RAMSEY COUNTY
History
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A group of smiling youngsters at the Thomas-Dale Child Care Center, part of the Amherst H. Wilder Foundation's Child Care Services Program. Child care issues are one of the many concerns of the Saint Paul Foundation. See article beginning on page 4.

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On the cover: Children at the Thomas-Dale Child Care Center attend one of the many needed child care centers operated by the Amherst H. Wilder Foundation in the East Metro area of St. Paul and Ramsey County.

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RAMSEY COUNTY

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Volume 25, Number 3 **Fall, 1990**

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A Message from the Editorial Board

Ramsey County History welcomes the submission of manuscripts dealing with the history of St. Paul, Ramsey County, and their environs. In particular, the Editorial Board encourages writers to contact the editor with proposals for neighborhood histories, stories about local leaders and their families, accounts of prominent institutions, businesses or organizations and articles on the racial and ethnic diversity of Ramsey County.

The intent of the Editorial Board is to encourage and support writing about urban and local history relating to St. Paul and Ramsey County. Our quarterly magazine needs a continuing flow of well researched and thoughtfully written articles that reflect the richness of the people, places, and institutions of the county. The members of our society are enthusiastic about history. They deserve the best historical writing we can provide to them.

–*John L. Lindley,* chairman, Editorial Board

No Cash, No Credit, No Jobs

St. Paul and the Panic of 1857

Ronald M. Hubbs

The year 1855 witnessed a surge of immigrants flooding into Minnesota on Mississippi river steamers that landed their passengers at St. Paul. One packet company asserted that it had transported 30,000 people to St. Paul during that 1855 season alone.

In the growing community, buildings were going up everywhere and, by 1857, merchants, mechanics, carpenters, laborers and everyone else was busy. The obvious negatives were the wild speculations in land and the incredible cost of money.

In the first seven months of 1857, the nation as a whole was filled with commercial exuberance. Looking back on this period, financial analyst James Gibbons would write in 1859:

"The local journals throughout the country represented business as in a wholesome condition. High prices were said to have enriched the farmer, the stockgrower and the planter. Trade and mechanical industry flourished with corresponding success. . . . The common sentiment was that we had passed the dangerous point in railroad credits and with the immense productions of the year at our doors, there was little probability of serious financial disturbance. The most sagacious of our city bank officers saw no indication of an unusual storm in the commercial skies . . . Credit was extended . . . the country was never so rich."

Yet, in 1857 Minnesota Territory faced a crippling financial panic that was national in character. The Panic of 1857 tends to be dismissed as just another one of those cyclical financial crises that gripped the nation in the years before the Civil War. But it was a serious financial debacle that was set off by the bankruptcy of a New York bank, the Ohio Life Insurance and Trust Company, on August 24, 1857.

When the Panic's ripple effects reached far-off St. Paul, all the cash in the territory dried up, real estate speculators were ruined, banks closed, local merchants were bankrupted, people were thrown out of work and Ramsey County's government was forced to issue script.

The Panic did have one salutary effect. It kept St. Paul's newspapers and their editors humming with reports of rumors of disasters, alternating with reassurances that things weren't as bad as they seemed.

This article, then, is not an account of the Panic itself so much as it is an account of how eastern and western editors reported the Panic to their readers. At first St. Paul's editors regarded it mainly as a Wall Street story, retaining an optimistic stance on its effect on St. Paul. As the crisis deepened, these eyewitness accounts began to record the impact of the Panic on the Territory. Threaded through the many columns of newsprint was a favorite theme of 19th century American history and literature: The Wicked East vs. the Virtuous West. (See page 23.)

Much of the following article is drawn from the columns of two St. Paul newspapers, *The Daily Minnesotian* and *The St. Paul Advertiser*—both of which, in their reports, proclaimed the Eastern financial fraternity to be the villain responsible for the Panic. Still, despite some bias here and there, the stories and editorials of the two newspapers expressed the observations and feelings of a people seriously involved in the disaster.

Coloring the coverage was a disconcerting fact. Except for economists and those engaged in interstate or international trade, the expression, "balance of trade,"* had little significance for most people. It usually was not front page news. However, 133 years ago, it had real significance, as seen in these lines from *The St. Paul Advertiser* for January 3, 1857:

"The fact is unquestionable that the balance of trade between this Territory and the States is against us. As a necessary consequence, we are debtors to the States. And there being nothing to export, we are obliged to send forward currency and coin to cancel that indebtedness. This position is forcibly illustrated by the fact that the Express Company carries out of the Territory $200,000 per month more than is received through the same avenue. . . . This . . . will continue . . . until we become a surplus producing state, and until we have railroad communications with the Eastern and Southern Markets. . . ."

But when shining optimism and economic conjecture were tarnished by the failure of the Ohio Life Insurance and Trust Company, excitement, rumors and panic prevailed almost instantly. Then came sacrifice sales of real property, stocks, bonds and commercial notes. Money markets in New York, London, Paris and Vienna reacted alarmingly.

By October, bank failures had become headline news, followed by business disasters and railroad bankruptcies. Gibbons described it two years later when he wrote that, "A financial panic has been linked to a malignant epidemic, which kills more by terror than by real disease."

According to a report of the banking Clearing House Committee in New York, an exasperating new element was accelerating the problem: "During the week of financial excitement, in October last, the exaggerated reports of which were carried with the speed of lightning to every part of

**The difference in value between merchandise imports and the exports of an area.*

St. Paul in 1859, two years after the Panic of 1857 dried up all the cash in the community. The white picket fence surrounds Rice Park. Across from the park is the old City Hall on the corner, with the Baldwin School next to it. The white house with shutters stands on the site of the Ordway Music Theatre. Photo by B.F. Upton.

the land, this new medium of communication [the telegraph] filled our banks with imperative orders for the immediate return of their deposites in specie." For better or worse, this was a harbinger of the electronic age yet to come.

So, what happened in St. Paul? Looking back on it, historian J. Fletcher Williams, writing in 1874, declared that, "To St. Paul this pricking of the bubble of speculation was more ruinous and dire in its consequences than perhaps to any other city in the West. Everything had been so inflated and unreal. . . . Ruin stared all classes in the face. . . . No device would raise money for no one had any to lend. The banking houses closed their doors– Nearly all mercantile firms suspended or made assignments."*

Author Merle Potter wrote many years later that, "This was the year when the state went land crazy . . . the entire population gave up every other thought except one of making money. Never before nor since was there a boom like the one of 1857, and never before or since were the effects so disastrous. The mania for buying real estate reached everyone who had any money or could borrow any."

At first, the local newspapers were persuaded that, while the West would feel some of the impact of this crisis, it would not be too serious. They were wrong. Bank failures, bankrupt merchants, unemployment, absence of needed credit, lack of hard money – all would finally descend on Minnesota citizens.

As early as the spring of 1857, interest rates had soared. *The Advertiser* of April 4 had its finger on the pulse of what might be ahead when it reported that, "The rates of interest towards the close of this week reached, in many cases, the highest figures known to have been paid for money in our Territory. . . . Loans have been made during the week all the way up from 5 to 10 percent per month; in one case 15 percent per month was paid. It is not the fact that there is no money in the market, but the quantity bears no proportion to the amount required for immediate use, not for business, but speculative purposes. Splendid opportunities are opening up in every direction, and are grasped with an avidity which swallows up everything like money, and all known substitutes for that commodity."

The Advertiser then caught its breath and reported soothingly that, "There is plenty of money to loan on long time at 5 & 30 per cent per annum, with little demand. . . . Thompson's reporter* of May 23 contains two brief 'crisis' articles;

**Transfer of property to assignees for the benefit of creditors.*

*The Counterfeit Detector *published by John Thompson, a New York banker.*

yet so far as we can judge, the 'crash' is more evident among fancy railroads stocks in Wall Street than in the West. *The Independent* of this week reports the New York money in excellent condition, with plenty of loans offered at legal rates."

On July 11 *The Advertiser* reported that, "Money is getting tight. In some cases five per cent has been asked, but most of the banks loan at the established rate of three per cent. . . . Business is dull and there is little money to loan on long time." And on July 25 *The Advertiser* let the Eastern prophets have both barrels, with all the florid language at its command, as it warmed to the theme of the Wicked East-Virtuous West:

"In old times the Soothsayers prophesied the fall of empires from the flight of birds, and found presentiments of ruin in a Bullock's entrails. We have improved upon the race of classical seers. Our prediction rests upon an arithmetical basis. For birds and entrails we substitute stocks and rates of interest.

"If anything could take canture* down from its credulous faith in its own prescience, it would be the constancy with which the speculations of the philosophers are contradicted by the eventual facts of human experience. There is no one so positive as a political economist, and there is no one so blind. A humiliating commentary upon this is the changing and changed tone of the Eastern commercial journals as compared with that of the same papers during the months just past. According to these papers a crash was inevitable. The downfall of the West was the burden of their vaticinations.** That the presage was not realized, was no fault of Eastern influence. Nothing was left undone to produce the state of things which they only predicted because they desired it.

"That the West stood firm—that its prosperity stands today on a firmer basis than ever before; and that the combination of all the Eastern States against it, has not been felt here by so much as a tremor, is due to its inherent vitality—to a strength its Wall Street enemies had not counted on. Since no crash has come, these oracular sybils of the Eastern press are beginning to look about them, to save the little remains of their prophetic reputation. Those that were most confident of a revulsion, are now the most violent in denouncing the croakers who disturbed the calm of the financial world. Some take credit for having been the geese that did the admonitory cackling that saved Rome."

The Advertiser added that *The New York Times* also had announced that, "The financial crisis so industriously predicted in Eastern journals has been, by general consent, indefinitely postponed."

In breaking the bad news to its St. Paul readers on August 24, 1857, *The Daily Minnesotian* declared that, "The suspension of the Ohio Life Insurance and Trust Company, is announced and said to be in consequence of the inability of parties to respond, to whom it had loaned largely on railroad stocks. There is great excitement and a deleterious effect on the money market is feared." In other words, borrowers could not repay their loans.

Five days later *The Minnesotian* reported the failure of five bankers on the same day. *The Advertiser* reported more Eastern bank failures. On September 4, *The Minnesotian* reflected that, "The month of August, just passed, has probably been the closest month ever known in St. Paul in money matters. The one cheering event of the month has been the adoption of our State Constitution by the two conventions with a basis sufficiently safe for the organization of future banks of issue. With the closing of the month has been announced the failure of large banking houses in New York, the Ohio Life and Trust Co., and John Thompson being among the most noted. . . . John Thompson, at the closing act of his failure, managed to pass to his old enemy, the Metropolitan Bank, his worthless check for $12,500. . . . We do not anticipate anything like a general crash, however, but there will be considerable drift wood and debris left in the track of the storm."

With heavy sarcasm, and again with Wicked East-Virtuous West overtones, *The Advertiser* told its readers that, "Several of our city papers in announcing the news of the recent Wall Street explosion, put on their rhetorical ascension robes, and admonished us that 'the crash had come at last' . . . the grand universal Western smash-up, which *The New York Herald* and its co-adjutant Bears have been trying to manufacture for months past. The crash [according to] the New York papers was a crash, founded and deducible solely and principally from Western speculations, commencing in the depreciation of West lands and in the insolvency of Western men, and rolling back the tide of bankruptcy on their Eastern creditors. The only authorized and authenticated crash, which was to have preceded, caused and included all other crashes, was preeminently a Western crash, mark you! A townsite crash, mark you!—a land crash.

"Eastern people were to feel it only secondarily through their Western creditors, who were to fall in countless numbers, or by virtue of lost investments at second hand. The legitimate crash of a sound political economy was to be accompanied with the bursting of such bubbles as Chicago, St. Louis, Dubuque, St. Paul and the general explosion of the prevalent fallacy that corn grows west of the Allegany mountains or that anybody lives in Minnesota. Such and such only was the crash which the New York papers agreed to crown with the definite article.

"This Wall street affair is quite the opposite of all this. The present revulsion is purely of Wall street origin and concerns a class of Wall Street investments solely—namely stocks. It commenced months ago in the depreciation of stocks; the revulsion

John P. Owens, editor of The Minnesotian *in the 1850s. Photo by Zimmerman, St. Paul.*

**Jargon or slang for whining, insincerity.*
***Prophesies*

West Against East in the Land of Oz

The antagonism between East and West that reared its head during the Panic of 1857 has been a recurring theme in American history. From the suppression of the Whiskey Rebellion under President Washington to the suggestion of presidential candidate Barry Goldwater, an Arizonan, that the country would be better off if the Eastern seaboard was sawed off and allowed to float out into the Atlantic, Westerners have viewed the financial power of the East with suspicion.

Never was that division more clearly stated than during the 1896 presidential campaign between William McKinley and "The Boy Orator of the Platte," William Jennings Bryan. A struggling writer gave the debate a whimsical twist in 1900. L. Frank Baum had been born in New York State, moved to South Dakota as a young man, then settled in Chicago. Baum wrote many children's tales of mixed quality and limited popularity, but an infusion of political allegory into one book made him a famous man.

Dorothy, the heroine, came from Kansas, that archetypical Western state, where she lived with her Aunt Em. When poor Aunt Em, Baum relates, "came there to live she was a young, pretty wife. The sun and wind had changed her, too. They had taken the sparkle from her eyes and left them a sober gray. . . . She was thin and gaunt, and never smiled now." After a cyclone takes Dorothy to a strange land, she must battle the Wicked Witch of the West.

But how? Dorothy is told by the Munchkins to travel through Oz along a yellow golden road using her magical silver slippers. To Baum, the treacherous gold standard could be remedied only by silver—the heart of William Jennings

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really took place in that depreciation. The tumble in Wall Street is simply the bursting of the bubble. The money was lost long ago. The Ohio Trust Company was compelled to suspend through the stock operations of its New York bank, and the history of the great systems of credit that went down with it or followed in its wake, is directly traceable to that one cause—stocks, an amusement peculiar to New York."

In St. Paul, a hopeful sign was slowly appearing. Once again, the newspapers were optimistically reporting the possibility of abundant crops to offset the financial crisis suffered by the West. Still, *The St. Paul Advertiser* warned its readers that, "These are 'shaky times'—periodically so—and are justifying the fact that Banks based on State Stocks are safer than any other class, from the fact of their just claims upon the confidence of the people. . . . Avoid all mere shinplaster* currency, refuse it entirely."

The Minnesotian on August 29, 1857, added that for St. Paul, "The tightness of the money market continues unabated, without material change since last week. The supply of money is light, and banks discount but little. Rates remain as usual at three per cent a month. No sale for Second Class Paper.**

"The most important monetary news of the week is the announcement of Eastern failures and a consequent panic feeling in New York. [Banker] Truman M. Smith [of St. Paul] received a telegraphic dispatch yesterday, announcing the suspension of John Thompson, Banker, of New York. . . Messrs. Borup and Oakes [of St. Paul] [lost] a considerable amount in drafts and deposits by the Ohio Life and Trust Co., which was deemed a very sound company, but their losses may eventually be paid."

The Advertiser announced on September 12 that, because of the New York money panic, "there have been further bank failures and suspensions" and added that, "The number of business failures is large, embracing some heavy firms . . . 'There's no money in town!' " Even so, St. Paul' newspapers frequently chose to come down on the side of optimism and they bristled at what they interpreted as suggestions that the "virtuous West" was in any way responsible for the crisis.

On September 25, a bright, somewhat tongue-in-cheek note was sounded by *The Minnesotian*: "Hearing that this individual was around we looked about yesterday to see what effect his arrival had produced on matters in the city. We found business as brisk as usual in this season, drays, coaches, cabs and express wagons were running to and fro, apparently all busy. We observed numerous buildings going up along the most prominent thoroughfares, of splendid and elaborate architecture. Back on the quieter avenues, dozens of elegant and durable mansions, and smaller residences by the score were rapidly going up. The clatter of carpenter's tools, and the ring of the mason's implements were heard on every hand. Fine Churches, the Halls of various Societies were observed in course of construction here and there. We failed to see the effects of the ruinous advent of 'Hard Times.' His advent was scarcely perceptible, in fact, . . . we should not have known it, had we not been informed of the fact."

Four days later, *The Advertiser* stated indignantly that, "We have had occasion heretofore to show how completely the lie has been given at every phase of the present revulsion to the Jeremiahs of the Eastern press against the West; how entirely those journals misjudged the seat of the disease; how utterly mistaken in all their premises and deductions. The great revulsion, which they pretended to foresee, was to come from the West, to have been produced by speculations in Western lands, to have ensued on their depreciation and simultaneous explosion of town sites. While these prophecies were right, we repeatedly pointed out the emptiness of the pretended analogies on which these predictions were based, on how entirely these speculations overlooked the facts upon which the prosperity of the West rested.

"The event has shown that Western

**Paper money of small value*

***Of secondary value, perhaps private paper.*

speculations have formed no element whatever of the present crisis—that it rests on causes entirely antipodal to those assigned, and that Western Lands almost alone of all classes of investments, are exempt from the ruin which is overwhelming all the favorite securities of the Eastern speculator . . . the one, grand imperial, outstanding fact, towering above all others—a fact almost sublime in its magnificence, a fact which speaks volumes of withering satire upon the fulsome oracles of Nassau Street, is this—THAT NOT A SINGLE FAILURE OF ALL THE LONG BLACK LIST WHICH HAS ACCUMULATED, HAS BEEN ATTRIBUTABLE DIRECTLY OR INDIRECTLY TO SPECULATIONS IN WESTERN LANDS."

It was not until a month after the failure of the Ohio Life Insurance and Trust Company that the effects of the Panic began to be seen in earnest in St. Paul and the old newspapers reflect them in some detail. In a September advertisement, J. C. Burbank & Co. advised readers to " . . . please take notice that the scarcity and high prices of exchange and the uncertainty of all foreign bills, renders it almost impossible to make remittances East. To obviate this difficulty send your money by Express Daily Office, foot of Jackson St."

On October 10, *The Daily Minnesotian* announced that, "In view of the hard times, moral condition of the city, and the large taxes, the Mayor has determined to reduce the police force from twenty to twelve men. The married men will be retained on the force."

On October 3, Marshall & Co., bankers, told its depositors and the public, "It is our painful duty to announce that losses, of which we had advices by last night's mail, coupled with the general financial distress, compels us to close our doors this morning."

The Minnesotian described how the St. Paul community was taking it: " . . . On Friday morning most of our citizens were surprised to find the office of Marshall & Co. remaining unopened. With $80,000 of their depositor's money in their possession it was feared that excitement might follow, and a 'run' created on the other bankers in town. But such was not the case. On the other hand, deposits were made as usual . . . , [and] never have we seen such cheerful depositors. Every man seemed to feel confident that his dollars were safe; and [that] Marshall & Co. would pay the last cent, even if their homesteads must be sacrificed to do it."

St. Paul's building boom, circa 1857, just before the crash. The community was growing and buildings were going up everywhere. The building under construction in the foreground happens to be the jail.

It is interesting to note that in this and subsequent 1857 bank failures, the institutions had more assets than liabilities. The rub was that there was not enough specie (hard money) to pay those demanding it.

On this same October 3, *The Advertiser* reported under the headline, "St. Paul Suspended Specie Payment:"

"With a circulating medium composed entirely of currency, with a general depletion of specie, the question has forced itself: How are merchants to pay their Eastern debts? . . . The Eastern creditors will not take our Western currency except at impossible discounts. We have no specie to send them . . . but if you will accept our currency at par in payment—it is on deposit here subject to your draft. . . . "

The paper added that "the 'Grand Crash' is fairly upon us. . . . The panic, which originated in Wall Street . . . has spread over the country, causing a universal want of confidence and distrust, disastrous in its consequences. St. Paul has stood the shock nobly, but the inevitable result has finally reached us."

Three days later *The Daily Minnesotian* reported the suspension of "the Wall Street banking house of Pierre Chauteau & Co.", adding that, "This firm owns all the Fur Company property in St. Paul and elsewhere in Minnesota." Then, on October 9, Truman M. Smith's bank closed its doors.

Hoarding became an issue. *The Minnesotian* reported on October 9 that, "There is plenty of money in the country if people would not hoard it up, but loan it on good security. An intelligent gentleman from Stillwater, yesterday told us he knew of $67,000 in gold in the hands of men in Stillwater, which no security, however ample, would bring out of its hiding place. Thousands of dollars are thus hoarded here without any reason, gaining no interest to the owners and of immense injury to the community."

"The bright weather," the newspaper added, "has given more cheerfulness to money matters. The farmers of Minnesota, as a class, are to receive higher prices for their products than any State in the Union. They will be able generally to meet their payments of interest during the fall and winter. Some $50,000 of gold has been paid out during the past week at the Indian Agency near Fort Ridgley. In another week a like payment is to be made at Fort Ripley which will tend very much to ease matters at present."

But on October 10, *The Advertiser* added a somewhat cynical note: "There is one thing on which we can congratulate ourselves this winter, that, in the worst event, even if the utter paralysis of business intercourse between the East and the West should lock up our abundant harvest in our own teeming granaries, we will at least have enough to eat, and won't have to pay six or seven dollars a week for board."

Finally, the sun was breaking through the clouds. The same day, October 10, *The Advertiser* had this to say: "*The New York Herald* of the 5th inst. announces that the crisis is past. On the 3d Oct. millions of paper fell due at banks. The day passed with only one failure . . . The arrival of the California steamer with $1,300,000 of specie, and the proved strength of the banks and merchants poured sunlight on the market . . . Burbank and Co. report a complete cessation of money receipts per express. If, in ordinary times, when navigation closes upon a flush market, the winter and spring months always witness a stringent market, the financial distress which impends here this winter may be readily seen. We have, however, to report no new failures this week. Certified checks on Marshall & Co. are passing at par. . . . "

Another problem was revealed in *The Advertiser*'s report that, "$81,600,000 in gold was sunk in the wreck of the *Central America*, a great loss of treasure at any time." Gold had become an important commodity for the United States to export in foreign trade, and made it possible for the country to sustain a large import of foreign goods.

The Advertiser felt it necessary to give its readers a stern lecture: "Retrenchment . . . is an absolute necessity of the day. One half of the expenses of nine-tenths of the men, women and children, in our towns especially, are for needless luxuries. We do not blame anyone in ordinary times, for enjoying themselves, for gratifying their tastes or their appetites, to the full extent of their means. But the expensive gratifications of fast horses, fast women etc., are not of a class exactly which an honorable man will pursue beyond his means. Every man owes it to the community to set an example of a methodical frugality in his style of living, to contract his expenditures to the smallest possible compass and to pay his debts. If he have no debts to pay, the practice of a rigid economy is no less a duty.

"There will be, before long, abundant demands upon his surplus if he have any. The entire resources of the wealthier classes of the community will be fearfully taxed to relieve the widespread distress which will soon ensue from the necessary cessation of public improvements, and the approach of winter, which will throw an immense number of poor persons out of employment. The cheapness and abundance of food is the only mitigating element that can be seen in the suffering that impends among the laboring classes."

"Relief will come," *The Advertiser* declared firmly, in an editorial aimed at *The New York Herald*: "Not in retrenchment, *The New York Herald* tells its readers; not in the stoppage of expenditures on railroads, to which and to bank expansion the public seeks for relief from the present monetary pressures, will that relief come; but now, harken to this man who was spitting two months ago so fiercely upon our Western gabardine: 'We can only find it in the bountiful harvest with which God has blessed us. In the fields and barns of the West we have means which cannot fail us under any emergency. There are millions and millions of bushels of good grain there, that is our safety. There never can come a time when that grain will not command money in any market; it is the only resource on which we can at this moment rely. True, it will not command as high a price as we lately have had, but it will pay, nevertheless; and the quantity available is so enormous, the harvest has been so bountiful, that the diminution in price will almost be compensated to the farmer.' "

The cheering was premature. On October 22, the paper announced the suspension of the banking house of Borup and Oakes, "which astounded the community yesterday [and] was occasioned, we learn, by 'great losses incurred in advances made by them in the East to meet drafts.' It is reported that they suffered heavily in the downfall of the Ohio Life Insurance and Trust Company." There was more: "Another result of the pressure on our business men occurred yesterday. H. E. Buel & Co. have assigned to Henry Buel, Esq."

On October 24, *The Advertiser* was less than cheerful: "Except the assignment of Borup & Oakes no incident has varied the gloom of the week. No excitement prevails. We feel the effects of the panic—but no panic. Our bankers have learned a lesson from the misfortunes of their suspended brethren, and have cut loose from New York."

In the same issue, *The Advertiser* discussed a somber situation: the Territory's financial condition. "We owe in this city some $2,500,000, of which $1,500,000 is due abroad by our merchants and for EASTERN LOANS, LEAVING $1,000,000 for our mutual home indebtedness secured for the most part by mortgages on real estate and drawing interest at the rate of from 2 to 5 per cent per month . . . A bountiful harvest, it is true, has placed the rural districts in a situation of comparative immunity from present want, but—the farmer cannot turn his products into money to pay off the ruinous encumbrances on his property . . .

" . . . Our storehouses and warehouses are full of goods, but no buyers. Whole classes, except for charity, must perish from hunger for want of money to buy the food that rots in useless profusion in our barns. We have enough and to spare,

Echo from the Past

News reports from 1857 of the wreck of the *Central America*, which was carrying $81.6 million in gold from California to New York, are echoing today. In 1987, 130 years later, the ship was located in the Atlantic Ocean about 160 miles off Charleston, S. C., under a mile and a half of water, its cargo of gold bars and coins scattered about the wreckage.

In August, 1990, a judge awarded about three tons of gold—a fortune that could reach $1 billion—to the salvage crew that found the ship. Financial experts believe that the loss of the gold had a profound impact on the Panic of 1857. Had the ship reached New York, the Panic might not have been averted but its effects could at least have been blunted.

Henry McKenty's home on Lake Como. A real estate speculator,he acquired most of the land around the lake during the boom years of the 1850s but he suffered losses in the Panic of 1857.

but the process of liquidation has been arrested. Trade has stopped. Its currents are turned to ice under the blasting breath of the panic. The universal fright has swept off our currency as the autumnal fire licks up the dry grass of our prairies. At the same time, with an unexampled depletion of our money market, our external sources of supply have been cut off. Immigration with its vast aggregate hoard has ceased to flow and no longer scatters its golden seed. The future beckons us to its Elysian shore, but a Styx of bankruptcy rolls between."

It was with these facts in view that a "meeting of respectable and influential citizens was held on Tuesday evening, at the office of the Board of Brokers, to deliberate on some plan of present relief." The meeting decided to urge that a "special session of the Territorial Legislature be called for the purpose of relieving the community from the present financial embarrassment," *The Advertiser* then reported. What was wanted by these " influential citizens," was an extension of the term of redemption for foreclosures and the establishment of banks to issue currency based on real estate securities.

"The friends of this plan," the paper stated, "admit the full force of the objections against a system of banking which in its nature cannot provide for the punctual redemption of its issue in coin – But they urge that it is better to have an unsafe currency under our own guardianship than to be scorched with imported shinplasters."

The Secretary of State had a prompt but disappointing response: no special session. With potatoes now selling for the low price of 35 to 40 cents a bushel, turnips at 20 to 25 cents and cabbages at 8 to 10 cents a head, the committee appealed directly to Governor Samuel Medary, who expressed his willingness to use his powers, "to alleviate in any way possible the necessities which are now felt by all classes of our people" but, perhaps fortuitously, because he was "on the eve of a journey," he referred the matter [again] to the secretary, who ignored it. Reporting back, the committee said rather bleakly that "no hope could be entertained of any action for relief in that quarter, and recommended that the people devise means for their own relief."

Problems multiplied. *The Minnesotian* revealed complaints that, ". . . farmers who bring produce into our markets evince a determination to receive no currency if possible in exchange for it, except gold or silver. This is a policy which reacts to their disadvantage. It is now almost impossible to procure coin, and they should take the same risks as we ourselves who are customers, have to in taking bills. Such a course will shut up trade altogether and produce augmented want."

Pessimism was alleviated somewhat as the 1857 Thanksgiving Day approached. *The Minnesotian* observed on October 28 that Thanksgiving "seems especially called for this year among the people of Minnesota, who have been blessed with peace and an absence of all home disturbances, probably more so than any other Western Territory. Health and prosperity to an unusual degree have also blessed them, and the harvests over nearly the whole breadth of the Territory were unprecedented, and unexpected in richness and plenty."

Ingenuity also had its day in meeting the financial crisis, as we read in *The Minnesotian* for October 29, 1857:

"It is no new thing for a city to issue its orders (I.O.U.s) in the shape of currency, and it has been the practice of some of the city corporations of Iowa for several years past. What benefit or evil the system may have created there, we have not been informed. But of one thing we are entirely convinced – if the system is faithfully carried out, there can be no harm resulting therefrom. The city will issue orders for no greater amount than it honestly owes and is legally bound to pay to the parties to whom they are issued. . . . These orders are bound to be received by the city for any indebtedness accruing to the city such as taxes, wharfage, and fines, license. . . . Inasmuch as the city will be bound to pay dollar for dollar for the whole amount thus issued, the advocates of the system are sanguine that at home circulation will be created that will be of great benefit to the money market the coming winter. . . . We have heard it confidently asserted on the streets that some of the leading bankers in our city will take such a currency on deposit at par. . ."

There were some real bargains around, as a result of the Panic, as we learn from the same issue of *The Minnesotian*: "We notice an advertisement in our columns of a 160 acres Land Warrant, for the low price of 93 cents per acre. Now is the time to 'prove up' when you can get 160 acres of land for $149, a saving of $51 on government price.'

Likewise, on October 31 the paper was happy to report that, "The Levee presented one of the Old Time scenes yesterday morning. Several boats were discharging freight, and the wharf was filled up with various household plunder, agricultural implements, grain, flour, sleighs, wagons,

Charles W.W. Borup.

machinery, etc, . . . unusual bustle and activity was observable." The same day the paper announced that, "Specie is flowing back from Europe." The Steamer *Persia* brought $1,200,000 of gold to New York from Europe. Even the tailors felt encouraged not to cut prices.

There were some angry moments, too. Lyman Dayton advertised in the December 5, 1857, *Daily Minnesotian*: "$100 REWARD – SOME MALICIOUS scoundrel having spread a report in this City that I have made an assignment of my property, I hereby deny having done anything of the kind, or having any intentions of doing so and I do offer the above reward for the name of the rascal that I may deal with him as he justly deserves."

At long last, *The Minnesotian* had the courage to sum up the financial news from the East as "decidedly encouraging. Money is becoming very abundant in New York. The banks, says a dispatch, are discounting all good paper that is afloat. It was confidently believed in business circles that the financial crisis has passed."

However, it also felt constrained to review some of the aftershocks of the Panic on banks, Indians and merchants.

"The St. Paul Bankers have not escaped the disasters that have been met by Bankers throughout the country in our recent financial crisis. Five of our bankers lost their New York correspondents, three their St. Louis, three their Chicago, one its Boston and Galena and one its Dubuque, New York and St. Louis correspondents. A single house in St. Paul had $40,000 deposited in the Ohio Life Insurance and Trust Company which amount was sold at a loss of $23,000. At one time not less than $70,000 of money belonging to St. Paul Bankers was either lost or rendered unavailable by the failure of Eastern correspondents. The ultimate loss of St. Paul Bankers by their correspondents is thought not to exceed $30,000."

The Minnesotian then listed money paid out to the different bands of Indians during the past year:

To the Sioux, in gold	$69,000
To the Chippewas	50,000
To the different tribes for school, farming and other purposes	50,000
For provisions	40,000
Additional	23,000
Total	$280,000

In the same issue, *The Minnesotian* took up the familiar theme of wastefulness as a sin: "The American people," it declared, "have grown foolishly extravagant and wasteful on account of their very abundance. Persons who have travelled in foreign countries, . . . say that what an American wastes is enough to keep one there. Be this true or not, in times such as these, to waste what others may be suffering for is positively criminal. A Dubuque paper mentions a poor woman being seen by a friend of theirs picking up some meat, bread and potatoes, that had been thrown into an alley by a private family. We hope such a sight will never be recorded by the papers of St. Paul, but whether it is or not, remember the poor who have nothing, while you have plenty. . ."

Sensing the pot of gold at the end of the rainbow, *The Advertiser* enthusiastically reported on December 12 that, "New York has entered upon a golden age. With $25,000,000 in specie in the vaults of her banks, she is stronger now, financially speaking, than ever before." It added that, "The event of the week has been the establishment of a new bank under the firm name of Borup & Co. The ostensible partners are Theodore Borup, a son of Charles W. Borup and Clements H. Beaulieau, his brother-in-law. But the real head of the establishment is Charles W. Borup, of the late firm of Borup and Oakes, whose financial abilities will enable him to put the new house on footing enjoyed by the old."

At the beginning of 1858 *The Advertiser* summed up what happened to the economy in 1857:

" . . . the characteristic event of the year in these States has been the great commercial revulsion, which, commencing with the depreciation of railroad stocks, and the failure of the Ohio Life and Trust Company of Cincinnati, and culminating in the suspension of the New York banks, scattered panic and disaster over the whole area of our internal commerce. . . ."

" . . . in spite of these external drawbacks which had the effect of deterring immigration and restraining the influx of capital – our young State has continued to go on maturing in all the elements of prosperity. During the past year it has increased in population more than fifty percent, if any reliance can be placed on the census returns of the various counties; while our wealth has increased in a much larger proportion. The assessed valuation of property in St. Paul alone, $7,634,685, is more than that of the entire Territory three years ago." Minnesota, *The Advertiser* stoutly predicted, is on the eve of a magnificent development.

Still, there were problems to be solved. It was not until the advent of the Civil War in 1861 that it could be said that the Panic of 1857 had run its course.

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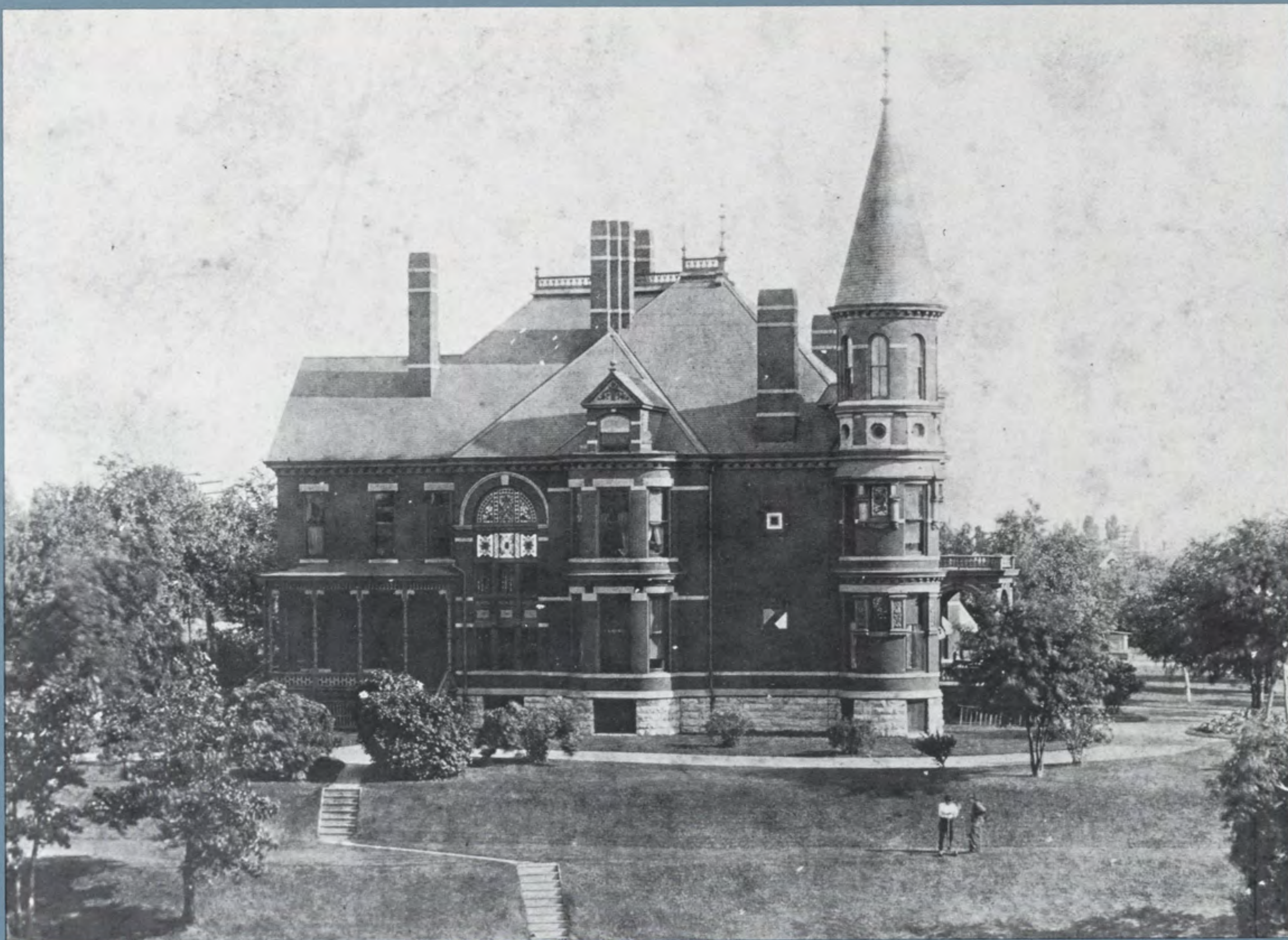
This is the third article Ronald M. Hubbs, retired chairman of the board of The St. Paul Companies, has written for Ramsey County History.



The Theodore Hamm mansion at 671 Greenbrier Avenue, as it looked around 1900. See page 3.

R.C.H.S.
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