, a bank was primarily a conduit to move funds to the East and London. Banks fulfilled this function by selling exchange. In this business, the customer would buy a bill of exchange (with raw gold or coin) signed with the banker's name. These bills were nearly identical in function to a modern day's cashier's check.[4] Banks engaged in this business had correspondent banks in prominent cities that redeemed the bills when they were presented. To fulfill the

[2] Dwight L Clarke, *William Tecumseh Sherman: Gold Rush Banker* (San Francisco: California Historical Society, 1969), 6.
[3] Ibid.
[4] Robert Chandler, "Integrity Amid Tumult: Wells, Fargo & Co.'s Gold Rush Banking," *California History* 70 (1991), 260.

specific needs of these patrons, banks maintained cross-continental business ties. Further, as a consequence of the nature of the exchange business, which relied on the slip of paper holding its value, banks relied heavily on their ability to cultivate confidence in order to attract customers.

For other Californians, a bank meant a place to store gold and valuables. In the gold fields, it was typical for the miners in a district to choose a man that they had confidence in to look after their riches. Historian Ira Cross tells the story of Gallant D. Dickinson at Mokelumme Hill, who "became (the miner's) advisor and counselor, and cast a splendid influence over the camp life for peace, orderly conduct, and sobriety."[5] After being trusted by many miners with their precious gold, Dickinson became the "banker" of the miners.[6] The vault of Dickinson's "bank'" was an "excavation a yard square, under the bed occupied by himself and Mrs. Dickinson; its compartments were buckskin bags, and the time-lock was a revolver of a larger caliber."[7] Not all places of deposit were of such a makeshift fashion. In some of cities, recalled banker turned publisher, James King of William, "the large mercantile houses acted as depositories for the convenience of the public, but the deposits were generally 'special' and in gross-accounts being kept but in few instances."[8] In short, this meant that accounts were kept separate from each other, and even if the merchant did mingle the funds with his own, he fully expected to return the funds to their owners when demanded.[9] Sometimes the depositor was paid a small amount of interest, other times none was paid. This business,

[5] Ira Cross, *Financing an Empire: The History of Banking in California* (Chicago: S.J. Clarke Publishers, 1927), 38.
[6] Ibid.
[7] Ibid.
[8] James King of William, "Banking," *Daily Evening Bulletin*, December 29,1855.
[9] Cross, *Financing an Empire,* 39.

defined by Ira Cross as "using the safes of merchants as strong boxes for the safe keeping of gold," was practiced by Ward & Company, W. H. Davis, and Howard & Company, among others, all of San Francisco, during or before mid-1849.[10]

In addition to the inevitable confusion that resulted when banking connoted different functions for different people, the legal status of banks added to the bewilderment. In fact, some commonplace banking activities in Gold Rush California were technically illegal. California's constitution, written in 1849, prohibited the issuance of paper notes or exercising many banking privileges.[11] These prohibitions were enacted through several section in the constitution, most notably 31, 34, 35, and 36. Section 34 for instance, prohibited the legislature from ratifying a charter for a "banking association" but still allowed the possibility of private "associations... formed under the general laws for the deposit of gold and silver."[12] One delegate, J.M. Jones, actually attempted to eliminate these general incorporation laws and to prohibit banks altogether, including any "associations that accepted gold and issued receipts that might circulate as money."[13] However, others countered Jones by arguing that "merchants demanded a circulating medium, and that failing to permit free enterprise in the form of banks could well jeopardize the ratification of the constitution by the public."[14] To further confuse the legal status of banks, the first California legislature capped rates of interest at 10 percent a year

[10] Ibid.
[11] Larry Schweikart and Lynne Pierson Doti, "From Hard Money to Branch Banking: California Banking in the Gold-Rush Economy," in *A Golden State: Mining and Economic Development in Gold Rush California,* ed. James Rawles et al. (Berkeley: University of California Press, 1999), 220.
[12] J. Ross Browne, *Report on the Debates of the Constitutional Convention of California on the Formation of the Constitution in September and October, 1849* (Washington D.C., 1850), in Ibid.
[13] Ibid.
[14] Schweikart and Doti, "From Hard Money to Branch Banking: California Banking in the Gold-Rush Economy," 220.

on loans, even after it prohibited "all evidences of debt."[15] On the legal status of Gold Rush banks, Historians Larry Schweikart and Lynne Pierson Doti conclude: "In reality, the constitution and the legislature's stipulations regarding paper money and banks already had been rendered obsolete and irrelevant by the market, which saw daily hundreds of miners exchange gold for drafts."[16]

Amidst the legislative confusion, and even though banking meant different things to different Californians, some banks sought to combine the disparate functions under one roof. Many started as exchange dealers but looked to draw depositors because even a successful exchange dealer could not fully monetize confidence without ample funds. Like any modern bank, California's early banks operated off a fractional reserve system, and used a portion of deposits in order to conduct business. Some used deposits to make short term loans, others invested in real estate and less common ventures including "ranches, cattle, horses, and furniture," according to a newspaper account written in 1855.[17] Thus, banks could not only make money off their exchange business, but they could draw depositor funds that could be invested or loaned out.

Page, Bacon & Co. was one of these early banks. Established in 1850 as the offshoot of Page & Bacon of St. Louis (the banks shared senior partners), the banking house eventually grew to three California locations in San Francisco, Sacramento, and Sonora. A natural outgrowth of Page & Bacon's position as one of the most prominent banks in St. Louis, Page, Bacon & Co. quickly became the largest exchange dealer in San Francisco. After the bank's collapse, James King of William remarked: "the amount of exchange sold by Page, Bacon & Co. was much larger than will probably be sold again

[15] Ibid, 121.
[16] Ibid.
[17] "Commercial," *Daily Alta California,* May 4, 1855.

by any one house."[18] Yet, Page, Bacon & Co. also attracted large deposits, and owed depositors almost $900,000 even after substantial withdrawals forced the bank's suspension in February 1855.[19]

A thin, yet informative, literature exists on Gold Rush banking in California. The basic scholarship on the subject tells us the names and stories of early banks and bankers. While many of these works are light in argumentation, they offer insight on the legal system and regulatory environment that affected California banking history and also include personal narratives and essays.[20] In addition to the names of banks and bankers and their regulatory environment, other scholarship informs us of the functions of California's earliest banks.[21] From these works we know the intricacies of the exchange and deposit businesses and how California's early bankers made (or lost) money. For instance, numerous costs and risks were associated with the selling exchange, including purchasing insurance and the risk of robbery as treasure crossed the Isthmus of Panama. Lastly, scholastic works tell us of California's early banks' reaction to panic.[22] The Panic of 1855, initiated by the suspension of Page, Bacon & Co., was a seminal moment in California's banking history and existing scholarship informs us that many banks reacted to the Panic by simply shuttering their doors and trying to preserve any remaining assets.

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[18] James King of William, "Banking," *Daily Evening Bulletin*, December 29,1855.
[19] "Meeting of the Creditors of Page, Bacon & Co," *The Daily Herald,* February 26, 1855.
[20] See Benjamin Cooper Wright, *Banking in California 1849-1910* (San Francisco: H.S. Crocker Printers, 1910); Leroy Armstrong, J. O. Denny, and Dwight Le Roy, *Financial California: An Historical Review of the Beginnings and Progress of Banking in the State* (San Francisco: Coast Banker, 1916); Ira Cross, *Financing an Empire: The History of Banking in California* (Chicago: S.J. Clarke Publishers, 1927); Larry Schweikart and Lynne Pierson Doti, *California Bankers, 1848-1993* (Needham Heights, MA: Ginn, 1994).
[21] Dwight L Clarke, *William Tecumseh Sherman: Gold Rush Banker* (San Francisco: California Historical Society, 1969).
[22] Robert Chandler, "Integrity Amid Tumult: Wells, Fargo & Co.'s Gold Rush Banking," *California History* 70 (1991).

Through a focus on Page, Bacon & Co., this thesis contributes to the existing literature on Gold Rush banking an awareness of how banks were perceived by their customers and the community at large. Perception was relevant in good times and bad. Further, the disregard until now of this facet of early California banking has prevented a complete understanding of banking during the California Gold Rush. This is because the banks of the California Gold Rush did not operate in a vacuum. Rather, they were in constant interaction with other banks, merchants, the government, and, most importantly, their own customers. The success, or lack thereof, of a bank depended on it being held in high esteem in the community. The story of Page, Bacon & Co. imparts the methods banks used achieved this stature and how those methods were necessarily different depending on the type of business the bank was trying to cultivate. By emphasizing Page, Bacon & Co. through the eyes of the community in which it rose to prominence, this thesis thus fills a gaping void in the history of California's earliest banks.

According to scholars Lena Rethel and Timothy Sinclair, in banking, "the value on a balance sheet is dependent on confidence."[23] In this vein, this work builds on the arguments of two works that focus on confidence in early banking. In Jessica Lepler's *The Many Panics of 1837,* which describes the Panic of 1837 from the different perspectives of the people who experienced it, Lepler argues for the importance of confidence in building a successful exchange business. [24] Confidence mattered because of the many intermittent economic transactions between the purchase of an exchange note and its presentation at the correspondent bank. Without confidence that the seller of a bill of exchange would maintain ample funds in his accounts in correspondent banks, none of

[23] Lena Rethel and Timothy Sinclair, *The Problem with Banks* (London: Zed, 2012), 50.
[24] Jessica Lepler, *The Many Panics of 1837: People, Politics, and the Creation of a Transatlantic Financial Crisis* (New York: Cambridge University Press, 2013).

these transactions, especially the initial purchase of the bill, would occur. Thus, Lepler argues that the wide acceptance of a particular issuers notes are solid evidence of confidence in that individual or entity. Second, in *Banking in the West: From Gold Rush to Deregulation,* Larry Schweikart and Lynne Pierson Doti coin the term "symbols of safety" to describe tactics employed by Western bankers to gain the trust of potential customers.[25] Schweikart and Doti uncover that confidence, and especially depositor confidence, was often grounded in physical structure and that bankers went to great lengths to cater to this paradigm.

Central to understanding the story of Page, Bacon & Co. and what it means for our understanding about banking during the California Gold Rush are these ideas of confidence. Attracting exchange and deposit customers required confidence, yet, gaining market share in these different industries depended on cultivating different types of confidence. Exchange customers needed to know that the issuer had strong trans-continental connections, insuring that their bills would be paid in cities around the nation, while depositors needed assurances their funds remained both near and secure, able to be summoned at a moment's notice. Until now, no work to this point has focused on how confidence (necessarily different types of confidence for each of the banks different functions) was cultivated in Gold Rush California. And in the case of depositors, what happened when this confidence, along with hundreds of thousands of dollars of gold, vanished. This thesis internalizes the experiences of thousands of Californians, who were strangers in a new land and who suddenly found a need to entrust their most treasured possession to strangers. It unearths the forces that caused thousands to entrust Page,

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[25] Larry Schweikart and Lynne Pierson Doti, *Banking in the American West: From the Gold Rush to Deregulation* (Norman: University of Oklahoma, 1991).

Bacon & Co. and its competitors with their gold instead of putting it under the bed of Gallant Dickinson.

Shortly after the failure of Page, Bacon & Co, the *Sacramento Daily Union* wrote that a depositor who does not receive the funds when demanded is the "victim of misplaced confidence."[26] This notion of misplaced confidence, informed by Lepler, Schweikart, and Doti, is the guiding concept of this thesis. In this context misplaced confidence means trust that is grounded in an extent of misperception. I argue specifically that Page, Bacon & Co.'s depositors had misplaced confidence in the firm as a depository for their funds. This was because, unbeknownst to them, they assumed great risk when becoming the customer of a bank whose success was predicated on exchange and thus strong connections to the East. Page, Bacon & Co.'s depositors' funds became vulnerable to becoming part of the system of cross-continental commerce that promoted exchange operations, rather than remaining locally behind lock and key. Misplaced confidence extended beyond depositors however, as the California economy was predicated on a misplaced confidence in banks with outside allegiances to play an essential role in economic development. When Page & Bacon, the St. Louis-based parent house of Page, Bacon & Co., experienced difficulties, the senior partners forfeited the stability of the California bank so they could meet the demands of Page & Bacon's Eastern creditors. Examining these events suggests that the most senior partners of the bank had obligations in the East that superseded their loyalties in California. Actions motivated by these loyalties played a major role in the suspension of Page, Bacon & Co., which was the catalyst for the Panic of 1855. Thus, both of these instances of misplaced confidence can inform us about banking during the early years of the California Gold Rush. It is in

[26] "Private Banking," *Sacramento Daily Union,* March 2, 1855.

examining misplaced confidence and its applicability to the rise and fall of Page, Bacon & Co. that this thesis will make its lasting contribution to scholarship on Gold Rush banking and the California Gold Rush.

Chapter 1: The Rise

From its inception in the summer of 1850 to the beginning of 1855, the Page, Bacon & Co. banking house achieved great success in California. The house quickly helped consolidate the gold dust and bullion trade and became a leader in selling exchange. Its success in this field speaks to the good reputation Page, Bacon & Co. derived from its connections to Page & Bacon. Now able to exchange their gold for dependable drafts on Eastern banks, California merchants no longer had to ship and insure their own treasure, and those remitting funds could sleep soundly knowing their gold was in the hands of a trusted firm. Untenably however, Page, Bacon & Co.'s prominence in exchange, based off the factors that earned a firm confidence specifically in exchange, became a proxy for general trustworthiness. Subsequently, the firm's newfound prominence led scores of depositors to trust their money to Page, Bacon & Co.

Page, Bacon & Co. further convinced Californians to deposit their money with the firm by employing "symbols of safety." This endeavor included the construction of facilities that, beyond offering physical protection of assets, conveyed notions of permanence and strength. Reflecting this, Page, Bacon & Co. invested in building and publicizing state-of-the-art safes and banking houses. These efforts, along with its good reputation, earned the banking house the trust and admiration of depositors.

The two main functions of the bank, as an exchange dealer and a place of deposit, were both crucial to Page, Bacon & Co.'s rise in the first half of the 1850s. During this rise, conducting both businesses under one roof seemed to not work against the interests of either customer segment. The California partners established themselves as a trustworthy and competent firm able to communicate with correspondent banks across the nation, drawing hordes of exchange customers. In no small part due to the positive public perception fostered by their success in the exchange business, Page, Bacon & Co. also gained the confidence of the local depositor base, and further supplemented depositor confidence by employing "symbols of safety." Of this phenomenon, the *Sacramento Daily Union* noted in March 1853 that the firm possessed "the confidence of the community to an unlimited extent," and that "so completely too is this confidence shielded by the command of a cash capital equal to any emergency."[1] Little did depositors know that this confidence could and soon would be shattered in the blink of an eye.

I. Forging a New Bank

"We expect to arrive... at Panama on Saturday where the steamer Tennessee will be waiting for us and will start as soon as we get on board," wrote Francis W. Page to his sister on May 22, 1850.[2] About to cross the Isthmus and board a steamer en route to San Francisco, Page was just embarking on a journey that, unbeknownst to him at the time, would bring both great success and great despair. Like many of the "400 souls" onboard the ship, Page was en route to land virtually unknown except for its ability to make a man rich quick.[3] Unlike many of the other fortune seekers onboard, however, Francis W. Page was not going to California to find gold, he was going to establish a sister house of the powerful Page & Bacon banking house of St. Louis.

Francis W. Page was not a founding member of the firm, but the banking house was a family affair. Francis was the son of Daniel D. Page, a prominent member of St.

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[1] "Page, Bacon & Co.," *Sacramento Daily Union*, March 24, 1853.
[2] Francis W. Page to Sister, May 22, 1850, in Francis W. Page Diary and Correspondence, 1851-1857, California Historical Society Call Number MS 1621.
[3] Ibid.

Louis high society and a former mayor of the city. The elder Page established Page & Bacon along with his son-in-law Henry D. Bacon in 1848. Page was a very wealthy man, but his wealth was heavily concentrated in and around St. Louis, and he knew little about the principles and practices of contemporary banking.[4] Bacon, on the other hand, was the more active member of the firm and well versed in banking and the mercantile business. Bacon had relocated to St. Louis in 1840, at the age of 22, from Hartford, Connecticut. After experiencing fantastic success in the mercantile business, Bacon married the daughter of Daniel D. Page and soon after, they established their bank.[5] Of the partnership between Bacon and his father in law, William T. Sherman, the California banker turned Civil War General, said that Daniel D. Page "was an old man and a good one... he knew little of the banking business. This part of his general business was managed exclusively by Henry D. Bacon, who was young, handsome, and generally popular."[6]

At the time Francis W. Page set out for California, just two years after the founding of the bank, Page & Bacon was one of the most powerful and trusted banks in the nation. The *Daily Missouri Democrat* noted that at its height, Page & Bacon "enjoyed the entire confidence of the community" and was "immense- controlling, by its magnitude, the operations of other bankers, and making even the Bank of Missouri pursue a course, subordinate to the great money power, it wielded."[7] The firm, though young, had "credit of the highest character from the start" and grew rapidly in its first few

[4] Ira Cross, *Financing an Empire: The History of Banking in California* (Chicago: S.J. Clarke, 1927), 182.
[5] Draft of an Article, in Henry Douglass Bacon Papers 1856-1880, at Bancroft Library, University of California, Berkeley Call Number BANC MSS C-B 1056.
[6] William T. Sherman, *Memoirs of General William T. Sherman* (New York, 1875), I, 108, in Milton H. Schutes, "Henry Douglass Bacon," *California Historical Society Quarterly* 26, (1947): 193.
[7] "Money Matters," *Daily Missouri Democrat*, April 5 1855.

years of business.[8] Looking to expand the business, one author claims that it was Bacon, who "with the foresight which in him amounted to positive genius, recognized the possibilities of banking in California."[9]

While the two St. Louis partners did not initially venture to California themselves, Henry Haight and Judge David Chambers joined Francis W. Page in his journey to the Golden State. Haight, who was originally from New York, began his career as the teller of the Bank of Monroe of Rochester, NY, under Abraham Schermerhorn, and later Ralph Lyster. He later moved to St. Louis, and became a clerk at Page & Bacon. Haight attracted the attention of Francis W. Page by detecting a counterfeit bank note on the Bank of Missouri when even the officers of the Bank insisted that the note was genuine and that there were no counterfeits on the Bank.[10] Little biographical information is known about Chambers but he, like Haight, was a native of New York.[11]

The California offshoot of Page & Bacon, Page, Bacon & Co. was realized with the signing of a copartnership agreement on February 18, 1850.[12] The five partners included the two senior partners, Daniel D. Page and Henry D. Bacon, and junior partners Francis W. Page, Henry Haight, and Judge David Chambers. According to the renewal of this copartnership, signed on March 14, 1855 and identical to the original agreement, the "object of this association (was) for the purpose of conducting an Exchange and Banking House at San Francisco in California under the name of Page, Bacon & Co."[13]

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[8] Ibid.
[9] Draft of an Article, in Henry Douglass Bacon Papers 1856-1880, at Bancroft Library, University of California, Berkeley Call Number BANC MSS C-B 1056.
[10] "Death of a Prominent Citizen," *Sacramento Daily Union*, March 26, 1869.
[11] A Memorial and Biographical History of Northern California (Chicago: Lewis, 1891), 362.
[12] Renewal of Copartnership, Page, Bacon & Co., signed by Daniel D. Page, Henry D. Bacon, David Chambers, Henry Haight, Francis W. Page, March 14, 1855 in Page, Bacon & Co. Records, 1854-1856 at Bancroft Library, University of California, Berkeley Call Number BANC MSS C-G 206.
[13] Ibid.

The initial capital for the house was contributed as follows: Francis W. Page and Haight $25,000 each, Daniel D. Page and Bacon $10,000 each, and Judge Chambers only $5,000.[14] After this initial seed money, Page & Bacon jointly contributed nine-sixteenths of all future capital and Francis W. Page and Haight contributed seven-sixteenths between themselves. As reported in the available documents, Chambers seemingly had no responsibility for future capital, suggesting a role as a passive partner.[15] The responsibilities for the branch were also clearly defined. The agreement remarked, "Henry Haight and Francis W. Page shall remain or reside in California... and give their undivided personal attention to conducting the business and Daniel D. Page and Henry D. Bacon shall attend exclusively to making arrangements for the business outside of California."[16]

The agreement also contained numerous restrictions. Foremost, the bank was restricted to conducting business in "the purchase and sale of Exchange, Gold Dust, Bullion, Coin and the receiving of deposits." The agreement prohibited the California bank from the "the loaning of money or the purchase or sale of Public or Private securities except on commission."[17] Much like the California constitution's prohibitions of banking however, the prohibition of loaning money was disregarded in practice. Furthermore, the partners residing in California were forbidden from "engaging in or (being) interested in any other business," compelling them to devote all of their time to

[14] Renewal of Copartnership, Page, Bacon & Co., signed by Daniel D. Page, Henry D. Bacon, David Chambers, Henry Haight, Francis W. Page, March 14, 1855 in Page, Bacon & Co. Records, 1854-1856 at Bancroft Library, University of California, Berkeley Call Number BANC MSS C-G 206..
[15] Articles of Copartnership 1854, Page, Bacon & Co., in Page, Bacon & Co. Records, 1854-1856 at Bancroft Library, University of California, Berkeley Call Number BANC MSS C-G 206.
[16] Ibid.
[17] Ibid.

Page, Bacon & Co.'s affairs.[18] The earliest accessible mention of the new firm in California is in the June 28, 1850 edition of the *Daily Alta California.* An advertisement in the paper noted that Page, Bacon & Co., "in connection with Messrs. Page & Bacon of St. Louis, Missouri, have opened an Exchange and banking house in this city, and will be prepared at all times to purchase gold dust and bullion at the best market rates and to furnish exchange in sums to suit purchasers, on all the prominent points in the states."[19] The foundation was thus set for the banking house that soon dominated Gold Rush California.

II. Titan of Exchange; Destination for Deposit?

The California bound partners set out for a city whose rapid growth rivaled that of any other in American history. When James Marshall found gold on January 24, 1848, San Francisco could count only about one thousand inhabitants.[20] However, little more than three years later, a year after Page, Bacon & Co. was established, San Francisco counted nearly 30,000 citizens and was a significant commercial center.[21] During the early years, nearly everything had to be imported because, as historian Dwight Clarke notes, "very few of the immigrants planned to produce anything other than gold."[22] The great distance from San Francisco to other major cities, the exorbitantly high wages, and the demands for goods and equipment by hundreds of thousands of miners led to great opportunity for merchants and traders. Historian Peter Decker opines, "It took less business experience than imagination to realize that these new miners would need food,

[18] Ibid.
[19] *Daily Alta California*, June 28, 1850.
[20] Peter Decker, *Fortunes and Failures: White-Collar Mobility in Nineteenth-Century San Francisco* (Cambridge: Harvard University, 1978), 5.
[21] Roger Lotchin, *San Francisco, 1846-1856: Hamlet to City* (Urbana: University of Illinois, 1997), 45.
[22] Dwight Clarke, *William Tecumseh Sherman: Gold Rush Banker* (San Francisco: California Historical Society, 1969), 6.

clothing, and provisions in the mining towns springing up near Sacramento and Stockton."[23]

Because of the distance between California and the major commercial and population centers of the nation, incoming goods had to be transported long distances, and importers did not have direct contact with their Eastern and international creditors. There was a long delay between when goods left the East and when they reached the consumer in California. Further, even if a merchant possessed adequate coin or gold dust, he required a channel through which he could pay the shipper.[24] Miners also looked for a more cost efficient and easier method of sending money home than shipping and insuring gold. Bankers, with correspondents in cities throughout the country, eventually came to fill this void.

This was accomplished by selling exchange on correspondent banks. The miner or merchant bought a bill of exchange (with gold dust or coin) emblazoned with the name of the bank, endorsed by the banker, and payable at a specific bank in a different location.[25] California banks had correspondent banks in the East and Europe that redeemed the bills. Page, Bacon & Co. sold exchange on Boston, New York, Philadelphia, London, and on Page & Bacon in St. Louis, among others.[26] However, bills of exchange were not redeemable immediately upon presentation at the correspondent bank. Instead, the correspondent bank checked its records to ensure the bill was legitimate, labeled it, and then required the holder to return in a pre-agreed upon amount of time to collect the face

[23] Decker, *Fortunes and Failures*, 9.
[24] Clarke, *William Tecumseh Sherman*, 6.
[25] Robert Chandler, "Integrity Amid Tumult: Wells, Fargo & Co's Gold Rush Banking," *California History* 70, no. 3 (991): 260.
[26] *Daily Alta California*, September 29, 1850.

value of the bill.[27] Bills that had an agreed upon amount of days required before the holder could collect the value of the note were known as time drafts. This process transformed the bill into an "acceptance" that could be traded in money markets. The window when a bill circulated as an acceptance was designed to give the issuing bank in San Francisco time to make sure that it was not overdrawn on its line of credit and to allow the Eastern correspondent bank time to manage its liquidity to make the payment.[28]

This method of transporting funds was an essential feature of the economy of early California. Dwight Clarke notes that the "bulk of settlements due Eastern shippers were drafts drawn by California banks on their Eastern correspondents."[29] Selling exchange, along with buying gold dust, comprised a majority of the business of California's earliest banks. From 1854 to 1872, California licensed banks and taxed them on gold dust bought and exchange sold rather than on the amount of deposits or loans, indicating the centrality of exchange and its auxiliary services to Gold Rush banks.[30]

In her book, *The Many Panics of* 1837, Jessica Lepler argues that the "successful operation (of an exchange business) was entirely dependent on confidence."[31] Although bills of exchange were equivalent in function to a modern cashier check, and redeemable at a specific bank, they rarely travelled directly from purchaser to correspondent bank.[32] Instead, a seller who was paid with a bill of exchange usually sold the bill to a bank or a bill broker. Banks and brokers gave the original seller gold or silver, bank notes, or other paper promises worth less than the face value of the bill. How much less depended on the

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[27] Jessica Lepler, *The Many Panics of 1837: People, Politics, and the Creation of a Transatlantic Financial Crisis* (New York: Cambridge University Press, 2013).47.
[28] Ibid.
[29] Clarke, *William Tecumseh Sherman*, 418.
[30] Chandler, "Integrity Amid Tumult," 261.
[31] Lepler, *The Many Panics of 1837*, 39.
[32] Ibid.

issuing bank; this process was called discounting.[33] Bankers and brokers charged different discount rates depending on how likely it was that the issuing bank would pay the exchange note's value. This depended on their confidence in the bank.

After a bank or bill broker discounted the bill, they resold it for more than face value. In short, from sellers of bills, they subtracted their discount, and from buyers of bills, they charged more than the bill's face value. The difference between these prices was the bank's or broker's profit.[34] The reverse side of surviving bills of exchange shows that they passed through many hands on their journeys. The more people traded a bill, the more complicated its journey and the less it retained its full value. Every stop between purchase and payment resulted in a deduction of a discount rate.[35] The bill of exchange pictured (figures 1 and 2), drawn for $500 on Duncan, Sherman & Co. of New York two weeks before the run on Page, Bacon & Co., shows the historical record of this phenomenon. Discounting was often necessary for merchants because it allowed them to get cash quickly, but selling a bill for less and buying a bill for more than its face value could be costly.[36]

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[33] Ibid.
[34] Ibid, 40.
[35] Ibid.
[36] Ibid.

Figure 1. A $500 bill of exchange drawn on Duncan, Sherman & Company of New York. The bill was written on February 8, 1855, just two weeks before the infamous run on Page, Bacon & Co. (Courtesy of the Bancroft Library, University of California Berkeley.)

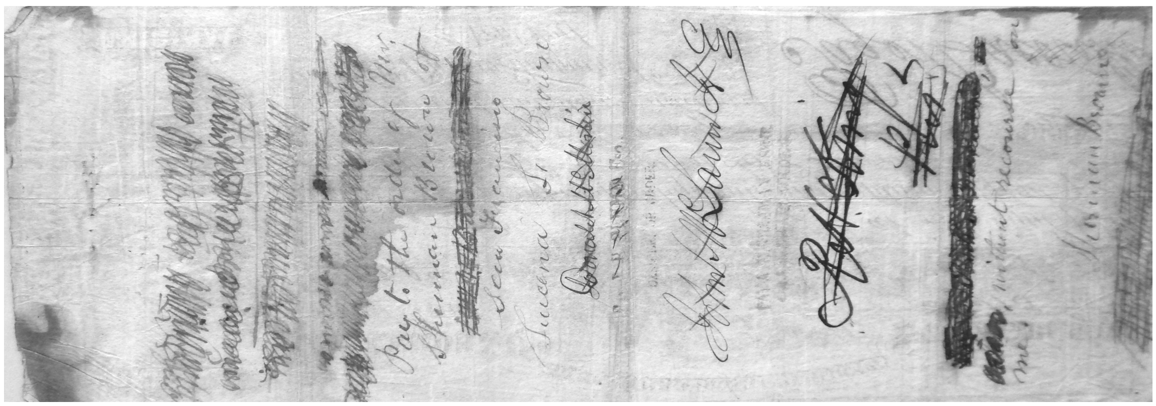

Figure 2. The reverse side of the bill depicted in Figure 1. The numerous signatures and notations are evidence of discounting on the bill's journey from San Francisco to New York. (Courtesy of the Bancroft Library, University of California Berkeley.)

Confidence was omnipresent on the journey from the purchase of a bill of exchange to its redemption at a correspondent bank because all of the intermittent economic transactions depended on the issuing bank's accounts maintaining a sufficient balance. If the parties did not have confidence that the bill would be paid, then the slip of paper used in their transaction was worthless. Lepler notes: "Confidence performed the alchemy of transforming paper into gold. Without confidence, the paper would remain paper. Or worse yet, if confidence turned to doubt while the bill was in progress, paper that had been trusted as if it was worth gold would turn out to be worth significantly less."[37] In the event that an exchange dealer could not produce the value of the notes, a bill was protested and the holder held his note as evidence that could be used in bankruptcy or other legal proceedings.

How then did the importance of confidence in the exchange business impact Page, Bacon & Co.'s dealings in California? When Page, Bacon & Co. entered California, the lucrative gold dust and exchange business primarily catered to miners remitting funds and paying debts. Merchants, many of whom had gold (both dust and bullion), preferred to ship and insure their own gold east and direct it to merchants to whom they owed debts. This was primarily because California lacked reliable exchange dealers. Taking notice at the absence of reliable paper in 1851, The *Marysville* (California) *Daily Herald* advocated that "the enormous quantity of spurious bank paper... into the purchase of which so many returning immigrants had been duped" could be prevented "if confidence existed in the exchange dealers of California."[38] Desperate miners, needing to send money home so their families could survive, had no choice but to exchange their gold for exchange notes, but merchants preferred the risk of shipping gold themselves to trading it for paper that could be worthless tomorrow. They did not have confidence in the ability of California's exchange dealers to pay their bills at correspondent banks. Furthermore, it was advantageous for a merchant's reputations to ship their own gold dust. As the *Sacramento Daily Union* noted, merchants "benefitted by having their names appear as shippers of treasure."[39]

Page, Bacon and Co., along with a few other firms, radically altered this system of commerce by offering confidence-generating exchange notes for gold dust and bullion. In

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[37] Ibid, 47.
[38] "Remittances From California," *Marysville Daily Herald*, January 7, 1851.
[39] "Gold Dust Trade of California," *Sacramento Daily Union*, May 15, 1856.

searching for the source of this shift, the *Sacramento Daily Union* observed, "Messrs. Page, Bacon & Co. established their house and at once stimulated the banking business to a wonderful degree. The merchants having undoubted exchange offered them at moderate prices... stopped shipping very generally in their own names, and in lieu thereof purchased exchange."[40]

There was nothing revolutionary about selling exchange notes for gold; it was one of the earliest functions of California banks. What distinguished Page, Bacon & Co. was the reliability of these notes. These characteristics emanated from Page, Bacon & Co.'s connection to Page & Bacon in St. Louis. Of the connections, the *St. Louis Missouri Democrat* noted that the San Francisco branch "had scarcely opened its doors, when on account of the high credit of the house here (St. Louis), business flowed to it almost without an effort, before it was the shipper of gold dust in California, to the amount of millions a *month.*"[41] The confidence in Page, Bacon & Co.'s notes was thus a direct result of confidence in the St. Louis house.

Because Page, Bacon & Co.'s liabilities were backed by the wealth of Page & Bacon, exchange-related confidence in Page, Bacon & Co. appeared to be well founded. Normally, if an exchange dealer failed, there was little guarantee that the merchant could recoup any funds. Even Adams & Company, Page, Bacon & Co.'s largest competitor, paid less than three cents on the dollar after its failure in 1855.[42] Thus, the reliability, of Page, Bacon & Co.'s exchange notes, backed by its local reputation and the credit of Page & Bacon, whose business, by 1852, "was larger, by all odds, than any banking house in

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[40] Ibid.
[41] "Money Matters," *Daily Missouri Democrat*, April 5, 1855.
[42] Chandler, "Integrity Amid Tumult," 271.

the country," far exceeded that of its California competitors.[43] One of early San Francisco's most famous citizens, banker and later newspaper publisher James King of William, noted Page, Bacon & Co.'s preeminence in the banking business. He estimated that in 1849 only one bank had a capital of over $100,000, yet just a year later twice that amount was considered a "fair share of the deposits."[44] "Yet so great was the change..." King remarked, "that the same banker who in '50 or '51 considered himself tolerably well patronized with $200,000, found himself in '52 with nearly $600,000, far behind Page, Bacon & Co. who had three times that amount."[45] So important was the credit of Page & Bacon to the confidence in Page, Bacon & Co.'s exchange business that Page & Bacon's name appeared prominently on Page, Bacon & Co.'s exchange notes (figure 3). Thus, Page, Bacon & Co.'s reputation was promoted by the prestige of Page & Bacon, and catapulted the ascension of the firm to the heights of California's economy.

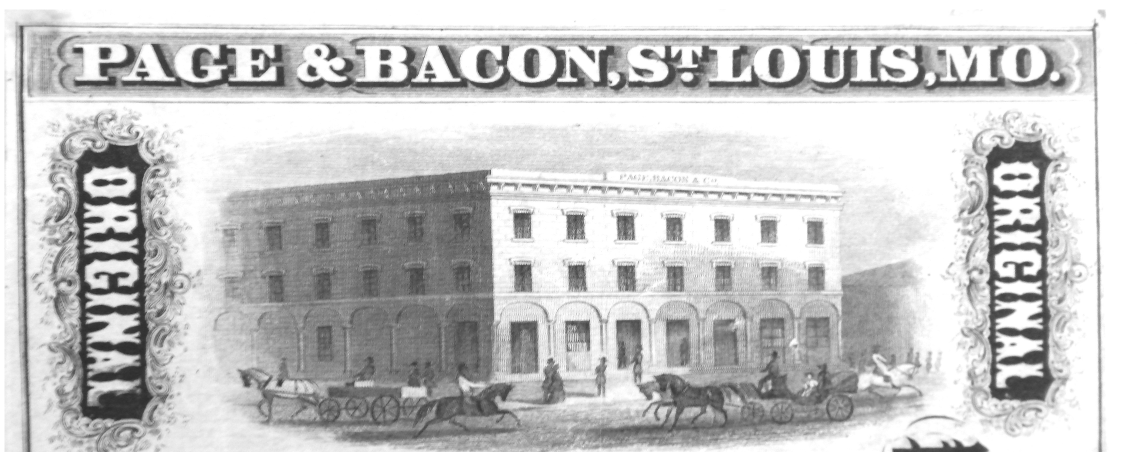

Figure 3. The far left side of one of Page, Bacon & Co.'s bills of exchange from 1855. The depiction of the Page & Bacon, Co. banking house underneath the words "Page & Bacon, St. Louis, MO" served as a reminder that Page, Bacon & Co.'s bills were backed by the credit and reputation of the St. Louis parent firm. (Courtesy of the Bancroft Library, University of California Berkeley.)

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43 "Money Matters," *Daily Missouri Democrat*, April 5, 1855.
44 James King of William, "Banking," *Daily Evening Bulletin*, December 29,1855.
45 Ibid.

While confidence in and demand for Page, Bacon & Co.'s exchange notes seemed well founded, and their success in the field therefore justified, misplaced confidence arose when this exchange-specific confidence became a proxy for general trustworthiness. As a result, depositors were unwittingly exposed themselves to the perils of rudimentary cross-continental commerce. On a basic level, deposit institutions were necessary in California because miners and merchants needed a way to store their gold. While in the first few years of the Gold Rush, pounds and pints of gold were "left in tents and cabins or thrown down on the hillside or handed about a crowd for inspection,"[46] by the time Page, Bacon & Co. was founded in 1850 this situation had changed. By 1850, historian Malcolm Rohrbough identifies a "gradual unraveling of the consensus of rules and behavior that characterized the first mining seasons, when 49ers... could leave their tents unattended... and when strangers returned missing wallets and horses to their owners."[47] Ira Cross also notes that after 1850 "the situation had changed due to the influx of the criminal elements from all parts of the world... thereafter, thefts were of common occurrence."[48]

Depositors also needed a way to exchange raw gold dust for more easily transportable and more widely accepted mediums of exchange. Raw gold dust was sometimes used for commercial transactions, but gold dust varied in purity (from sixty three to ninety three percent) and thus one could never be sure of the true value.[49] Paying for goods with raw gold was also problematic because it often required either the use of scales (many of which were fraudulent) or even more rudimentary and arbitrary methods.

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[46] Ira Cross, *Financing an Empire*, 34.
[47] Malcolm Rohrbough, *Days of Gold: The California Gold Rush and the American Nation* (Berkeley: University of California, 1997), 218.
[48] Cross, *Financing an Empire,* 34.
[49] Chandler, "Integrity Amid Tumult," 259.

In fact, the phrase "How much can you raise in a pinch?" is the legacy of the success of Californians with large thumbs and forefingers and the greater profit they could make by selling goods priced at "a pinch of dust."[50] In January of 1851, advocating for the establishment of a branch of the Mint in San Francisco, the *Daily Alta California* called attention to the "desire of parties, now holding gold dust, to have it converted into a shape that will bear an enhanced value."[51] Until then, holders of raw gold were left with a commodity that was not easily transported, nor its value easily assessed. Miners thus looked to firms who could take deposits and present them with "liquid, reliable, divisible currency or cash" to use in local commercial transactions in place of their gold dust.[52]

For Page, Bacon & Co. to cash in on the economic opportunities and financial stability that accompanied large deposits, they needed to translate their success in exchange into depositor confidence. Newspapers played an essential role in this endeavor. Just weeks after establishing the firm's first California branch in Sacramento in January 1851, the San Francisco-based *Pacific News* wrote: "The reputation for correct business habits which the firm has established in this city, guarantees like safety, prudence, and good management at Sacramento."[53] In 1853, upon opening the third California branch in Sonora, the *Sacramento Daily Union* gave a full endorsement of the integrity of the firm:

> The high character for integrity, business experience and qualifications, which the members of the firm are admitted to possess; the very large amount of capital upon which their transactions are known to be based; the prudent foresight, and judicious caution which govern all their investments- have placed the house of Page, Bacon & Co. high in the

[50] Ibid.
[51] "Gold Dust The Staple of California," *Daily Alta California*, January 28 1851.
[52] Larry Schweikart and Lynne Pierson Doti, *California Bankers 1848-1993* (Needham Heights: Ginn, 1994), 15.
[53] *Sacramento Transcript*, January 30 1851.

> confidence of the people of this State, and extended their business, during the past two years, with a rapidity unequalled even in this fast country.[54]

The partners of the firm commanded the utmost respect from their fellow Californians as a result of their successful exchange business.

The links between exchange success and general integrity were transformed into fact by these newspaper endorsements. Because many of California's residents were new immigrants, they looked to printed communications, like newspapers and guidebooks, to obtain reliable information. In *Spreading the Word: A History of Information in the California Gold Rush,* historian Richard Stillson notes that California newspapers played an important role in making stories credible and disseminating information.[55] While there were instances of sensationalizing in the earliest days of the Gold Rush, by 1850 newspapers were seen as reliable sources of information and "new information was disseminated quickly due to the responsiveness of the publication marketplaces, in particular newspapers... to the changing needs for information."[56] By the time the *Sacramento Daily Union* proclaimed the confidence of Californians in Page, Bacon & Co., large, credible newspapers dominated the industry, and the *Daily Union*, was known as the "miner's bible."[57] Thus, California newspapers' ability to legitimize notions with ink and paper made Page, Bacon & Co. and confidence synonymous, without consideration of the bank's different functions.

Newspaper representations participated in fostering misplaced confidence by depositors in the bank because the interests of the depositor were inherently local, while

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[54] "Banking House of Page, Bacon & Co." *Sacramento Daily Union*, June 7 1853.
[55] Richard T Stillson, *Spreading the Word: A History of Information in the California Gold Rush* (Lincoln: University of Nebraska Press, 2006), 13.
[56] Ibid, 180.
[57] Ibid,152.

those of the exchange customer were national. Banks that took deposits, according to Larry Schweikart and Lynne Pierson Doti, gave the "depositor a receipt, which merchants honored or discounted against."[58] Different from exchange however, is that deposit receipts also did not make the same cross-country journey to payment as bills of exchange. Rather, depositors could demand their funds upon presentation of a deposit slip at the California bank rather than after a certain period of time, and across the country, as was the case with bills of exchange. The national ties that garnered Page, Bacon & Co. praise thus had little if any applicability to its trustworthiness as a place of deposit.

Figure 4. A deposit slip from Page, Bacon & Co issued on December 19, 1854, just months before the run on the then-prominent banking house. Notice there is no mention of Page & Bacon of St. Louis like on the bill of exchange in Figure 3, contrasting the national nature of bills of exchange with the local nature of deposits. (Courtesy of the Bancroft Library, University of California Berkeley.)

Consequently, while confidence in Page, Bacon & Co.'s bills of exchange was highly dependent on Page & Bacon in St. Louis, depositor confidence *should* have been dependent on the probability that a depositor would receive his gold when he summoned it. Instead, Page, Bacon & Co. cultivated depositor confidence based on its preeminence in exchange. This course of events was not unique to the bank. In fact, it was so widely employed by California's early banks that one contemporary account alleged that "bankers were doing their entire exchange business without profit, for the purpose of

[58] Ibid.

attracting large deposits to their vaults."[59] Moreover, while the standard premium banks charged for exchange was 3% over par value, William Tecumseh Sherman continually complained that "his bank could not break even at 3% for such transactions, because actual costs exceeded 3%."[60] While there is no evidence Page, Bacon & Co.'s exchange business operated at a loss, it is evident that success in exchange attracted depositors to a particular firm. One account, written after Page, Bacon & Co.'s collapse, noted that there were "many who admired the heavy amounts shipped by the defunct banking house here, and out of confidence derived therefrom, place their funds in their hands."[61] When that same newspaper noted of Page, Bacon & Co. that, "no concern has ever enjoyed to an equal extent the confidence of the community," the realization that this depositor confidence emanated from exchange and not from a particular proficiency as a depository leads to the conclusion that depositor confidence in the firm was misplaced.[62]

III. Symbols of Safety

In addition to building confidence based on the business of exchange, Page, Bacon & Co. gained depositors through use of tangible means to convey their solvency. This included the erection of banking houses that represented the sturdiness and reliability of the bank. Historians Larry Schweikart and Lynne Pierson Doti remark that, "the bank building... was the physical symbol upon which the banker's reputation rested."[63] The undertaking to purchase a safe also had both material and reputational consequences. Schweikart and Doti continue, "a safe... established the individual as a

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[59] "Commercial," *Daily Alta California*, May 4, 1855.
[60] Clarke, *William Tecumseh Sherman*, 418.
[61] "Commercial," *Daily Alta California*, May 4, 1855.
[62] Ibid.
[63] Schweikart and Doti, "From Hard Money to Branch Banking: California Banking in the Gold Rush Economy," 217.

person to whom others could entrust money with assurances of physical safety and security."[64] Bankers ensured their safes were easily visible to patrons, who would undoubtedly feel more at ease upon viewing the fortifications built to preserve treasure. Beyond its psychological effects, physical protection was also necessary for defense against potential robbers and the massive and frequent fires that engulfed early San Francisco.

In their book, *Banking in the American West*, Schweikart and Doti flesh out this idea, labeling physical symbols used to cultivate confidence "symbols of safety." They note the opulence of bank buildings of this period, emphasizing the use of "ornate design, rich woods, marble, brass, and other ostentatious flourishes."[65] For example, *The Bankers' Magazine* of February 1852 contains a commentary on the scale Page, Bacon & Co. purchased in anticipation of its move into the Parrot building. Noting that the scale cost $1,000, the magazine stated: "The material of which the principal portion of the balance is manufactured is the very best of Princes' metal, and the steel parts are heavily plated with silver in order to protect them from rust."[66] An example of lavish spending on accouterments, the balance was displayed in the Merchants Exchange News Room in Boston after it was finished by Messrs. Howard & Davis. The magazine exclaimed that "The whole affair is one of the most perfect pieces of mechanism ever exhibited in this city, and will remain in the news room several days for the inspection of the public."[67]

Gold Rush bankers were not recklessly toss away money on mere trappings (such as the scale purchased by Page, Bacon & Co.), instead, the bank building (and its

[64] Ibid.
[65] Larry Schweikart and Lynne Pierson Doti, *Banking in the American West: From the Gold Rush to Deregulation* (Norman: University of Oklahoma, 1991), 38.
[66] "Gold Balances," *The Bankers' Magazine 6* (February 1852), 660.
[67] Schweikart and Doti, *Banking in the American West*, 38.

contents) were significant symbols to both the banker and the public.[68] Especially pertinent to Page, Bacon & Co. is the extent to which bankers constructed grandiose buildings specifically to display prominence and stability to potential depositors. Direct commentary on the subject from contemporary bankers is scarce, likely because they knew that their ability to attract and hold deposits lay in such illusory intangibles as the appearance of the bank.[69] However, one anonymous banker wrote in 1855, the year of Page, Bacon & Co.'s failure, "the architecture of the banking house... should be marked externally, internally, and throughout, by stability as its leading feature."[70] The most effective advertising that a bank was safe and sound was the view of elegant columns in front of an impressive and modern building. Expectedly, the bank building itself became an important advertising tool. Well before San Francisco's Transamerica pyramid became synonymous with that firm (and remains its logo even though the company no longer occupies the building), Page, Bacon & Co. and its competitors used pictures of their banks on letterheads and in advertising.[71]

Recognizing the potency of physical symbols of safety in relation to buildings, Page, Bacon & Co. spent abundantly on their banking houses. In November 1852, the San Francisco location moved into the Parrott Building owned by John Parrott, a merchant and customer of Page, Bacon & Co. Parrott spared no expense in the building's construction, the *Daily Alta California* noting that "Of the numerous substantial fireproof buildings now in process of erection in this city, there are none more worthy of notice than the fine granite structure going up on the corner of California and Montgomery

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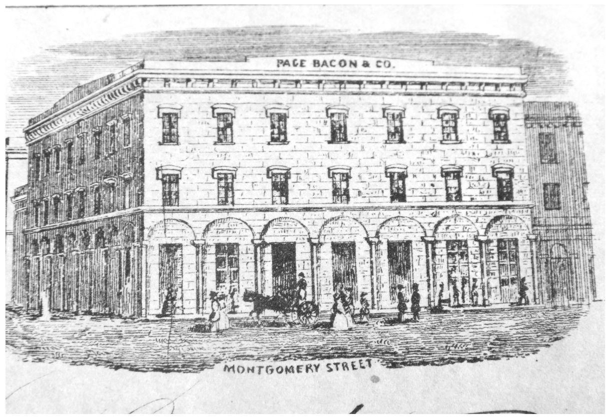
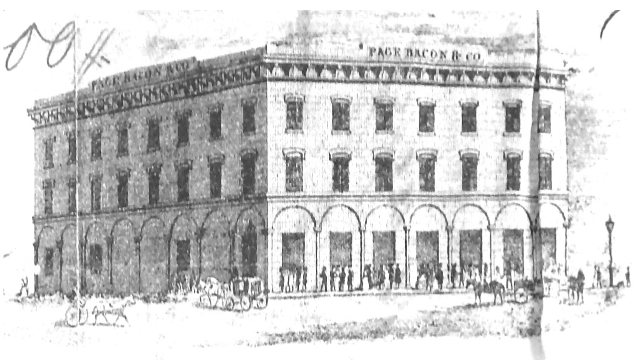
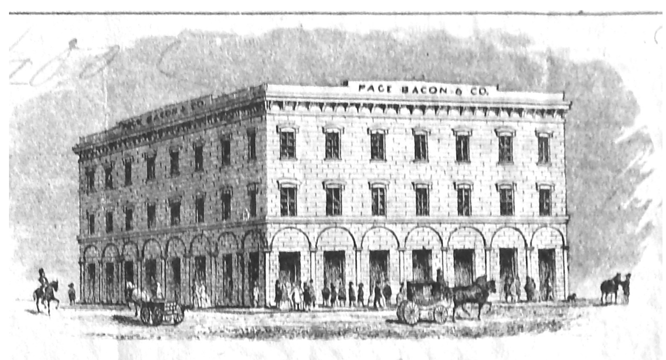
[68] Ibid.
[69] Ibid, 40.
[70] "Bank Architecture in New York," *The Bankers' Magazine 9* (February 1855), 582.
[71] Schweikart and Doti, *Banking in the American West*, 41.

streets."[72] The paper later declared, "the building... will when completed, be the most magnificent structure in California."[73] As tenants of this building, Page, Bacon & Co. enjoyed the connotations of safety and security that it provided, and their tenancy assisted in "making that locality the center of the financial district of San Francisco."[74]







Figures 5, 6, and 7. Page, Bacon & Co.'s deposit slips featured depictions of their San Francisco location in the Parrott Building on Montgomery Street. The connotations of security conveyed by this state of the art banking facility were instrumental in attracting depositors. These examples are from 1854 and 1855. (Courtesy of the Bancroft Library, University of California Berkeley.)

In June 1853, Page, Bacon & Co. junior partner Judge David Chambers invited the *Sacramento Daily Union* on a tour of its newest banking house then under construction in Sonora. Commenting on the structure of the building, the *Daily Union* noted, while "not the largest it is certainly the best for its size in Sonora... the inside is

[72] *Daily Alta California*, August 8, 1852.
[73] *Daily Alta California*, August 28, 1852.
[74] Cross, *Financing an Empire*, 71.

being thoroughly renovated, under the direction of Judge Chambers."[75] The new banking house received the utmost praise from the paper; "when completed it will only be inferior as a banking house to a few of the best in the city of San Francisco... the citizens of Sonora may congratulate themselves upon the establishment of a branch of the house in that city."[76] In Sacramento, the *Daily Union* reported on June 14, 1852 that in that city, Page, Bacon & Co. were "erecting a magnificent marble fronted building on the corner of Sansome and Sacramento Streets."[77]

While an imposing banking house was an indispensible symbol of safety, even more important was that upon closer inspection, it contained a ostensibly impenetrable vault housing a modern and unbreakable safe. Scholars examining floor plans from early California banks (including Wells Fargo's bank that took Page, Bacon & Co.'s vacancy in the Parrott Building in 1856), conclude that most designs placed the vault area clearly in the view of customers, as it had to be available to public inspection.[78] On the subject, architectural historian Wim de Wit notes, "The vault was another item whose location in the bank was prescribed virtually from the outset. Situated at the end of the room on a direct axis with the bank's entrance, the vault and its gigantic open door would inspire confidence in the strength and security of the bank to incoming clients."[79]

Excellent accounts exist of Page, Bacon & Co.'s vaults and safes in Sacramento and Sonora. The *Sacramento Daily Union* noted that in that city, to protect against both burglary and "destructive conflagrations," the firm purchased a "ponderous safe...

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[75] "Banking House of Page, Bacon & Co," Sacramento Daily Union, June 7 1853.
[76] Ibid.
[77] *Sacramento Daily Union,* June 14, 1852.
[78] Ibid.
[79] Wim de Wit, "The Banks and the Image of Progressive Banking," in Louis Sullivan: The Function of Ornament, ed. Wim de Wit (New York: Chicago Historical Society, the St. Louis Art Museum, and W.W. Norton & Company, 1986 in Schweikart and Doti, *Banking in the American West*, 40.

weighing upwards of five tons, (which) cost over four thousand dollars, inclusive to put it in position." [80] The safe was equipped with "Hobb's patent lock combination, which the best artizans(sic) in England, after repeated trials, failed to pick, break or open."[81] The *Sacramento Daily Union* further touted the protection the safe provided in mythological terms: "He who deposits money in it, may rest assured that so far as the attacks of burglars or incendiaries are concerned, they could not obtain access to its contents in a twelve hour's effort, led by Pluto himself, with all the fire, sulphur(sic) and other materials used in forging the terrific thunderbolts of imperial Jove."[82] In the June 1853 account of the tour of the Sonora banking house, the strength of the vault was extolled: "The obstacles to the forcible entry of this formidable vault will be insuperable... altogether it is the strongest and most capacious vault in the mines, and can only be equaled by the largest San Francisco houses."[83]

Page, Bacon & Co. went to great lengths to make sure that their houses, safes, and vaults performed their function as symbols of safety. An account of one journalist's tour of the Parrott Building just before it opened noted of the two major tenants (Page, Bacon & Co and its competitor Adams & Co.): "Mr. Parrott may consider himself fortunate in getting two such tenants for his building, for very few could or would go to such an expense that their offices might be in keeping with the elegant and massive building in which they are located."[84] Thus, these symbols of safety were another avenue, along with benefitting from its reputation earned through exchange operations, through which Page, Bacon & Co. attracted hordes of soon to be regretful depositors.

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[80] "The City," Sacramento Daily Union. November 3 1853.
[81] Ibid.
[82] Ibid.
[83] Ibid.
[84] "San Francisco Correspondence," *Sacramento Daily Union*, November 1, 1852.

As 1855 opened, Page, Bacon & Co. was at the height of its power in California. Although in 1854 a depression affected the business and financial interests of the state, the firm continued to ship massive amounts of gold east and maintained a prosperous business. [85] In the first month of 1855, Page, Bacon & Co. shipped over $1.7 million in gold from its California branches, over $1 million more than its nearest competitor Adams & Company.[86] Furthermore, in late 1854, Page, Bacon & Co. maintained somewhere in the neighborhood of $2.3 million in deposits.[87] A June 1854 newspaper article suggested that Page, Bacon & Co. "may well be termed the Rothschilds of California."[88] With this success, the bank continued to expand its operations on the West Coast. Already with two locations in California outside of San Francisco (Sacramento and Sonora), on February 12, 1855, the *Sacramento Daily Union* reported on the establishment of a branch in Honolulu.[89]

The success of Page, Bacon & Co. coincided with the immense growth of Page & Bacon in St. Louis, on which much of the confidence vested in it rested. The *Daily Missouri Democrat* claimed that by 1855 "the business of the house was larger, by all odds, than any banking house in this country, footing up, as we have reason to know, during the above year, more than 40 millions of dollars!"[90] Also on Page & Bacon, the *Sacramento Daily Union* noted in 1853: "There are but few banks in the United States whose capital equals the wealth of this house."[91] Page, Bacon & Co.'s connection to St. Louis had yet only led to success and both firms prospered while aiding each other's

[85] Cross, *Financing an Empire*, 181.
[86] "Shipment of Treasure," *Daily Alta California*, January 3, 10, 17, and 25, 1855.
[87] "Meeting in New York of the Friends of Page & Bacon," *Daily Missouri Republican*, January 21, 1855.
[88] "Banking House of Page, Bacon & Co." *Sacramento Daily Union,* June 2, 1854.
[89] *Sacramento Daily Union,* February 12, 1855.
[90] "Money Matters," *Daily Missouri Democrat*, April 5, 1855.
[91] "Monetary-Messrs. Page & Bacon," *Sacramento Daily Union,* March 23, 1853.

fantastic growth. However, the events of the next few months showed that depositor confidence in Page, Bacon & Co., gained through symbols of safety and its success in exchange, was in no way unshakable.

Chapter 2: The Fall

Newfound financial obligations in tandem with a general credit crunch made it difficult for Page & Bacon to sustain its business as 1855 opened. After a few failed attempts to secure greater credit, the house's notes were protested in New York and it was forced to temporarily suspend operations on January 13, 1855. This, however, was not before Daniel D. Page travelled to California and shipped over $800,000 in depositor funds from Page, Bacon & Co.'s vaults to try to shore up the finances of Page & Bacon. This act left Page, Bacon & Co. short of funds just as news of the protest made its way West. Eventually, as a consequence of Page & Bacon's suspension, Page, Bacon & Co. was itself forced to suspend.

Amidst this crisis, Page, Bacon & Co.'s depositors were assured that "one of the oldest and most influential banking houses of this State," the one with the fancy buildings and indestructible safes, was on solid financial footing.[1] However, the depositors did not find out until after the suspension that Daniel Page had sent a substantial portion of Page, Bacon & Co.'s deposits to New York. It is at this point that many depositors realized their confidence in Page, Bacon & Co. was misplaced. Far from being a sedentary institution guarding deposits behind lock and key, Page, Bacon & Co.'s deposits became part of the system of cross-continental commerce that was so vital to Page, Bacon & Co.'s exchange operations. Thus, the crisis exposed that prudence and permanence, desirable characteristics of a bank for depositors, were *not* in fact properties of Page, Bacon & Co.

In the coming months, Page & Bacon in St. Louis reopened but could not itself withstand the news of the suspension of the California house and permanently closed on

[1] "Topics of the Day," *The Daily Herald*, February 23, 1855.

April 3, 1855. When this news reached San Francisco in May 1855, it led to an immediate closure of Page, Bacon & Co.'s operations. Shocked Californians thus witnessed the esteemed house which was "the friend of the miner and of the merchant, of the agriculturist and the speculator," and a member "of our community who may be styled 'Young California,' " crumble under the pressure of a "rotten concern in the East."[2] This calamity exposed a concurrent instance of misplaced confidence: confidence in California's economy to allow outsiders to have immense power and influence. While California's economy initially depended on confidence in the ability of exchange dealers to move funds cross-country, as the economy grew the power of these outsiders (necessarily with different loyalties than Californians themselves) also grew. Californians mistakenly trusted that firms not based in California would have loyalty to California over the city, state, or region where they originated. Thus, two instances of misplaced confidence, in Page, Bacon & Co. as a deposit institution, and in the California economy to thrive with outsiders playing an instrumental role in development, came to the forefront amidst the failure of Page, Bacon & Co.

I. Precursor to Protest

Far from the golden shores of California, trouble was afoot in St. Louis. As Page & Bacon continued to expand in the early 1850s, the partners began other undertakings besides what the *Daily Missouri Democrat* called its "legitimate business of banking and exchange."[3] The largest of these endeavors was the assumption of the contract for the building of the Ohio & Mississippi Railroads from Vincennes to St. Louis after the death

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[2] "Markets," *Daily Alta California*, February 23, 1855.
[3] "Money Matters," *Daily Missouri Democrat,* April 5, 1855.

of the contractor in 1852.[4] The proposed railroad was anticipated to have a significant impact on the commerce of St. Louis. Connecting the city to Cincinnati, it was hailed as a "great work... projected to develop the growth and resources" of the city.[5] Page & Bacon's investment, although motivated by the potential for profit, also represented the partner's dedication to their adopted city. The *Daily Missouri Democrat* later commented that Page & Bacon "took upon themselves the herculean task, of carrying out this contract, involving a responsibility of nine millions."[6]

Undertaking the construction contracts for the railroad was one example of a long line of benevolent actions by the firm towards St. Louis. Principally, this included regularly advancing large sums of money to the city and the county of St. Louis to meet bond obligations.[7] Henry D. Bacon also personally supported philanthropic causes, and donated $40,000 to the building and furnishing of the United Methodist Church in the city.[8] In this tradition, when the Belcher sugar refinery, part of an industry that was important to St. Louis' commercial interests, needed financing, Page & Bacon extended financial aid, and helped make the industry the largest of its kind in the country.[9]

Although 1854 was the most successful year in the history of Page & Bacon, the railroad investment consumed a significant amount of the firm's capital and represented a substantial financial risk. Page & Bacon did $80 million in exchange business in 1854, the largest of any bank in the Mississippi Valley.[10] However, even amidst this success, the investments in the Ohio & Mississippi Railroad upset the capital structure of the firm.

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[4] Ira Cross, *Financing an Empire: The History of Banking in California* (Chicago: S.J. Clarke, 1927), 182.
[5] "Ohio and Mississippi Railroad," *Daily Missouri Republican,* June 3, 1856.
[6] Ibid.
[7] Walter Stevens, *St. Louis: The Fourth City* (St. Louis: S.J. Clarke, 1909), 231.
[8] Stevens, *St. Louis,* 232.
[9] Ibid.
[10] Ibid, 231.

Especially problematic was that the railroad only attracted what one newspaper termed "very limited" bond purchases, including "a million from the city of Cincinnati, a half million by the city of St. Louis, and about $100,000 from private individuals." [11] It was understood that the cost for this "great undertaking," noted the newspaper, "must eventually be raised on the credit of the road, and what was lacking, must be supplied by the bankers."[12]

Page & Bacon's newfound obligations coincided with a general credit crisis in the summer of 1854. During the preceding years, massive funds were dedicated to the building of railroads across the country. In this spirit, in August 1852 *The Banker's Magazine* noted, "capital is accumulating rapidly in the large cities and is met by a large demand on behalf of various improvements, public and private... every portion of this country is teeming with new undertakings requiring a heavy outlay of capital and labor, and indicating rapid strides in wealth and prosperity."[13] This exuberant atmosphere came to an abrupt end in July 1854, with the detection of several massive frauds in railroad securities. Discoveries of frauds on the New York & New Haven Railroad Company and the New York & Harlem Railroad Company greatly affected credit markets in New York.[14] *The Bankers' Magazine* noted that the frauds were so great, and by companies with so much outstanding debt, that the discovery had a "very severe effect upon the money market and upon commercial credit and confidence."[15] Historian Eric Jaffe notes

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[11] "Money Matters," *Daily Missouri Democrat,* April 5, 1855.
[12] Ibid.
[13] "Notes on the Money Market," *The Bankers' Magazine 7* (September 1852), 252.
[14] "Frauds on Railroad Companies," *The Bankers' Magazine 9* (August 1854), 81.
[15] Ibid.

that in the aftermath of these disasters, "for weeks Wall Street hung on the verge of panic... stocks dove at home and abroad; creditors called in loans."[16]

Financial happenings in New York, the commercial center of the nation, especially affected Page & Bacon due to the nature of the firm's operations. The massive exchange business that was the lifeblood of Page & Bacon and Page, Bacon & Co. depended on extensive borrowing in New York. When either bank sold exchange on their New York correspondent bank, Duncan, Sherman & Company, they had to meet these obligations with funds. This often came in the form of gold or securities. In times when exchange notes could not be fully offset by either firm's assets, they relied on Duncan, Sherman & Company, or other New York banks, to extend lines of credit.

The railroad obligations and the general tightening of the money market put Page & Bacon in a precarious financial position in the latter part of 1854. The railroad investment consumed their resources, one paper noted, "constantly calling for more, and involving them in heavy prospective liabilities."[17] Unable to keep suitable account balances in New York, this growing investment "crippled their exchange and banking operations."[18] It was estimated that by early January 1855, Duncan, Sherman & Company were under cash advances to Page & Bacon in loans on stocks, banknotes, European securities, and overdrafts to an aggregate of over half a million dollars.[19]

Amid this turmoil, Henry D. Bacon travelled to New York in December of 1854 to meet with Watts Sherman of Duncan, Sherman & Company and attempt to negotiate an even greater line of credit. On January 1, 1855, Bacon, along with his business

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[16] Eric Jaffe, *The King's Best Highway: The Lost History of the Boston Post Road, the Route the Made America,* (New York: Scribner, 2010), 141.
[17] "Money Matters," *Daily Missouri Democrat,* April 5, 1855.
[18] Ibid.
[19] "Recent Pecuniary Disasters," *Daily Missouri Republican,* April 18, 1855.

associate, merchant William Henry Aspinwall of Howland & Aspinwall, made an appeal to Sherman to "increase their loans and advances to an amount sufficient to carry them over that day, which they then regarded as a crisis in their affairs."[20] Given both the precarious position of the firm and the greater monetary situation, Sherman was initially unwilling to advance the required sum unless Page & Bacon could produce enough securities to cover the cost. Bacon pleaded that Page & Bacon's accounts needed only a temporary cash advance to cover drafts and that "remittances of gold, ample to cover the sum, were soon expected from California, and if they failed, they D., S., & Co., should be fully and perfectly protected from all hazards."[21] Thus, Bacon contended that Duncan did not need to take on any additional risk, because the gold remittances would soon arrive to pay back the extra debt.

Bacon confidently promised remittances of gold because Daniel D. Page was at that time en route to San Francisco in hopes of rescuing the bank. Page was forced to make the trip himself because it was necessary to keep the severity of the bank's financial situation secret to stave off a run. Page travelled to San Francisco with the goal of raising and transmitting to New York all the gold he could obtain, in hope that Page, Bacon & Co. could loan Page & Bacon money to continue to meet their obligations.[22] While no account exists of Page's journey aboard the *Sierra Nevada*, one can imagine the anxiety and trepidation he felt as he hurriedly made the journey to the Golden State.

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[20] Ibid. Aspinwall, through his merchant house Howland & Aspinwall, co-founded the Pacific Mail Steamship Company, which transported people, goods, and mail between California and the Isthmus of Panama. Among other things, Howland & Aspinwall aided Page, Bacon & Co. in obtaining insurance for its shipments of gold from California. Further, Page, Bacon & Co.'s status one of the largest shippers of gold out of California undoubtedly made it a major customer of the Pacific Mail Steamship Company.
[21] Ibid.
[22] Cross, *Financing an Empire,* 182.

Back in New York, Sherman relented and extended an extra $250,000 line of credit to Page & Bacon to temporarily keep the firm afloat.[23] The New York bank agreed to extend the credit with St. Louis real estate securities, which Bacon carried with him to New York, as collateral.[24] This last ditch effort seemed to constitute at least a temporary solution to Page & Bacon's ongoing financial difficulties. The *Daily Missouri Republican* claimed, "Through the aid of D., S., & Co., was the house of P. & B. carried through this crisis, and over a point which, as was hoped, would enable it to reach a position of ease and comfort."[25] The paper continued, noting that Duncan, Sherman & Co.'s "furnishing of such large aid in times so stringent... is an abundant evidence of the earnest desire of Messrs. D., S., & Co. to preserve the house."[26] Duncan, Sherman & Co. and Page & Bacon did an ample amount of business together, and the failure of Page & Bacon would have been damaging for the New York firm both because of the outstanding debt and the loss of future business. Bacon's efforts, however, would not be the last time that Page & Bacon and its affiliates persuaded others to save one of their struggling houses.

Just days after the sides finalized the agreement, the finances of Page & Bacon sustained yet another blow. On January 8, Messrs. Belcher & Brother, the sugar refinery whose growth Page & Bacon had helped to accelerate, suspended operations with an indebtedness of about $2 million.[27] Page & Bacon held a significant amount of securities connected to the sugar refinery, the *Daily Missouri Democrat* asserting that they had "freely lent their name" to bills "in the amount of hundreds of thousands of dollars."[28]

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[23] Stevens, *St. Louis,* 232.
[24] Ibid.
[25] "Recent Pecuniary Disasters" *Daily Missouri Republican* April 18, 1855.
[26] Ibid.
[27] "Notes on the Money Market," *The Bankers' Magazine 9* (February 1855), 661.
[28] "Money Matters," *Daily Missouri Democrat,* April 5, 1855. This is the firm mentioned earlier whose success was important to the city of St. Louis.

The failure initiated a steady withdrawal of deposits from the St. Louis firm.[29] Upon hearing this news, Duncan, Sherman & Co. sent a telegram to Bacon informing him that they could not proceed with the agreement, and that "a banking house had no right to risk its money in real estate."[30] Bacon desperately replied, "For G-d's sake, please do not desert us, if you do we are ruined and half of St. Louis with us."[31]

Due to Bacon's despondent tone, and the value of Page & Bacon's business, Sherman made one last effort to help him save the bank. Sherman proposed that Bacon borrow a $100,000 note from Aspinwall, which Duncan, Sherman & Company could cash immediately.[32] The first $100,000 of incoming California gold would be used to first reimburse Aspinwall, "not applying toward reimbursing the money already advanced by D., S. & Co., to whom these anticipated remittances were previously pledged and promised."[33] Aspinwall declined the proposal, not wishing to take on more risk tied to the firm. He stated that his "advances to Page & Bacon were already large, and that he was also largely interested in the Ohio & Mississippi Railroad and he knew of no reason why he should further implicate himself."[34]

On January 11, 1855, the parties agreed to a final plan that they hoped could save the bank. As a sign of allegiance to his business associates, Aspinwall agreed to become liable for half of the $100,000 if Duncan, Sherman & Co. would advance the other half. Once again making lofty promises, Bacon assured his colleagues that "the $100,000 would be adequate to sustain his house."[35] Sherman conditionally agreed to Aspinwall's

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[29] "Recent Pecuniary Disasters," *Daily Missouri Republican* April 18, 1855.
[30] Stevens, *St. Louis,* 232.
[31] Ibid.
[32] "Recent Pecuniary Disasters," *Daily Missouri Republican,* April 18, 1855.
[33] Ibid.
[34] Ibid.
[35] Ibid.

proposal on two terms. The first was that "it should be adequate to sustain the house uninterruptedly in its business."[36] He did not want to sink more money into the firm and take on more risk unless he was confident that Page & Bacon would continue operations and not suffer further reputational harm. The second term was that "the money should be used in the ordinary course of the business of Page & Bacon."[37] Sherman wanted an assurance that his money would be used for exchange operations in New York, not to pay off any other existing debts or railroad obligations.

As soon as Duncan, Sherman & Co opened for business the next day, it was evident that the plan was wholly inadequate to save Page & Bacon. Both of Sherman's terms for the agreement were violated in the course of business that day. In relation to the first clause, the *Daily Missouri Republican* noted that "the large drafts advised by the St. Louis firm the following day... made it so manifest to D., S. & Co., that this $100,000 would fall very far short of sustaining the house."[38] Further exposing Bacon's false promises from the prior day, "drafts and other liabilities in the shape of their railroad acceptances, were coming in for payment- not connected with the ordinary course of the business of P. & B."[39] In consequence of these violations, that afternoon, Duncan, Sherman & Company protested $60,000 worth of drafts on Page & Bacon for nonpayment. With respect to Bacon's assurances, the *Daily Missouri Republican* concluded, "all hope of saving the house on this inadequate promise failed."[40]

[36] William H. Aspinwall to Watts Sherman, January 11, 1855, in Ibid.
[37] Ibid.
[38] Ibid.
[39] Recent Pecuniary Disasters" *Daily Missouri Republican* April 18, 1855.
[40] Ibid.

II. Suspension and Panic

The January 13, 1855 edition of the *Daily Missouri Republican* contained the following:

TO THE PUBLIC.
Office of Page & Bacon.
St. Louis. January 12th. 10 o'clock P.M.

> It is with the most unfeigned regret that we are forced to announce to you the necessity, which compels us to close the doors of our office tomorrow morning. We need not remind you, who have already struggled against a pressure unparalleled in our financial experience, how severe and crushing have been the disasters rapidly and suddenly precipitated upon this community, during the last few weeks.
>
> After struggling with a resolution and diligence unknown to you, to meet our engagement maturing in New York, on the 1st., and having triumphed over the difficulties of that day- meeting them all to the amount of nearly a million of dollars- we had hoped that the crisis with us, personally, was passed; and that we should have had the pleasure of extending to our friends a participation in the consequent relief we should ourselves enjoy. But unhappily, intelligence by telegraph, this evening, has unexpectedly and utterly dissipated the hope so confidently cherished, and compelled us to announce our suspension, as we now do, with an overwhelming sensation of pain.
>
> In doing so, we ask your reasonable consideration for a statement, necessarily so brief at this late hour, assuring the public that the details will justify the general one now made- that a long continued stringency in the money market, both at home and abroad, the consequent rapid decrease of our deposits- a disappointment of a large amount of securities on which we have advanced, and maturing obligations still heavy and urgent are the immediate causes which have conspired to produce our misfortune.
>
> We assure our friends that we believe our suspension is but temporary; that our assets, (partnership and private,) will exceed our liabilities upwards of three millions of dollars, and that as soon as our books are written up, we shall make a statement of our affairs as full and satisfactory as the public could desire.
>
> Page & Bacon.[41]

Page & Bacon's suspension sent shockwaves through the city of St. Louis. Preceding the above statement, the *Daily Missouri Republican* noted with remorse that "The integrity and enterprise of this firm have been so marked, and their interests so closely interwoven with those of our city, that no man among us will read the news of their suspension without feelings of the deepest regret."[42] The suspension impacted the commercial confidence of the contemporary citizens of St. Louis. By 1855, Page & Bacon had become the cornerstone of the city both financially and socially. At its peak it "enjoyed the confidence of the entire community" and "everyone felt that their money

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[41] "Statement of Page & Bacon" *Daily Missouri Republican*, January 13, 1855.
[42] Ibid.

when committed to the custody of these eminent bankers was- safe."[43] Thus, St. Louis was tasked with overcoming the suspension from a psychological perspective in addition to the obvious financial ramifications.

While contemporaries mourned the suspension of Page & Bacon, for the time being, the firm merely announced a suspension of operations, not a permanent closure. The *New York Tribune* had the utmost confidence that the suspension would be merely temporary, noting "the liabilities of Messrs. Page & Bacon are inside of a million of dollars... the real estate of the partners alone is estimated to be worth a million and a half dollars... there is little doubt that the house will pay all its liabilities, and have a large surplus."[44] Many of the most prominent merchants of St. Louis publically expressed support for the firm in a circulated letter, which the *Daily Missouri Republican* remarked, "breathes a spirit of true hearted friendship and unfeigned sympathy; and bears testimony to the high place which the firm Page & Bacon hold in the esteem of businessmen in this city."[45] The letter read, in part, "In the fervent hope that the blow upon your house may not be fatal- that the disaster is only temporary- that you may rise again and assume the high position you have maintained so successfully for a series of years, it is the desire of those who have known you long and well."[46] Because Page & Bacon so fervently promoted the greater business interests of St. Louis, and because of the damage its suspension had to the people's confidence, these men earnestly wanted the firm to resume operations.

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[43] "Money Matters," *Daily Missouri Democrat,* April 5, 1855.
[44] *New York Tribune* in "Page & Bacon in New York," *Daily Missouri Republican,* January 18, 1855.
[45] Page & Bacon in New York," *Daily Missouri Republican,* January 18, 1855.
[46] Ibid.

With the support of the public and mercantile community, Bacon and the firm's supporters quickly sprang into action to get the finances of the house in order and attempt to resume operations. As soon as February 2, 1855, the *Daily Missouri Democrat* reported that, they had "information... from a source, nothing short of the best authority, for indulging the hope, that a speedy resumption will probably, ere long, take place."[47] Page & Bacon finally resumed payment on its obligations in New York on February 19, 1855 at the Bank of America.[48]

During the suspension, however, pressing questions arose as to the fate of the California operation. Summarizing the general opinion at the time, the New York-based *The Bankers' Magazine* noted in its February 1855 edition, "The California houses are not in any way affected by the operations of the St. Louis firm, and their shipments and drafts will be made as usual."[49] This assertion that the St. Louis house did not affect the California houses was later questioned, but for the time being, it was supported by a January 20, 1855 meeting in New York. The meeting, presided over by the former mayor of San Francisco, Cornelius Garrison, was held for the purpose of hearing "an authorized statement of the circumstances which led to the dishonor of the St. Louis firm... a statement of the condition of the California firm, and of the arrangements entered into... for the transfer of the current gold remittance and the payment of the drafts drawn against it.[50] Of the outstanding bills of exchange sold by Page, Bacon & Co. on New York, Charles O'Connor, Bacon's lawyer, announced that "Mr. David Hoadley, using the Bank

[47] "Money Matters," *Daily Missouri Democrat,* February 2, 1855
[48] Ibid.
[49] "Notes on the Money Market," *The Bankers' Magazine 9* (February 1855), 661.
[50] "Meeting in New York of the Friends of Page & Bacon," *Daily Missouri Republican,* January 21, 1855.

of America as his depository, had been made... the Agent of Page, Bacon & Co., to receive their remittances and pay promptly their drafts."[51]

Of the arrangements made on behalf of Page, Bacon & Co. and the future of that house, Bacon insisted, "the accounts were distinct. That of the San Francisco house required no advances. The St. Louis house had credits with Duncan, Sherman & Co."[52] Transferring Page, Bacon & Co.'s account to David Hoadley ensured that Page, Bacon & Co.'s bills of exchange would be redeemable when their bills were presented for payment; it was also an attempt to salvage confidence in the California firm's exchange business. Bacon was seemingly successful, as reflected in a public letter addressed to Bacon by a contingent of San Franciscans in attendance at the January 20 meeting:

> We cannot too earnestly commend the prompt and efficient measures adopted by you to avert any interruption of your house in San Francisco, and as Californians, assembled here to-night, wish to say to our brother Californians now on the Pacific coast, that we earnestly hope to hear that they have exercised their reason to a man, and have said, we will sustain the house of Page, Bacon & Co.[53]

We cannot know whether Page, Bacon & Co.'s friends and representatives in New York definitively knew that Page & Bacon's troubles would not impact the California bank. However, they used the influence of their words to do everything in their power to ensure that Page, Bacon & Co. would not similarly suspend.

In the aftermath of the debacle, the day after Page & Bacon's suspension to be exact, over a million dollars of California gold arrived in New York.[54] Unfortunately, the

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[51] Ibid. A contingent of Californian merchants happened to be in New York during Page & Bacon's suspension. Because the fate of the two firms was intertwined, and Californians were supposed to have the best knowledge of the reputation and stature of Page, Bacon & Co., they served prominent roles in the meeting.
[52] Ibid.
[53] "Page, Bacon & Co- An Appeal to Californians," *Daily Missouri Republican,* February 6, 1855.
[54] Dwight Clarke, *William Tecumseh Sherman: Gold Rush Banker* (San Francisco: California Historical Society, 1969), 117.

gold had arrived too late to prevent the suspension of Page & Bacon. As one newspaper claimed, "if the Sierra Nevada... arrived one day sooner, the suspension would have been prevented."[55] These remittances, anticipated by Bacon, Duncan, Sherman & Co., William Aspinwall, and others, contained the deposits of Page, Bacon & Co.'s California depositors mingled with gold meant to meet bills of exchange. The *Sacramento Daily Union* later noted that in the prior few months, Page, Bacon & Co. shipped a surplus of gold over bills of exchange drawn to the amount of $800,000.[56] These were depositor funds meant to keep Page & Bacon from facing suspension; the paper later noted that Page, Bacon & Co. did this because, they were "naturally anxious to sustain the parent house as far as they could without periling their own patrons."[57] However, the month-long journey between New York and California made this a risky proposition. Additionally, depositors at this point were unaware that this risk was being taken with their funds. They unwittingly maintained confidence their funds lay in the vaults of Page, Bacon & Co., when in reality, a significant amount of money due to California depositors was in New York. Clearly, Page, Bacon & Co. was not able to sustain Page & Bacon. Time would tell if undertaking this risk would put the California house, and subsequently its depositors, in harm's way.

On February 17, 1855 the news of Page & Bacon's suspension reached the shores of California via the steamer *Oregon*. *The Daily Herald* reported that "the immediate consequence was a run" on Page, Bacon & Co., "which continued during banking hours- moderating, however, after two o'clock- when it became apparent to all that there was no

[55] "Letters From California," *Daily Missouri Republican,* March 28, 1855.
[56] "Suspension of Page, Bacon & Co." *Sacramento Daily Union*, February 23, 1855.
[57] "Page, Bacon & Co." *Sacramento Daily Union*, March 6, 1855.

cause for alarm."[58] The paper was emphatic about the sturdiness of the bank: "The complete solvency of the establishment was not once questioned during the day by any intelligent person, and few if any of the large depositors withdrew their funds."[59] Amidst the commotion, Page, Bacon & Co.'s partners put out the following announcement:

> Banking House of Page, Bacon & Co.
> February 17, 1855
> We shall continue our business as usual in California. The temporary suspension of the St. Louis house in no way affects us. We shall be prepared as heretofore to afford our usual facilities to customers.
> Page, Bacon & Co.[60]

This proclamation was certified by a committee of twenty-five, including some of the most prominent bankers of the day. The esteemed group included Felix Argenti of Argenti & Co., B. Davidson, the agent of the Rothschilds of London, and Isaiah C. Woods of Adams & Co.[61] The committee, after viewing "exhibits made available to us," by Page, Bacon & Co., wished to "express the undiminished confidence of this community, in their integrity, and to request a continuance of their Banking Houses in California."[62]

Other prominent citizens of San Francisco seemingly substantiated these claims. Of the run in San Francisco, the *Sacramento Daily Union* noted that "during the excitement several large deposits were made by patrons of the house, among which were the following: Mr. Reese, $10,000; Mr. Hossefross, $10,000; Mr. Oppenheimer, $30,000..." and the list continues.[63] In the eyes of the paper, these large deposits not only evidenced the confidence of some of the city's wealthiest patrons in Page, Bacon & Co., but also ensured that the firm would be able to pay all depositors. However, the money

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58 "Topics of the Day," *The Daily Herald,* February 18, 1855.
59 Ibid.
60 "Communication from Messrs. Page, Bacon & Co.," *Daily Alta California*, February 19, 1855.
61 Ibid.
62 Ibid.
63 "The Run on Page, Bacon & Co. at San Francisco," *Sacramento Daily Union*, February 19, 1855.

deposited by prominent citizens was not keeping pace with the amount of withdrawals. Just because "the resources of the old and firmly established concern seemed to be amply sufficient" did not in actuality mean that Page, Bacon & Co. was stable.[64]

Instead, the bank was engaged in a public-relations game. Just as depositors needed confidence to initially place money with Page, Bacon & Co., continued confidence was the only way the bank could hold off a full on run. Later, the *Daily Alta California* admitted that "the conflicting rumors that were in circulation rendered it impossible for newspapers to give the exact facts of the case."[65] However, there was also great public pressure to sustain confidence in Page, Bacon & Co. because of the feared effects that a failure would have on the city. The paper later published this recalled exchange with a man they called "B" after the paper "hinted it as possible that Page, Bacon & Co. were not entirely safe" in the chaos in the days after the *Oregon* arrived:

> B.- No; I am down on the *Alta California*. I want it so understood. I will never patronize that paper.
> Editor- We are not aware of having done anything out of the way, but intend scrupulously to subserve(sic) the public interest.
> B.- You did eh! I want no such paper about my premises. You have caused people to distrust Page, Bacon & Co., and I think its pretty well, when such men as Capt. Ritchie come forward and say that a house is safe and everything is right with them, if the *Alta California* is to throw doubt upon it. No, no; I want no such paper about my store.[66]

Thus, with depositors unable to ascertain the true financial stability of Page, Bacon & Co., the reputations and money of prominent San Franciscans became essential in swaying public opinion. B's anger at the *Alta California* for publishing articles questioning its stability evidences the urgency of this public pressure. The potential disaster should Page, Bacon & Co. fail aligned the bank's interests with prominent San

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[64] Ibid.
[65] "The Banks," *Daily Alta California*, May 4, 1855.
[66] Ibid.

Franciscans as both attempted to preserve the depositor confidence initially cultivated through exchange success and symbols of safety.

The same confidence was continually espoused in the press over the next few days. The February 19, 1855 edition of the *Daily Alta California* commented: "It will be gratifying to the many friends of Page, Bacon & Co. in this city, to know that the San Francisco partners of the house will soon be again at their regular business when with unimpaired credit they will renew their extended business, that has at all times been profitable and pleasant to all parties."[67] In Sacramento City, the *Sacramento Daily Union* commented, "In California the banking house of Page, Bacon & Co. has always commanded the fullest confidence of the people of the State... and most fully has their manner of business merited that confidence."[68] Page, Bacon & Co. appeared to be successfully preserving Californian's confidence in the bank. However, it remained to be seen if this confidence in the face of panic could find support in the true financial state of the firm, or if Page, Bacon & Co.'s best days were long gone.

III. Confidence Lost and Reclaimed

On February 23, Californians startlingly awoke to the following circular:

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 transit 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.[69]

While some citizens and newspapers were busy affirming public confidence in Page, Bacon & Co. in the days after February 17, a slow and steady withdrawal of funds led to a suspension by the California house. Whereas the "general rush of the house" on the

[67] *Daily Alta California,* February 19, 1855.
[68] "The Run on Page, Bacon & Co. at San Francisco," *Sacramento Daily Union*, February 19, 1855.
[69] "Markets," *Daily Alta California,* February 23, 1855.

17th caused great commotion and excitement, it was what *The Daily Herald* called a "quiet run" that deprived Page, Bacon & Co. of the necessary funds to continue to operate.[70] The *Daily Alta California* noted that the cause of this run was that "men have not felt entirely easy in regard to their deposits... so they got fidgety and withdrew their deposits."[71] The rhetoric and actions of both Page, Bacon & Co. and San Francisco's prominent citizens had failed. For the bank to stay open, the mass of depositors had to trust that other depositors would not withdraw their own funds. Many depositors, unable to maintain confidence that other's would not panic, panicked themselves. Had the majority of depositors kept their deposits with Page, Bacon & Co., the bank would not have suspended. Yet, this is the eternal contradiction in banking: the bank at one time can never pay out all depositors while all depositors must have confidence that they can be paid upon demand at any time. The disastrous news from New York destroyed this confidence, depriving Page, Bacon & Co. of its deposits and forcing it to suspend with only $100,000 of deposits remaining.[72]

The suspension of Page, Bacon & Co. initiated a general banking run on most of the prominent banking houses in San Francisco. After Page, Bacon & Co. announced their suspension on the night of the 22nd, "a few minutes past 8 o'clock on Friday, the 23rd, it became known that Adams & Co. had also suspended."[73] This caused even greater panic, and, "At 11 o'clock, it was ascertained that Wells, Fargo & Co., Robinson & Co., and A.L. Wright had closed their doors."[74] An account written to the editor of the *New York Times* continued: "All business was suspended, and people thronged to the

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[70] "The Panic Yesterday," *Daily Herald,* February 24, 1855.
[71] "The Crisis Past," *Daily Alta California,* February 23, 1855.
[72] Ibid.
[73] "The California Disasters," *Daily Missouri Republican,* March 24, 1855.
[74] Ibid.

doors of Adams & Co., and gathered into Montgomery Street by thousands, but no violence was offered, and no demonstration to break down their doors, as has been done so often in the Eastern cities."[75] The account concluded, "The whole community appeared to be thunderstruck, and stood aghast. And thus passed the darkest day that California ever knew- more fatal in its effects than the disastrous fires of '52."[76] Its financial system in ruins, San Francisco was in a state of collective shock as it watched firms believed to be the pillars of the community, with sturdy banking houses and fireproof safes, fall victim to the loss of the same trust that took years to amass.

Local newspapers reacted with a sense of anger and frustration at the suspension of Page, Bacon & Co. The *Daily Alta California* blamed Eastern financial interests for the firms' downfall, pleading, "If the first house in California has been brought to the ground, the fatal shaft was launched from the other side of the Rocky Mountains."[77] The *Sacramento Daily Union* took the *Daily Alta California*'s analysis even further, pointing the finger at Daniel D. Page and noting, "The California firm has evidently sent forward a large amount of treasure, which had it been in their vaults Saturday last, would have saved the banking house of Page, Bacon & Co."[78] The *Daily Herald,* on the other hand, did not blame Eastern moneyed interests for the suspension, but the depositors of Page, Bacon & Co. themselves. The paper urged, "If ever there was a time when the good sense of our citizens should be invoked to save themselves, by the exercise of cool judgment, from the lamentable consequences of a senseless panic, it is the present."[79]

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[75] *New York Times* in "The California Disasters," *Daily Missouri Republican,* March 24, 1855.
[76] Ibid.
[77] "Markets," *Daily Alta California,* February 23, 1855.
[78] "The Revulsion," *Sacramento Daily Union,* February 24, 1855.
[79] "Topics of the Day," *The Daily Herald,* February 23, 1855.

After the suspension, the firm's creditors anxiously waited for the reconciliation of the bank's assets and liabilities so the partners could begin the process of restarting operations. At 2 o'clock p.m. on February 25, 1855, Page, Bacon & Co.'s creditors assembled at their banking house to consider proposals from the founders aimed at saving the bank. Theodore Payne, a local lawyer and secretary of the meeting, opened by explaining that "The firm of Page, Bacon & Co. felt the utmost confidence in, not only in their ability to pay every dollar of their liabilities, but also to resume their business immediately, provided their depositors would extend to them a reasonable indulgence."[80] Payne submitted to the gathering the following statement of the liabilities and assets of the house:

ASSETS:	
Cash	$ 85,000
Cash items	142,700
Bills receivable	545,000
At New York, in hands of D. Hoadley	860,000
At Boston	3,000
At Louisville	1,955
At Honolulu	47,163
With J. W. Clark & Co., Boston	7,000
Page & Bacon, St. Louis	440,000
Real Estate	40,000
Total Assets	$2,171,818

Liabilities:	
Due Depositors,	$ 872,000
Due New Orleans	7,950
Due London	59,000
Due Sacramento Office	334,000
Due Sonora Office	30,000
	$1,302,950
Balance after liquidation	$868,868[81]

[80] "Meeting of the Creditors of Page, Bacon & Co," *The Daily Herald,* February 26, 1855.
[81] "Meeting of the Creditors of Page, Bacon & Co." *Daily Alta California,* February 26, 1855.

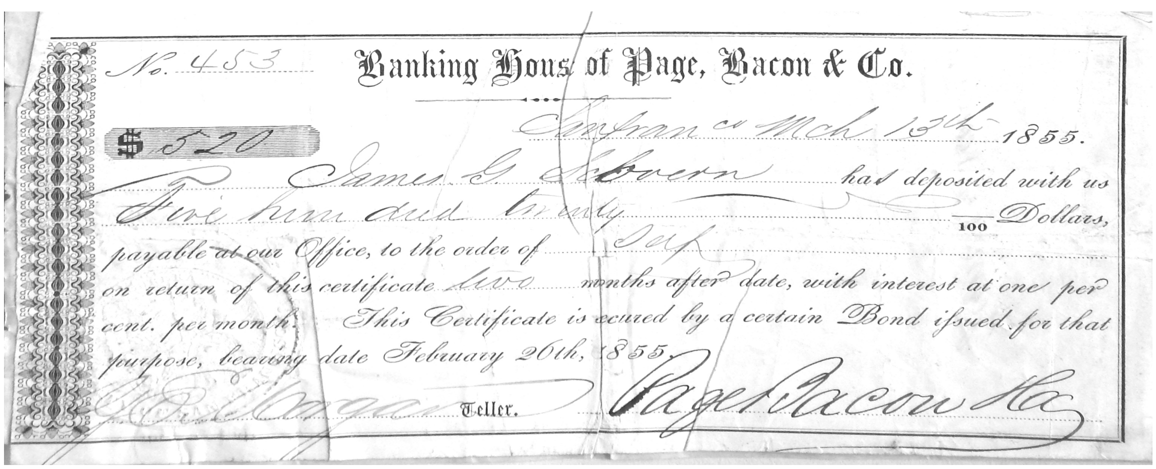
Col. Crockett, Page, Bacon & Co.'s lawyer, then informed the creditors that Daniel D. Page assured him that had had "received advices from Mr. Bacon, assuring him that if the California house could sustain itself the St. Louis house would at once be able to resume business."[82] This gave the creditors great incentive to approve a plan to restart the operations of the house.

Col. Crockett presented a plan to the creditors that would accomplish this goal. He proposed that "Page, Bacon & Co. will issue certificates to their depositors, bearing interest at one percent per month, and payable in installments at the end of two, four, six, and eight months."[83] Further, Crockett assured the gathering that "If creditors to the amount of $400,000 will sign an agreement to receive these certificates, the house would be able to manage the balance of its indebtedness, and could resume their business in the course of two or three days."[84] This plan was received favorably, and the creditors had so much confidence in the repayment of the certificates, that a Mr. David Jobson proposed that he would guarantee them twenty thousand dollars and called on other friends of the house to do the same. In all, supporters pledged almost two million dollars to guarantee the certificates.[85] Many lent their support in part because Daniel D. Page promised that "his private estate was amply sufficient to make good all demands against either firm," and a statement of. Page's real estate holdings was even presented to creditors at the meeting.[86] Of the two-million-dollar pledge and the certificate plan, *The Daily Herald* noted, "The greatest enthusiasm prevailed, and a large number of the most influential

[82] "Meeting of the Creditors of Page, Bacon & Co," *The Daily Herald,* February 26, 1855.
[83] "Meeting of the Creditors of Page, Bacon & Co." *Daily Alta California,* February 26, 1855.
[84] Ibid.
[85] "Meeting of the Creditors of Page, Bacon & Co," *The Daily Herald,* February 26, 1855.
[86] Ibid.

merchants and dealers announced their willingness to receive the certificates at par for all sales of goods."[87]

The meeting was seemingly a success and the first step to Page, Bacon & Co.'s resumption of normal business in the near future. The *Daily Alta California* proclaimed that "the gentlemen that have come forward will guarantee the payment of the certificates; and if property be of any value at all in this community, their guarantees are perfect... the list embraces the names of many of our best men."[88] Thus, contemporaries asserted that the plan assured the regaining, by depositors, of "confidence not only in the solvency of the house, but in its ability to resume business safely and successfully without delay."[89] Depositors who were unable to withdraw their funds, and who by this time had great reason to lose all confidence in Page, Bacon & Co., were urged to give the esteemed house one final chance.



No. 453 Banking Hous of Page, Bacon & Co.

San Fran co Mch 13th 1855.

$ 520

James G. [illegible] has deposited with us

Five hundred twenty 00/100 Dollars,

payable at our Office, to the order of Self

on return of this certificate two months after date, with interest at one per cent. per month. This Certificate is secured by a certain Bond issued for that purpose, bearing date February 26th, 1855.

Teller. Page Bacon & Co

Figure 8. A $520 Certificate of Deposit payable after 2 months at one percent interest per month. This certificate was one of many issued after the meeting of Page, Bacon & Co.'s creditors on February 25, 1855. (Courtesy of the Bancroft Library, University of California Berkeley.)

However, this time San Francisco's mercantile community lacked a monolithic voice. A few days after the prominent citizens pledged money to assure the repayment of

[87] Ibid.
[88] "Commercial," *Daily Alta California,* February 26, 1855.
[89] "Meeting of the Creditors of Page, Bacon & Co," *The Daily Herald,* February 26, 1855.

depositor's money, one San Franciscan looked at the same balance sheet and declared: "to my view... the house of Page, Bacon & Co., of California, has reached its term of life... it is in a condition for a Receiver and not for a resumption."[90] This citizen, only going by the name G., noted that Page, Bacon & Co. owed depositors in San Francisco, Sacramento, and Sonora a combined $1,236,000. The bank (via the balance sheet released to the public) claimed that if all of its assets were liquidated, it would be able to pay back depositors and still have a balance of $868,168. However, balance sheets are notoriously prone to manipulation. G. skeptically looked beyond the numbers on the balance sheet and declared:

> Now, if these assets were all reliable and could be applied at once to California requirements, there would undoubtedly be a balance of $828,168 (he made some of his own excess deductions); but unfortunately $440,000 of this outside hope, is already shipwrecked in the bankruptcy of the St. Louis house: and the rules of probability instruct us that the sinking Western firm, esteeming most highly the reputation of their house at home, having long ere this appropriated the $860,000 represented to be in the hands of D. Hoadly(sic), in New York, for their own relief. I insist that if we are to depend on probabilities for our comfort, we are entitled to entertain one for our safety, and it is more reasonable to receive such a doubt as this, in making a money calculation, than to be put to sleep by Mr. Crockett's eulogy on good old Mr. Page, and his acres in "Morton's Addition" and "Big Mound."[91]

In the opinion of this Californian, the confidence espoused by the creditors was thus "deplorably disproved." He doubted that the California depositors would ever see their money.[92] Tied up in Page, Bacon & Co.'s attempt to save its parent house, the over $1.25 million due California depositors would end up in the hands of Page & Bacon's St. Louis creditors. The extent to which California depositors had misplaced confidence in Page, Bacon & Co., denoted by the large amount of money already employed to help restart

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[90] "Page, Bacon & Co.- Solvent or Insolvent?" *Daily Alta California,* March 1, 1855.
[91] Ibid. Morton's Addition and Big Mound refer to parcels of land owned by Daniel D. Page in St. Louis.
[92] Ibid.

Page & Bacon, seemed to finally be rearing its head. Yet, the house forged forward and continued with its effort to resume business.

IV. Failure to Relaunch

Just as news of the suspension of Page & Bacon took over a month to reach San Francisco, intelligence of the suspension of Page, Bacon & Co. did not reach St. Louis until March 21, 1855. In the following day's paper, and for the next few days, St. Louis newspapers reprinted numerous articles from the *Alta California* and other papers detailing the collapse of San Francisco's banking system. Articles with titles like "Disastrous Failures in California" and "The California Disasters," hurt the credibility of Page & Bacon. Their promises that the California branches would be able to sustain themselves without interruption, like Bacon's promises that the $100,000 would save his firm, were blatantly violated.

As a consequence, on Wednesday morning, April 4, the following announcement appeared in St. Louis' prominent newspapers:

> **TO THE PUBLIC**
>
> We are again under the painful necessity of suspending payment and closing our doors to the public. A concurrence of unforeseen and unavoidable circumstances has reproduced the difficulties from which we hoped we had successfully emerged, when, on the 19th February, we announced our resumption. At that date we had every confidence that our house in California would sustain, without faltering, the shock that awaited it. The steamer, however, which arrived in New York, on the 21st ult., brought the news both of a suspension and a prospect of resumption on the 1st March. Notwithstanding this, our credit here was not felt to be materially affected by the intelligence, until after the arrival of the following steamer of 24th March, which brought advices to the 1st, and, among them, the fact that at that date the California house had not resumed. The suspense consequent upon this has proved exceedingly disastrous to us, resulting in a silent though continued withdrawal of deposits at this point, and compelling us to meet our necessities here by drafts on New York, to the exhaustion of our balance there, and the final dishonor of our bills.
>
> Could we have availed ourselves of a rapid communication with our California branches- could we have correctly anticipated their position and procedure, or they have understood ours so as to secure consistency and concert of measures- could we have found it practicable, under our existing difficulties, to either negotiate our securities, or give them an available placement- or had the deposits received on our resumption on the 19th February, proved of a more permanent and reliable character, we feel that we could have successfully withstood the difficulties, which beset us, and in a short time regained

> our former position. But, however mortifying, we must confess to the failure of an undertaking which, if judged premature, was so only because of perhaps too eager a desire for its accomplishment. We again ask the consideration of our friends, assuring them that our assets, though not immediately available, largely exceed our liabilities, and will be faithfully applied to their full discharged. We shall in the shortest possible time, lay before the public a full statement of our affairs; and trust that, in awaiting it, we may rely on the same forbearance we have recently enjoyed.
>
> PAGE & BACON
>
> ST. LOUIS, Tuesday Evening, April 3, 1855.[93]

This news, unlike the first suspension, did not cause any serious panic or unrest in St. Louis. The *Daily Missouri Republican* commented that they did "not anticipate and serious derangement of monetary affairs, growing out of this failure."[94] Even after the trauma of the last several months, the paper still contended that "creditors ought to indulge no fears of the ultimate ability of Page & Bacon to discharge every existing liability."[95] The paper grounded this faith in the "knowledge of the reputation of this house for honorable and liberal dealing," which amazingly was still prevalent after two suspensions and a host of shoddy promises.[96] The esteem that Page & Bacon were still held speaks in part to the fact that a majority of the bank's real assets that could be liquidated were local and well known. Morton's Addition and Big Mound were likely well known to the citizens of St. Louis, and they rightfully had confidence that these parcels of land, amongst others, would realize a vast sum that could be used to pay back creditors. Referenced by G.'s editorial in the *Alta* California, it was understandably more difficult for San Franciscans, thousands of miles from St. Louis, to be reassured that their claims against Page, Bacon & Co. were secured by valuable assets. While Page & Bacon's initial suspension stunned St. Louis, this difference explains in part why no crisis accompanied the second, and final, suspension of the firm.

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[93] "Suspension of Page & Bacon," *Daily Missouri Republican*, April 4, 1855.
[94] Ibid.
[95] Ibid.
[96] Ibid.

Back in San Francisco, even though Page, Bacon & Co. did not resume operations promptly on March 1, there was still great enthusiasm in San Francisco surrounding the firm's resumption of business. *The Daily Herald* of March 3, 1855, at this point reporting month-old news from the east, noted they were "much gratified in being able to state that the advices from New York by the steamer Sonora, in regard to the affairs of Page & Bacon of St. Louis, and of Page, Bacon & Co., of this city, are of the most encouraging character."[97] The paper referenced a letter received by a San Francisco merchant from William Aspinwall that stated, "Everything goes on as usual. Money is getting easier and the future looks brighter. Page & Bacon will resume in a day or two."[98] The paper concluded that "This news will go still farther to restore confidence in Page, Bacon & Co., and we have no doubt that they will be enabled to resume banking operations in a few days."[99]

Less than a month later, San Franciscans seemed convinced that Page, Bacon & Co. had made a full recovery and would remain a fixture of the city's banking industry. *The Daily Herald* of March 31, 1855, was "gratified to announce that this steamer will bear to the Atlantic States, tidings of the resumption and successful operation of the Banking House of Page, Bacon & Co."[100] In the first few days after reopening, the bank received $576,000 in deposits and paid out $425,000, leaving a surplus of $151,000.[101] Using these numbers as evidence, *The Daily Herald* proclaimed: "Nothing could more forcibly exhibit the confidence of the community in this firm than the exhibit of the last

[97] *Daily Herald*, March 3, 1855.
[98] Ibid.
[99] Ibid.
[100] "Topics of the Day," *The Daily Herald,* March 31, 1855.
[101] Ibid.

two day's transactions."[102] Contributing to these assurances was information that Page & Bacon itself was regaining credibility and success. *The Daily Herald* reprinted an article from the New York *Journal of Commerce,* which stated that Page & Bacon's affairs placed them "in a position of independence, and show that a resumption of their character is permanent, and made from *bona fide* and existing capital."[103]

Unfortunately for both firms, the slow communication that Page & Bacon referenced in their notice "To The Public" created an information lag. The article proclaiming the resurrection of Page, Bacon & Co. on March 31 was published three days before Page & Bacon suspended operations. Yet, Page & Bacon's deposits suffered massive withdrawals because of information that left San Francisco on March 1. If only the two firms could have had constant communication with each other, they most likely would have survived.

This however, was not the case. As soon as Page & Bacon suspended on April 3, Page, Bacon & Co. became a ticking time bomb. No matter the prestige and business the firm was regaining, it would not be able to withstand the failure of Page & Bacon. On May 2, 1855, the news of April 3 in St. Louis arrived in San Francisco. The following day's edition of *The Daily Herald* noted, "In consequence of the suspension of the House of Page & Bacon at St. Louis and New York, the effects of the House of Page, Bacon & Co. in this city were yesterday attached, and the bank was closed."[104] Noting the recent resumption of the firm's business, the paper lamented, "This blow has fallen upon the partners here at a time when they were again launching out on a full tide of success. It was but Tuesday that their remittances amounted to the large sum of three hundred

[102] Ibid.
[103] Ibid.
[104] "Topics of the Day," *The Daily Herald,* May 3, 1855.

thousand dollars, and before evening of the same day they had intelligence of the wreck of their business in the East."[105]

This amounted to the final failure of Page, Bacon & Co. Irreparably harmed by Page & Bacon's initial need for gold to cover its liabilities and later by two suspensions, the firm was not able to survive. In the wake of the initial suspension, the *Sacramento Daily Union* asserted that the suspension "strikes a blow at all interests and fatally stabs public confidence. Its effect must be felt by every man and woman in the State. Industry, in all its multifarious branches, will shrink from its touch, while public undertakings and mercantile operations and operators may be crushed by the weight of such a fatal catastrophe."[106]

This chapter has shown that the impairment to public confidence was multi-faceted. Page, Bacon & Co. was "very rich, and accordingly people deposited money with them."[107] However, while depositors rightfully assumed that their deposits would stay in California, and, if loaned, could be retrieved in a time of crisis, in reality this money was shipped cross country and loaned to Page & Bacon to try to save that house.[108] Additionally, the confidence in California's economy to survive on its current commercial system received a disastrous blow. So much of California's economy was predicated on the ability of Page, Bacon & Co. and other Eastern-based competitors to transfer funds across the country. Yet, it quickly became obvious that Page, Bacon & Co.'s allegiance to Page & Bacon exceeded its allegiance to California; it risked its own stability in a futile attempt to save the parent house. In the next few months, Page, Bacon

[105] Ibid.
[106] "The Revulsion," *Sacramento Daily Union,* February 24, 1855.
[107] "The Crisis- Past and Present," *Daily Alta California,* February 24. 1855.
[108] Ibid.

& Co. began the process of settling with their numerous creditors. Concurrently, Californians had to come to grips with what this "fatal stab" to public confidence meant for the future of banking in the Golden State.

Chapter 3: The Aftermath

After Page, Bacon & Co.'s failure, the bank was forced to settle with its creditors and liquidate its numerous assets. Bank-appointed trustees John Parrott and Henry Naglee attempted to wrap up the firm's affairs in the most expedient way possible. This process was an effort to turn the numerous assets Page, Bacon & Co. listed on its balance sheet into cash. With competitor banks like Adams & Co. paying less than three cents on the dollar for its obligations after that firm's own failure, Page, Bacon & Co.'s California creditors carefully watched over the trustees as they tried to settle the bank's debts. In this process, the eastern interests of the firm, including Daniel Page, came under intense scrutiny as the embarrassment of the bank's failure played out in an exceptionally public forum. These proceedings closed the book on the history of the once esteemed Page, Bacon & Co.

Concurrent to the wrapping up of Page, Bacon & Co.'s affairs, a public debate raged over the bank's sudden collapse and the Panic of 1855. An examination of newspaper reports in the months after the Panic suggests two streams of thought that centered on the instances of misplaced confidence explored in the preceding chapters. One focused on the plight of Page, Bacon & Co.'s depositors and the need for depositor protection in the future. Other editorials argued that Californians needed to rid themselves of their economic dependence on the Eastern states. Both discourses are instructive because they show how Californians made sense of these developments that were so destructive to themselves and their economy. The story of misplaced confidence is complete only after recounting the proposed measures for ensuring the same mistakes were not made in the future.

The wrapping up of Page, Bacon & Co.'s affairs and the public debates surrounding major developments that led to its failure are the most tangible legacies of the firm. Both materially and psychologically, Californians looked to move past this travesty and continue their state's economic progress. With the realization that their confidence in Page, Bacon & Co. (and the economic system on which its success was predicated) was misplaced, Californians voiced both their disgust of what had taken place and optimism that they could move forward from their recent misfortunes to a more prosperous and secure future.

I. A Disgraced Bank

Just short of five years to the day that Francis W. Page optimistically set out for California, harried depositors were withdrawing money from Page, Bacon & Co.'s Sacramento location. With the news that Page & Bacon had once again suspended operation, there was no doubt of the fate of the California bank. Once depositors had cleared out the vault, Page, Bacon & Co. closed for the last time. Sometime after the bank had closed, *The Daily Herald* recounted, "A poor woman contrived to gain admittance and presented a check for $700. There was not a dollar in the vault which could be made available. The poor woman appeared very much distressed, and Mr. F.W. Page handed to her his watch, valued at $350, and $25- all the change he had in his pocket; and also informed her that he would be personally responsible for the remainder."[1] When their venture failed, Page, Bacon & Co.'s partners faced the difficult task of both facing public scrutiny and repaying their creditors; evidently, the story of Page, Bacon & Co. did not end with the final suspension of May 3, 1855. Instead, drawn out liquidation proceedings

[1] "Suspension of Page, Bacon & Co." *The Daily Herald,* May 3, 1855.

pitted guarantors and depositors against the bank. These proceedings complete the story of the bank that was once termed the "Rothschilds of California."[2]

Shortly after the final suspension, the guarantors of the time certificates issued after the February 25, 1855 meeting sought out Daniel D. Page. Page, still in San Francisco after shipping the depositor funds to New York, had promised his property as collateral to ensure that the esteemed group of men backed the time certificate plan. However, when those creditors went to Page after the failure, he "resolutely refused to sign the deed of trust of his property in St. Louis," the *Daily Alta California* remarked, "for the protection of such of our merchants here as were unfortunate enough to entertain friendly feelings for himself and his house."[3] At the widely publicized meeting of the creditors on February 25, Page, had pledged his entire personal estate to meet the liabilities of the house. Had Page not taken this desperate action to gain backers to the certificate plan and thus save Page, Bacon & Co., the paper claimed, "the depositors would neither have signed off, nor the bondsman attached their names to the instrument which he now refuses to indemnify them for."[4] Page, now with the full knowledge that both of his houses were doomed, refused to make good on his confidence-engendering promises of the past months.

Page's refusal to sign over the deed of trust was important because most of the two-month certificates were coming or were past due. Because Page, Bacon & Co. was obviously not able to pay the certificates, they were protested by the holders. Further, because the twenty or so businessmen had attached their own names to the certificates,

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[2] "Banking House of Page, Bacon & Co." *Sacramento Daily Union,* June 2, 1854.
[3] "Commercial," *Daily Alta California*, May 19, 1855.
[4] Ibid.

they were personally liable for their payment. One angry certificate holder penned his version of the situation in the *Daily Alta California:*

> The writer of this article was unfortunate enough to have a considerable amount of money deposited with Page, Bacon & Co., for which he now holds their time certificates, endorsed by twenty of the prominent businessmen of this city, and he does not know whether he is to receive a dollar from them or not. To use a homely, but in this case apt illustration, "what is sauce for the goose is sauce for the gander." Two wrongs do not make a right, and because Mr. Daniel D. Page refuses to fulfill *his* engagement with the guarantors, it does not relieve them from *their* obligation to pay the certificate holders, who signed off their claims solely on the strength of such endorsement.
>
> Say what you please, and let the public say what they please of Daniel D. Page, for his want of integrity and honor in refusing to fulfill his solemn pledges; but "give the devil his due," and do not characterize as simply "unfortunate" those who stand in the same light to the certificate holders that Mr. Page does themselves.[5]

The certificate holders, those who had taken a leap of faith and maintained confidence in Page, Bacon & Co. after the initial suspension, thus found themselves in a tough position. They had the legal right to be paid for the certificates, but at the time, there was no money to pay them. The guarantors of the certificates largely had the sympathy of the public because they were seen as benevolent supporters who were deceived. The author of the article asserted that the guarantors should not be characterized as unfortunate because the truly unfortunate ones were the certificate holders. Thus, two battles, between the guarantors and Page, and between the certificate holders and the guarantors would play out in the aftermath of Page, Bacon & Co.'s collapse.

In order to begin the process of settling claims, the trustees of the house, Henry Naglee and John Parrott, called a meeting of the holders of Page, Bacon & Co.'s time certificates. Naglee and Parrott were local bankers and among the esteemed businessmen that attached their names to the certificates. They were chosen by the partners of Page,

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[5] "Daniel D. Page and his Guarantors," *Daily Alta California,* May 21, 1855.

Bacon & Co., and later confirmed as Receivers in U.S. Court, to handle the bank's liquidation. At the meeting, Naglee explained to the certificate holders all that had been done to legally transfer the assets of Page, Bacon & Co. into the hands of the trust. He also published a statement of the assets and liabilities of the trust:

Due to Depositors	$ 466,000
Time Certificates	415,429
Drafts to Return	260,000
Liabilities	$1,141,429
Assets-Nominal Value:	
Bills Receivable	$ 150,259
Bills of Account	165,738
Do do	140,000
Real Estate	40,000
Deficiency	645,432[6]

Naglee closed the meeting by remarking that his "object has been to bring the certificate holders together that they might be fully informed of their interests in the hands of the Trustees."[7] Further, Naglee referenced the ongoing spat between the guarantors and Daniel D. Page. He noted that the certificate holders should "take the necessary action to procure from Mr. Page... full security for their protection, if, after understanding the whole subject, they should desire to do so."[8] Naglee made it clear that the most expedient way for the certificate holders to recoup their money was for Page to sign the deed of his estate over to the guarantors, and that they, as well as the guarantors, had a vested interest in insuring that happened. At the conclusion of the meetings the holders of the time certificates drew up a list of questions to be forwarded to Daniel Page.[9]

[6] "Meeting of the Holders of Page, Bacon & Co.'s Time Certificates," *Daily Alta California,* May 25, 1855.
[7] Ibid.
[8] Ibid.
[9] Ibid.

While the guarantors and the time certificate holders justifiably had distain for Daniel Page, animosity towards Page was not limited to these two groups. One editorial written the day after the meeting of the time certificates holders, and penned under the name Vindex, noted that "Mr. Page is at present probably the most unpopular man in the community."[10] The article remarked, "Public opinion is rampant at present in denouncing Mr. Daniel D. Page; he is jeered at by some and loudly condemned by others." [11] In fact, Page became the face of the Panic that decimated California's economy. Because Page, Bacon & Co. began the Panic and the liquidation proceedings were so public and contentious, Page and his bank were easy targets. Nevertheless, this disdain is especially intriguing in light of the respect and admiration Page, Bacon & Co. formerly commanded. Less than three years prior, the *Daily Alta California* noted that "Among the arrivals on the *Golden Gate* we have the pleasure of announcing the name of D.D. Page Esq., of St. Louis, the respected senior partner of the banking house of Page, Bacon & Co.... it is well for us, and the State generally, that Eastern capitalists come occasionally to see for themselves what California is."[12] Now, in mid-1855, Page and the bank faced the scrutiny and disgust of seemingly all of California.

The holders of the time certificates met again on June 1, 1855 to hear Daniel D. Page's response to the questions posed after their first meeting. Their questions centered on Page's intention to sign the deed of trust and the financial condition of the trust. Page began his written reply (which was read aloud at the meeting) by defending himself against his critics, asserting: "I have thus far abstained from noticing the violent assaults made by certain newspapers upon my conduct and motives, not because I was afraid to

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[10] "A Few Words From Another Broken Banker," *Daily Alta California,* May 26, 1855.
[11] Ibid.
[12] "D.D. Page Esq.," *Daily Alta California*, August 20, 1852.

meet and discuss such issues, but simply from a reluctance to engage in a newspaper controversy at a period when I have more important matters to occupy my time and thought."[13] Page did not seek to absolve himself of liability for the house's collapse, remarking that "Errors in judgment have doubtless contributed to this result, which has proved a great calamity, not only to ourselves, but others."[14] However, Page proclaimed that he believed Page, Bacon & Co. had to that point done everything it could to meet the demands of its creditors. As evidence of this goodwill, Page noted that "We paid out on our last suspension every dollar remaining in our vaults; and inasmuch as certain gentlemen had signed a bond, whereby it was believed they had made themselves responsible for our time certificates, we transferred to two of their number, in trust, all of our property and effects in California, as an indemnity against such liability."[15]

On his refusal to sign the deed of trust to his estate, causing so many Californians to vilify him, Page sought to explain his actions. Page asserted that when the guarantors sought him out to sign the deed over to the trust, he first wanted to ensure that "certain changes could be made in the trust fund, which, in my judgment, would render it more speedily available for the payment of the certificates."[16] These changes were for creditors to stay all legal proceedings and for the holders of the time certificates to release the guarantors of the certificates from all liability, and this course of action would have kept the proceedings out of court. We cannot know if Page was looking for a way to get out of paying the claims or if he honestly thought this was the most expedient way to settle the bank's obligations. Either way, Page noted that his conditions were not complied with. He

[13] "Meeting of the Creditors of Page, Bacon & Co.," *Sacramento Daily Union,* June 1, 1855.
[14] Ibid.
[15] Ibid.
[16] Ibid.

asserted that "I have declined to give further security, and thereby encumber my estate, so as in a great measure to render it unavailable for the present, for the payment of debts, to which purpose I intend to apply every dollar of it, if necessary. It is for the public to decide whether my conduct, under these circumstances, has been justifiable or not."[17]

Undoubtedly, Page's letter was an attempt to ease anxieties and preserve whatever morsel of good reputation he had left. Echoing the sentiment when Page, Bacon & Co. faced its first troubles in February 1855, Page declared that he was "thoroughly convinced that the house will have the means to pay all its debts."[18] However, with Page, Bacon & Co. closed for good, these words no longer had the same potency or believability as when they were first uttered. Page closed the letter with a strong assertion that his actions to that point were honest and done only with the intention to pay back the house's debts: "I trust that whether in prosperity or adversity, I am incapable of an unworthy artifice to shield any portion of my estate from the just demands of creditors. I have not lived to my advanced age without reproach, that I may die at last, with the stain of fraud upon my reputation."[19] The meeting ended shortly after the reading of Page's account was finished. With all of the unresolved issues, this would not be the last time the creditors assembled.

At another meeting of the holders of the time certificates less than a week later, Daniel Page proposed that he be allowed to go back to St. Louis to raise money. Page's plan was to go back to St. Louis and mortgage the Martin Koontz claim, valued at $600,000, and remit the money to California for the purpose of paying Page, Bacon &

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[17] Ibid.
[18] Ibid.
[19] Ibid.

Co.'s creditors.[20] "If creditors would consent that he go home and arrange the matter," Page remarked that he would go, but also that he would "not leave California without giving abundant security to the creditors."[21] At a later meeting of the creditors, on June 15, Mr. Hart, elected to chair the committee to represent the creditors, remarked that the "Martin Koontz tract (was) insufficient security and if Mr. Page was honest he would give ample security."[22] Many of the other creditors agreed and that meeting was adjourned without any decision about whether to accept Page's proposal. The day after, the *Daily Alta California* noted of the proposal that "few signatures had been obtained to the document, and, from the present aspect of affairs, there seems little likelihood of the creditors coming to an agreement."[23]

As the days wore on and the creditors mulled over Page's proposal, Page's actions contradicted his warm words. The pace of the deliberations was seemingly not fast enough for Mr. Page, and on June 17, 1855, he boarded a ship bound for the East. Page however, did not leave with the consent of the firm's creditors. The *Los Angeles Star* later noted that on the eve of his departure, "an attempt was made to arrest him... but he evaded the officers and left a card," which stated:

> I have executed and deposited with my son, Francis W. Page, a deed of trust as was proposed, and which will be delivered by him as soon as the conditions are complied with on which it was agreed that the deed was to take effect. I have also executed and deposited with him another deed of trust, similar to the first, except that it is to inure to the benefit of only such of the creditors as shall assent to and accept of its provisions; provided, however, that it shall not become operative until at least three-fourths in amount of all the creditors shall assent to it.[24]

[20] "Meeting of the Attaching Creditors of Page, Bacon & Co.," *Daily Alta California,* June 7, 1855. The Martin Koontz claim was a parcel of land in St. Louis owned by Page.
[21] Ibid.
[22] "Meeting of the Creditors of Page, Bacon & Co.," *Daily Alta California,* June 15, 1855.
[23] "Summary of the Fortnight's News," *Daily Alta California,* June 16, 1855.
[24] "Affairs of Page, Bacon & Co.," *Los Angeles Star,* July 14, 1855.

While it is uncertain if Page's return to St. Louis had any material impact on the speed of the liquidation, he undoubtedly harbored animosities towards California. Speaking on creditors' claims against his bank and others, Page later wrote John Parrott that "public plundering... has been carried out in California to a greater extent than has ever been known in any country since the destruction of Sodom & Gomorra."[25] With these sentiments, and his campaign to assure the creditors of Page, Bacon & Co. that the firm would be able to repay all debts failed, Page departed, leaving his son, Henry Haight, David Chambers, and the trustees to settle the affairs of the house. Page never returned to California.

After Page's departure, the public mudslinging slowed and the settling of Page, Bacon & Co.'s affairs eventually took its course. In November of 1855, the *Daily Alta California* reported that a "large sale of Real Estate belonging to Mr. Daniel D. Page, was to have taken place on Tuesday Oct. 16."[26] The *Sacramento Daily Union* noted to that point, sixty percent of Page & Bacon's debt had been paid, which was a good sign for the creditors of Page, Bacon & Co.[27] In December 1855, Henry Haight penned an editorial laying out the progress of Page, Bacon & Co.'s trustees in settling with their creditors. Haight noted that Naglee and Parrott held $34,804.64 in cash that is "subject to the order of the receivers, to be disbursed to those to whom it may be found to belong."[28] Haight summed up his opinion on the past year's occurrences and their progress in settling with creditors:

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[25] Daniel D. Page to John Parrott, July 12, 1856 in Daniel D. Page Correspondence 1847-1868 at Bancroft Library, University of California, Berkeley Call Number BANC MSS 77/200 c.
[26] "Affairs of Page, Bacon & Co. and Page & Bacon at St. Louis," *Daily Alta California,* November 15, 1855.
[27] "Postscript," *Sacramento Daily Union,* November 15, 1855.
[28] "Affairs of Page, Bacon & Co.," *Sacramento Daily Union,* December 15, 1855.

> Perhaps some errors may have been committed by the late firm, but whatever they may have been, of one thing you may be assured, that they have suffered in every way as much pecuniary and mental misfortune as generally falls to the lot of individuals, and that the only ambition they now have is to see all their creditors paid as soon as possible, and be able again to share at least a small portion of the confidence and esteem formerly extended to them by the people of San Francisco. To accomplish this end they are devoting their whole time and attention.[29]

Six months later the *Daily Alta California* noted that the "affairs of Page, Bacon & Co. are in such favorable progress of adjustment, that a final and full settlement of all their obligations is promised at no remote period."[30]

Another sign of progress was that in November 1856, Parrott and Naglee resigned as receivers, turning the duty over to the firm's lawyer J.B. Crockett. In his letter to Daniel Page declaring his intention to resign, Parrott swore to Page that "As Receiver I have done everything for you that I can," and professed that, "The day you extricate yourself from all your late troubles and settle your affairs will be a happy a day for me as it will be to yourself."[31] Upon the trustee's resignation, Crockett noted that in his duty as Page, Bacon & Co.'s lawyer, he felt it was his duty to remark that "Messrs. Page, Bacon & Co. were perfectly satisfied with the management of the assets in the hands of Receivers Parrott and Naglee."[32] Another year later, in November 1857, a St. Louis correspondent of the *Marysville Express* communicated the following: "Page & Bacon, of California celebrity, are coming out of the woods finely. You may assure your readers that every dollar Mr. Page owes will be paid. The old man will sell property here, payable in certificates of the firm, at par, at any time and at market price, and I am sure that when

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[29] Ibid.
[30] "Letter from New York," *Daily Alta California,* May 3, 1856.
[31] John Parrott to Daniel D. Page October 20, 1856 in Daniel D. Page Correspondence 1847-1868 at Bancroft Library, University of California, Berkeley Call Number BANC MSS 77/200 c.
[32] "Page, Bacon & Co.," *Sacramento Daily Union,* November 22, 1856.

all his debts are paid, he will have a couple of millions left."[33] Seven-and-a-half years after Page, Bacon & Co. opened for business, it seemed that depositors and other creditors who had liabilities against the firm upon its failure would receive most, if not all, of their money back.

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In August 1864, Henry D. Bacon stopped in California while on his way to Mexican mines as an agent for Eastern capitalists. On this trip, Bacon decided to visit California to meet with "numerous creditors of the old concern" who had contacted him asking for information "as to how and when, if ever, their claims were to be satisfied."[34] Bacon "thought it was best to call them all together to hear his story," and the *San Francisco Bulletin* remarked that the "meeting was pretty well attended, considering the short notice, some forty or fifty creditors being present."[35] William T. Coleman, a San Francisco merchant and brother-in-law of Bacon, presided over the assembly. This meeting was the final significant moment in the history of Page, Bacon & Co.:

> Coleman introduced Bacon to the meeting, and stated the circumstances under which it was called. He said that the old firms of Page, Bacon & Co. of San Francisco, and Page & Bacon of St. Louis, were now completely used up; they had not a dollar to show of all their once noble estate; they were a dead horse. In 1857 they expected to be able to have paid all their creditors one hundred cents on the dollar, with interest, but the panic of that year came and deranged all their calculations. They still hoped however, for better times and Bacon devoted all his energies to extricating the old firms from their embarrassments. But political troubles followed, and the rebellion destroyed everything. The Ohio and Mississippi Railroad, on which Page & Bacon had spent millions of dollars, and on which they rested all their hopes of ultimate payment of their creditors, was taken from them in 1862 by holders of the second mortgage bonds foreclosing. That railroad had since realized very large

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33 *Marysville Express* in "Page, Bacon & Co.," *Sacramento Daily Union,* November 7, 1857.

34 *San Francisco Bulletin,* August 22, 1855, reprinted in "Meeting of Page, Bacon & Co.'s Creditors," *Sacramento Daily Union,* August 24, 1864.

35 Ibid.

sums. When the interest of Page & Bacon in it was lost all was lost. Bacon had spent the last nine years in the service of his creditors, but it had all ended in nothing, and he was now on the Pacific coast in the employment of others as a paid agent.

Coleman proceeded to explain that he was a relative of Bacon— a brother-in-law — and had that confidence in him which he (Bacon) had in himself. He and a few other friends of Bacon's were inclined to give him a fair chance to retrieve, himself if the creditors would consent. He said that the total indebtedness in California of Page, Bacon & Co. was estimated at $500,000, without interest. What the indebtedness of Page & Bacon amounted to elsewhere he did not know, but he presumed that that would be arranged somehow. At present they had only the California debts to look at. If the creditors here would surrender their claims he (Coleman, not Bacon, who had nothing to offer) would undertake to pay them ten cents on the dollar, in gold, on the facts of their claims— that is, throwing interest off. The sum was a small one, indeed, especially when the creditors had to wait nine years for it, but it was better than nothing. It was offered by Bacon's friends simply to enable that gentleman to get his hands free again. As for Bacon himself, or Page, Bacon & Co., they had nothing, and therefore could pay nothing.

Several questions were here asked by creditors whether Coleman's offer was contingent on the whole body of creditors accepting it, because if they did not Bacon would still be hampered with outstanding debts, the holders of which might ultimately require to be paid in full. Coleman replied that perhaps he should take legal advice on that point. He had thought little about it; but he considered that if a majority of the creditors accepted his offer the others would not stand out. He repeated his proposal to pay ten cents to all creditors who were inclined to accept it, and added that outlawed claims would make no difference with him— he would settle with them all the same.

Bacon then made a few remarks, repeating in substance what Coleman had said as to the condition of Page, Bacon & Co. and Page & Bacon. These firms had lost all their property and had nothing whatever to offer to their creditors. The proposal just made by Coleman was new to and unexpected by him.

Some desultory conversation ensued, when a person said that he was a creditor for $10,000 and would take the 10 cents. Coleman asked him to sign a paper which he had just written, agreeing to accept the offered compensation; but the person excused himself by saying that he wished first to see others sign the document. Coleman, with a laugh, remarked that only one could sign at a time, and he might as well begin as another. Nothing, however, seemed to come of this, and the creditors began to form in groups and talk to each other in whispers. There was an evident feeling of great disappointment at the small amount of proposed compensation. The interest on the debts amounted now to about as much as the principal, so that virtually it was only 5 cents on the dollar that was

> offered. Many of the creditors considered that after losing 95 cents, they might as well let the odd 5 cents also go, and have the satisfaction of showing years hereafter to their children the evidence of their claims against the once great banking house of California, Page, Bacon & Co., who promised so much after their failure, but did not keep their promise. One by one the creditors silently left Coleman's office; and so the meeting ended.[36]

The affairs of Page, Bacon & Co. thus shuttered not with a bang but with a thud. Bacon, once a young, prominent, and rich man had lost everything in the bank's collapse. While optimistic that he would be able to repay creditors, the Civil War destroyed those ambitions. With the animosity that characterized the period directly after the failure long faded, we see a sense of nostalgia reflected in the creditors' reaction to Coleman's offer. Page, Bacon & Co. would always retain a place in the annals of California history. But the bank's import to the Golden State was more than as a mere memory. While the "once great banking house" did not end up meeting most of its liabilities, how Californians conceived of and derived lessons from its failure was immensely relevant as California moved forward from the misery of the Panic of 1855.

II. A Disgruntled Public

While the meeting with Bacon was the final chapter of Page, Bacon & Co., the liquidation proceedings that it commenced are not the only legacy of the rise and fall of the once prominent banking house. Instead, public conversations focusing on the two instances of misplaced confidence, both intended to influence the future of banking in the Golden State, add to this legacy. These commentaries centered on depositors and on California's economic reliance on Eastern moneyed interests. Examining both discourses reveals that the lasting impact of Page, Bacon & Co. was what it taught Californians

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[36] Ibid.

about themselves, their economy, and how they might move toward a more stable, and richer, future.

In the days after the final suspension of Page, Bacon & Co., Californians attempted to make sense of the collapse of their banking system. In particular, they tried to comprehend how so much wealth had been trusted to an institution that ostensibly abused the confidence of depositors. Summing up the financial ruin of the prior few months, *The Daily Herald,* noted, "we find houses doing business solely upon the credit of being rich, upon the prestige of a name... we find an entire community, deceived by false representations, and false lights, and the result can be easily imagined."[37] When the news arrived via the steamer *Oregon* on February 17, 1855 that Page & Bacon's notes had been protested in New York, Page, Bacon & Co.'s "surplus should have been here to protect depositors," noted the *Sacramento Daily Union,* instead of "protecting and assisting the firm of Page & Bacon."[38] Grappling with these wrongs, California's newspapers assailed Page, Bacon & Co. in the aftermath of its suspension and later failure for not looking out for the interests of its depositors. Thus, the first instance of misplaced confidence, that of depositors in Page, Bacon & Co., came to the forefront. Several series of newspaper articles pinpointed the starkness of this misplaced confidence and identified how to prevent depositors from being similarly duped in the future.

Upon the initial suspension of Page, Bacon & Co., the *Sacramento Daily Union* published the first of what would be a series of articles entitled "Private Banking." These articles examined the vulnerability of depositors in California's banking system. The first article, published on March 2, 1855, began by noting that, "The recent developments in

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[37] *Daily Herald* reprinted in "The California Financial Disasters," *Sacramento Daily Union,* May 3, 1855.
[38] "Suspension of Page, Bacon & Co.," *Sacramento Daily Union,* February 23, 1855.

the State are sufficient to prove that a private banking system does not secure the community against a panic, or insure the return in specie of the money deposited in the bank upon the presentation of the certificate."[39] It claimed that the holder of a certificate (a promise to pay the bearer) that does not receive the funds when demanded is the "victim of misplaced confidence."[40] In short, the depositor who demands to be paid and cannot be satisfied is the victim of having placed his or her trust in a firm that did not merit it. The vesting of misplaced confidence in Page, Bacon & Co., as extolled in the prior chapters, was the result of depositor misperception of the actual condition and activities of the bank. The paper pleaded, "Could the real condition, the real amount of specie on hand, and compared with the deposits, be made public every three months, such a panic as we have passed though would be rendered impossible."[41] The paper believed the lack of public information on banking houses created an environment where depositors could not make informed decisions about where to deposit their money.

Banker turned newspaper editor James King of William echoed the *Daily Union*'s commentary in a series on banking in his newspaper, the *Daily Evening Bulletin*. The series began on December 29, 1855 with a poignant observation that the "California experience has proven that in a community where a bank note circulation is prohibited by the laws and the Constitution of the State, it is quite possible to have bank failures, and that a specie currency alone, will not of itself, secure the depositor the savings by which his industry and prudence have enabled him to lay by."[42] King warned of the dangers in the existing banking system, contending that the "present system of banking in this State

[39] "Private Banking," *Sacramento Daily Union,* March 2, 1855.
[40] Ibid.
[41] Ibid.
[42] "Banking," *Daily Evening News,* December 29, 1855.

is not a sound one, because... it permits *any* irresponsible party or parties to engage in it."[43] In short, both of these articles center on the lack of reliable and accurate information on bankers and the condition of their banks accessible to potential depositors. This is why depositor confidence in Page, Bacon & Co., and many of its competitors was misplaced. King argued that the public knew "nothing, absolutely nothing!" about the banks that they deposited money with, "yet, they go on from one week to another depositing their money there, in blissful ignorance of any risk they may run at the bank, toil on from day to day in the never ending struggle for more means to increase the amount of their anxiety and uncertainty at bank." [44] King's comments were borne out in the case of Page, Bacon & Co., where depositors flocked because they were perceived as being rich (as a result of their exchange operations) and had state-of-the-art facilities. Because they relied on these illusory characteristics when choosing where to deposit their money, King claims that depositors allowed themselves to be abused and robbed. If the public knew "the true state of every man's private affairs they would know better whom to credit and whom to refuse," argued King; it was without this knowledge that depositor misplaced their confidence in firms that did not merit it.[45]

In addition to identifying the sources of misplaced depositor confidence in banks, both series of articles offered prescriptions on how to amend these weaknesses and to prevent similar disasters. On March 7, 1855, in another article entitled "Private Banking," the *Sacramento Daily Union* reflected upon how the current system, swarming with misinformation and misperception and leaving depositors with little protection, could be changed. With the knowledge of the dangers of this "system of private banking which

[43] Ibid.
[44] "Banking- No. 3," *Daily Evening News,* January 2, 1856.
[45] "Banking, again," *Daily Evening News,* December 31, 1855.

authorizes the banker to loan the to the limit of his discretion," the paper argued, "bankers must be restricted in the use of the deposits placed with them for *safe* keeping; they must be required also to give security that the funds deposited with them shall be returned to their rightful owners."[46] To accomplish this, the article pushed for legislation protecting depositors who trust their money to banking houses.[47] James King of William also argued for change, but saw the prescription as either regulation or transparency. King wrote on December 31 in "Banking, again:" "For the better security to depositors, of the money placed by them with bankers, one of two things must be done, either the constitution must be altered so as to empower the Legislature to charter associations for banking purposes, or else the vaults and books of bankers must be open to the inspection of private officers appointed for that purpose."[48]

Both series of editorials focused on righting the wrongs that led to calamities for the depositors of Page, Bacon & Co. and similarly failed banks. The primary prescription offered was to increase depositor security and the amount of reliable and helpful information so that depositors could make better decisions as to where to deposit their money. Transparency is seen as the way to prevent similar disasters and depositor protection is a fallback measure to protect depositors if banks do fail. In both series of articles, it is clear that they view misplaced depositor confidence in banks as a result of an inadequate assessment of the stability and viability of these banking houses by depositors. Californians deposited their money in risky institutions with no guarantees that they would ever see their money again. Had Page, Bacon & Co.'s depositors known that the bank was slowly shipping deposits to New York to aid Page & Bacon, the scale

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[46] "Private Banking," *Sacramento Daily Union,* March 7, 1855.
[47] Ibid.
[48] "Banking, again," *Daily Evening News,* December 31, 1855.

of the disaster would have been exceedingly smaller and the bankers would have been held accountable for their actions. King questioned: "what assurances can the people have of the soundness of a bank wrapped in all the mystery of privacy, which never makes any public statements of its transactions, of its capital, of its profits or losses, or the securities on its loans, of the extent of those loans, of the amount of its deposits, of the cash on hand to meet those deposits, or of any other item of its business?"[49] In the absence of this information, depositors' confidence was vested in reputation and symbols of safety. Not only did depositors have an inadequate basis as to where to deposit their money, but they had no idea of what the bank was doing with their deposits and had no protection when the bank failed. This is the epitome of misplaced confidence. The millions lost in the failures of Page, Bacon & Co., Adams & Company, and others, exemplified the potential for catastrophe in such a situation.

In addition to identifying and prescribing a cure for the misplaced confidence of depositors in certain banks, newspaper articles in the aftermath identified the source of the other instance of misplaced confidence: that of Californians in an economic system reliant on close financial ties to the Atlantic states. These commentaries perceptibly realized that without the connections to Page & Bacon of St. Louis, California would likely not have experienced financial ruin. They concluded that these connections were disastrous because many of the entities with connections in California did not have loyalty to the Golden State.

Focusing on the proliferation of Eastern-based entities in California, the *Sacramento Daily Union* communicated to Californians on February 24, 1855 the news of the prior day's massive financial collapses. The paper declared, "We are literally in the

[49] "Banking- No. 3," *Daily Evening News,* January 2, 1855.

midst of a revolution — neither bloody or political, but financial — which is shaking the community from center to circumference."[50] This article did not focus on just depositor confidence, but the very source of the panic. "Why is this?" the paper asked, "Why are we overwhelmed by this merciless financial convulsion?"[51] Answering its own questions, the *Daily Union* pronounced, "It is because of operations on the Atlantic side; California has been victimized by the wild speculations of those who were connected with bankers, who commanded the entire confidence of her people. An effort to sustain a sinking firm in St. Louis, has resulted in *crushing* several of the leading bankers in the State, and in the process the people must suffer."[52]

A similar reaction is found on May 3, 1855 in *The Daily Herald*, in an article announcing the final suspension of Page, Bacon & Co. After giving the news of the suspension, the article quickly pivots and proclaims: "There is noticeable in all this, one prominent and remarkable feature: The California House has been ruined by no fault of its own, but by its connection with the Eastern Houses."[53] As illuminated in Chapter 2, there is a lot of truth in this observation. Without the need to send gold dust East to save Page & Bacon, and without the bad news of February 17, 1855 starting the run on Page, Bacon & Co., the California house would likely have continued to prosper. This commentary, compared to the *Daily Union*'s, contained vicious rhetoric following the initial observation. The article continues:

> From the East come all misfortunes, all our losses, all our troubles;- and yet with a malevolence that knows no stint, with a rancor that knows no abatement, the stock-jobbers and Shylocks of that section, slander the character of our State, of our merchants, of our people. The heap injurious

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[50] "The Revulsion," *Sacramento Daily Union,* February 24, 1855.
[51] Ibid.
[52] Ibid.
[53] "Topics of the Day," *The Daily Herald,* May 3, 1855.

> imputations upon our citizens for those very things that their own rascality or recklessness has brought about.[54]

Both articles contended that Eastern connections to Page & Bacon were perilous because the firm was not entirely composed "of Californians;" the Eastern interests simply were after profit and had no regard that they could shake the California economy to its core.

To amend this problem, *The Daily Herald* argued that "California should cease to inflate the wealth of those in the East" by "keeping the money made in California here within the State, for the improvement of its cities, for the development of its resources, and for the use and enjoyment of its people."[55] California's system of commerce up to that point, mining gold and shipping it East while importing mostly everything else, created a state of dependency. The article points out that because banks facilitated all of this trade, the effect of the bank failures on California was a symptom of this dependency. "If then," the article continues, "a combined effort be made by our citizens to develop the great natural resources of the State and to foster California industry in every branch of business... we shall very soon be relieved from the effects of these repeated bank failures, and be in a proud position of financial independence and prosperity."[56]

Along with developing the resources of California, another solution to prevent similar calamities was proposed by the *Daily Alta California.* The paper wrote:

> We doubt the policy of encouraging the establishment of Eastern banking houses among us, and think that the chances of security are altogether in favor of such institutions as have their whole interests concentrated in San

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[54] Ibid. This quote has sentiments of veiled (or not so veiled) anti-Semitism. Blaming Jews for an economic catastrophe would fall well in line with theories of economic anti-Semitism. For works on economic anti-Semitism, see Abraham Foxman, *Jews & Money: The Story of a Stereotype* (New York: Palgrave Macmillan, 2010) and Jerry Z. Muller, *Capitalism and the Jews* (Princeton: Princeton University, 2010).
[55] "Topics of the Day," *The Daily Herald,* May 3, 1855.
[56] Ibid.

> Francisco, and who can show security for the monies deposited with them... we have a sufficient number of banks here already.[57]

The conclusion of these articles is that dependency on the East caused the Panic and a shift in California's economy to produce more locally and become less dependent on outside economic influences will prevent similar financial collapses in the future.

These articles all speak to misplaced confidence of Californians in a financial system dependent on connections to Eastern moneyed interests.[58] While California needed to transfer funds cross-country at the very beginning of the Gold Rush, its economy never attempted to develop economic organs of its own. The more the economy grew, the more power outside firms (who were necessarily the most reliable for cross-continental remittances of funds) became. Problematically for Californians, the loyalties of Page, Bacon & Co. (and others) also lay outside of the Golden State. "After Page, Bacon & Co. had been going on prosperously for a long time, making a large fortune on the money of their depositors," argued the *Daily Alta California,* "it seems that Page & Bacon could not be satisfied without killing the hen that laid the golden egg."[59] Daniel Page travelled to California, "for the purpose of sustaining the house at home by straining the house here,"[60] the paper noted, and "it looks as though a deliberate attempt had been made to save the house, and the creditors of the house at the East, at the expense of the house in California and its creditors."[61]

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[57] "Commercial," *Daily Alta California,* May 4, 1855.
[58] This occurred at a moment of increased economic connections throughout the nation. The railroad boom that Page & Bacon found themselves invested in was part of this growth of capitalism in America.
[59] "Page, Bacon & Co." *Daily Alta California,* May 9, 1855.
[60] Ibid.
[61] Ibid.

Adding another element to the discourse concerning misplaced confidence in Eastern-based firms, the *Alta California,* separated the St. Louis-based senior partners from the junior partners living in California:

> The partners resident here, we are aware, were not parties to any such design on the people of California. Messrs. Chambers and Haight were both residents in San Francisco. Here they had made their money and were highly respected, and it was not reasonable to suppose that they would willingly be a party to the designs of the house on the other side. So when Mr. Page came here four or five months ago, though he was in correspondence with Mr. Bacon, he never let them see a line of Mr. Bacon's letters to him. They probably knew not that Page & Bacon were to fail until it was made known to the public, and they are at fault only for allowing Mr. Page to come here and deplete their house without first finding out what was the condition of the parent house at home.[62]

According to this journalist, even the California-based partners became victims of misplaced confidence. While Page & Bacon lunged at the opportunity to make money in California during the Gold Rush, they never pledged loyalty to the citizens of the Golden State. Californians found out the hard way that Page & Bacon placed their Eastern interests over those of their cash cow in the West.

On the day after Page, Bacon & Co.'s final suspension, the extent of the misplaced confidence that accompanied the firm's rise, which was exposed in its fall, was clear to all. Depositors had placed their confidence in features that were not good indicators of a reliable place of deposit; a major reason for this was they had nothing tangible on which to base their judgments. Further, Californians realized their misplaced confidence in allowing a firm whose loyalties lay elsewhere to become so grossly engrained in their economy; when Page & Bacon needed to save their house at home, they quickly abandoned any regard for what their actions could do to California's economy. Summing up the whole ordeal, the *Daily Alta California* wrote on Thursday Evening, May 3, 1855:

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[62] Ibid.

> We look upon the course of the house, from the first over remittance to the last payment in silver, as disgraceful. No concern has ever enjoyed to an equal extent the confidence of the community- none ever violated it so grossly.[63]

There is little doubt that the confidence of depositors and Californians in Page, Bacon & Co. was violated, but the course of events is not as clear as the *Alta California* makes it seem. Based on the accessible evidence, the question of intentionality remains open. Had preserving Page, Bacon & Co. been the sole interest of Daniel Page, the bank would likely have survived. Yet, it is conceivable that with better luck, specifically the *Sierra Nevada* arriving one day earlier in New York, Page & Bacon could have persisted and eventually reimbursed Page, Bacon & Co. Alas, this did not happen and Page, Bacon & Co.'s depositors lost over a million dollars in the collapse.

Regardless if Daniel Page intentionally pilfered Page, Bacon & Co. for the sake of Page & Bacon, the existence of misplaced confidence in this story does not change. The question of intentionality does however complicate the examination of what extent Page, Bacon & Co. and its partners were at fault for the failure and the subsequent suffering of Californians. Just because misplaced confidence is evident does not mean that it was intentionally abused, as the *Alta California* suggests.

Page, Bacon & Co.'s core operations were predicated on an ability ship gold and communicate from thousands of miles away. The infrastructure for this cross-continental business had not yet developed to the needs of Page, Bacon & Co.'s operations. As Page & Bacon said the notice of its final suspension, "could we have availed ourselves of a rapid communication with our California branches- could we have correctly anticipated their position and procedure, or they have understood ours so as to secure consistency

[63] "Commercial," *Daily Alta California,* May 4, 1855.

and concert of measures... we feel that we could have successfully withstood the difficulties, which beset us, and in a short time regained our former position."[64] In many ways, the business operations of Page, Bacon & Co. and other exchange dealers was ahead of its time.

The primitiveness of the infrastructure Page, Bacon & Co. relied upon added great risk to its operations. Depositors unknowingly took on this risk when they deposited money with a bank that became prominent because of its exchange operations. Nevertheless, misplaced confidence was not necessarily uncovered because the bank intentionally abused it. Another reading could reasonably conclude that circumstances resulting from the risks of Page, Bacon & Co.'s business (and its connections to Page & Bacon) was the catalyst. In short, misplaced confidence could have remained without major catastrophe. It was not until the catastrophe happened, as is often the case, that the extent of misplaced confidence came into full view. Misplaced confidence can be pervasive, and can exist in perpetuity if the circumstances for its uncovering do not arise. Because the benefit of hindsight can lead to the imposition of excessive expectations on historical actors, this thesis has sought not to blame Gold Rush Californians for vesting misplaced confidence in Page, Bacon & Co., but to unearth the factors that led them down this path. It is a reminder that misplaced confidence is both perilous and can lay dormant until an inopportune set of circumstances, or the next late ship.

[64] "Suspension of Page & Bacon," *Daily Missouri Republican*, April 4, 1855.

Conclusion

Reflecting on the financial crisis of 2007-08, scholars Lena Rethel and Timothy J. Sinclair note:

> Banks are much more social creatures than most people think. Understanding banks is not about the brute facts. The values on a balance sheet are dependent upon confidence, and when an institution is in trouble those values are quite different from the figures when an institution is thought to be doing well. So value is dependent on confidence, which is a social fact rather than a material property.[1]

One hundred and sixty years after the failure of Page, Bacon & Co., confidence remains central to the success of banks and the stability of the banking system. No matter that the structure and activities of banks have drastically changed since the California Gold Rush, confidence still matters. This is because the importance of confidence in banking relates to the profit-generating mission of banks, and their role in the creation of money. Both of these characteristics will always be part of the banking system, no matter how complex or unrecognizable banking becomes when compared to the activities of Page, Bacon & Co. Without confidence, a bank cannot succeed, nor can a banking system propel economic growth. We saw this with Page, Bacon & Co.'s own success and its role (along with its competitors) in stimulating the economic development of California.

It also remains true that confidence is vulnerable to misplacement, with drastic consequences. In the same way that depositors were reassured with state-of-the-art banking houses and safes, which we saw to be irrelevant to the actual safety of their deposits, confidence in banks today can be shaped (and bought) by banks. Investors in highly rated mortgage-backed securities had confidence that the mortgages bundled in those securities merited the credit rating assigned to them. While the rating was

[1] Lena Rethel and Timothy Sinclair, *The Problem with Banks* (London: Zed, 2012), 50.

immensely important to the price and risk of the securities, those ratings were simply subjective labels that were given by ratings institutions that were *paid* to give them. Finance scholar James R. Barth notes that "securities were 'sliced and diced' precisely to obtain these high ratings" and "as it turned out, this designation in all too many cases simply implied that the bonds were the best of the worst. Not surprisingly... rating agencies were eventually forced to downgrade many asset-backed securities, both AAA and those with lower ratings, as the crisis unfolded."[2] When the true nature of the mortgages in these securities was known, confidence in them, and hence their value on balance sheets, decreased. The once-prosperous investment bank Lehman Brothers became a casualty of this phenomenon. This story, one of many in the latest financial crisis, shows how confidence can be created out of thin air (in this case by a ratings agency), and demonstrates how this property of confidence leaves it highly vulnerable to becoming vested where it is not merited.

Thus, banks operate upon a highly flammable set of circumstances as it relates to confidence. Confidence is essential to the success of banks; yet, it is also highly vulnerable to misrepresentation and misplacement. As the banking system has become more complex in the last one hundred and sixty years, the potential for this dynamic to be destructive have only proliferated. Calls for regulatory reform are popular in the aftermath of the uncovering of misplaced confidence. In February 1856, George H. Carter, a member of the California Assembly, proposed a bill that would "regulate the business of banking... to protect a confiding people from the fraudulent and dishonest acts

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[2] James R. Barth, *The Rise and Fall of the U.S. Mortgage and Credit Markets: A Comprehensive Analysis of the Market Meltdown* (Hoboken, N.J.: Wiley, 2009), 157.

of private bankers."[3] A direct response to the prior year's banking failures, Carter's bill sought to protect depositors from the what he termed the abuse of their confidence, perpetrated by Page, Bacon & Co. and others. In July 2010, arguing for the passage of Dodd-Frank, Illinois Senator Dick Durbin remarked "to reduce the risk of another financial crisis, this bill strengthens three traditional layers of oversight of financial institutions."[4] One hundred and fifty-five years apart, both legislators look at the ruin of the latest financial crisis and declare that the answer is more regulation, yet is this really the answer? As financial institutions continue to evolve, is the best we can do is to react to the most recent crisis to protect those who society feels were burned, scammed, or swindled?

In light of the rise and fall of Page, Bacon & Co., I suspect that threats related to confidence in banking will always be a part of capitalism. No matter how advanced banking becomes, and how different it looks from banking during the California Gold Rush, the unavoidable danger that accompanies vesting confidence in banks will remain. In *Freaks of Fortune*, Jonathan Levy describes the history of risk; how financial institutions in the nineteenth century mediated “perils, hazards, and dangers,” which were products of the “insecurities of capitalism and its perennial gale of creative destruction.”[5] Inherent in Levy's argument is the proliferation of risk in a capitalist system. Confidence in banking is an example of one of these risks. It is different from the risks posed by the insufficient communication infrastructure of the 1850's however, because it cannot be wholly mollified through technological or other advancements. While regulation often

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[3] "Private Banking- Bill of Mr. Carter," *Sacramento Daily Union,* February 20, 1856.
[4] Senator Durbin (IL). "Financial Regulatory Reform." Congressional Record 156:104.
[5] Levy, Jonathan, *Freaks of Fortune: The Emerging World of Capitalism and Risk in America* (Cumberland, RI, USA: Harvard University Press, 2012), 4.

repairs the most recent abuses, the American economy will never rid itself of risks related to confidence. As long as the banking system exists, the potential for misplaced confidence will continue to lurk. Californians in the 1850s experienced the downside of misplaced confidence when Page, Bacon & Co. imploded. As they sought to repair their banking system, Californians looked with disgust at their financial ruin and self-declared exploitation. Yet, little did they know that no matter their legislative endeavors in the aftermath of the crisis, they or their descendants would never fully rid themselves of the risks of confidence in banking. Dick Durbin and his colleagues who passed Dodd-Frank can speak to this never-ending battle.

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