

RAMSEY COUNTY
History
A Publication of the Ramsey County Historical Society

Winter, 1995

Volume 29, Number 4

The Boys from
the Adams
School

Page 16

*St. Paul Underground—
What Happened to Fountain Cave?—Page 4*



Fountain Cave, pencil and watercolor by unknown artist, about 1850. This is the oldest known graphic depiction of a Minnesota cave. Much of the story of Fountain Cave could have been reconstructed merely from the names inscribed on its walls. Interspersed with the graffiti are the arm-length nesting holes dug by swallows. The natural ledge in the cave wall allowed explorers to stay above the water. Is the squared timber, seen straddling Fountain Creek in the foreground, a remnant of one of the cabins destroyed in 1840 by soldiers from Fort Snelling? Minnesota Historical Society photo.

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Ramsey County History is published quar-
terly by the Ramsey County Historical Soci-
ety, 323 Landmark Center, 75 W. Fifth
Street, St. Paul, Minn. 55102. Printed in
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Historical Society. ISSN Number 0485-
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CONTENTS

- 3** Letters
- 4** St. Paul Underground—
What Happened to Fountain Cave?
Greg Brick
- 16** The Obscure Plaque on the Wall—
Who Were the Boys from the Adams School?
Paul D. Nelson
- 21** Money—And How They Fared When There
Wasn't Any Out on Minnesota's Frontier
Ronald M. Hubbs
- 23** Growing Up in St. Paul
'Grandfather Was a Crusty Gentleman'
Reuel D. Harmon
- 25** Books, Etc.
- 27** What's Historic About This Site?
B. P. Durkee's French Empire House

Publication of *Ramsey County History* is supported
in part by a gift from Clara M. Claussen and Frieda H. Claussen
in memory of Henry H. Cowie, Jr.

A Message from the Editorial Board

This issue of *Ramsey County History* celebrates the memory of Reuel D. Harmon, a supporter of history in Ramsey County. He had long encouraged the Editorial Board to publish something on St. Paul's caves and tunnels. Our lead article here explores Fountain Cave's history. Written by geologist Greg Brick, the article includes research never previously published and is the first in a projected series on "St. Paul Underground". The issue also contains Reuel Harmon's memoir of growing up in St. Paul and a brief history of his grandfather's house in our "Historic Sites" feature. Reuel Harmon made no secret of his abiding interest in history. This issue is a way of expressing our gratitude for his support and encouragement of the practice of history.

John M. Lindley,
chairman, Editorial Board

Money—And How They Fared When There Wasn't Any Out on Minnesota's Frontier

Ronald M. Hubbs

Webster's Dictionary lists many definitions of the word "money," including the standard description, "any substance or article used as money." Soule's *Dictionary of English Synonyms* includes "coin or its representative" or "a standard of value."

Money has been an issue that threads through Minnesota's early history, and historians have dealt with it repeatedly. Familiar to anyone on the frontier were the "trade goods," a term that covered almost any moveable object wanted by the American Indians or the newcomers to their native lands. As historian Theodore Blegen pointed out in *Minnesota - A History of the State*, "trade goods" took the place of money so often that they *were* money. He described trader Alexander Henry the Younger:

"Into his canoe were packed sugar, flour, tobacco, knives, tools, guns, powder, cloth, looking glasses—and firewater (ten kegs of liquor in each canoe)." Blegen also described the degrading effects of liquor as the "root of all evil in the Northwest, but still [Henry] dispensed it in appalling quantities." (Henry would later lose his life in the Columbia River at Astoria in the Oregon territory.)

The fur trade dominated economic transactions in the Minnesota region during the early 1800s. "Business was carried on by barter," Blegen wrote. "A blanket worth \$3.25 . . . would mean sixty muskrats. A looking glass (4 cents) would trade for four muskrats (80 cents)." Early in the 1830s the American Fur Company issued paper money known as "Beaver Money."

In the land-cession treaties negotiated with the Ojibway and Dakota bands in 1837, annuities were promised the Indians by the United States government. It was the practice to include an agreed-upon food distribution at the same time

as the annuity money was delivered to the government's Indian agents.

This was to have tragic consequences twenty-five years later. In 1862 the arrival of the annuity money at the Dakota reservations along the Minnesota River was delayed as the Treasury Department in Washington argued over whether to pay in gold or in greenbacks. Although the gold had arrived in St. Paul, and had actually reached Fort Ridgely, the annuities never reached the reservations. On Monday, August 28, 1862, the Dakota bands, their people hungry and disgusted with unfulfilled governmental promises, launched what has become known as the Dakota Conflict.

If the gold had arrived on time, would the Dakota have resorted to war? Blegen quotes historian and educator William Watts Folwell on this irony of history. Folwell believed "that even a few hours might have made the difference" and that with this margin "the Sioux outbreak would have no place in Minnesota history."

During the 1850s, the currency that was chiefly in circulation depreciated so badly that it caused "much trouble and loss to tradesmen," as J. Fletcher Williams wrote in his *History of the City of Saint Paul*. "Several meetings of merchants were called to devise means to remedy the evil, which resulted in organizing a protective union under the name, 'Board of Trade' . . . It does not seem to have done much except take measures to remedy the currency fraud."

Despite their access to varied mediums of exchange, nothing prepared the dwellers in Minnesota Territory for the year the money supply dried up in the nation-wide Panic of 1857. Blegen described that period:

". . . speculation was rampant, the currency of the time was of the wildest vari-

ety issued by banks in distant states, and prices of land and property went skyward. Business companies failed; many people left the territory; merchants could not dispose of their stocks or meet their debts."

In *101 Best Stories of Minnesota*, author Merle Potter wrote, perhaps somewhat apocryphally, that, "There were great times in Minnesota in 1857. Everyone had money to burn and did burn some of it before the year was over. It wasn't good for anything else."

Williams wrote: "Toward winter [of 1857], the stringency increased severely. The currency which had been in use before the crash had about all gone up or been withdrawn . . . The city and county banks were advised to issue 'denominational script' to use as currency . . . it was of some use . . . In the midst of these troubles came a call from Stearns and other counties, asking relief for poor settlers whose crops had been destroyed by grasshoppers. A considerable amount was subscribed by [St. Paul], as poor as everybody was."

Thirty-seven banks had been established in Minnesota Territory by 1857 and with the onset of the Panic they "were soon in serious difficulty," Blegen wrote. "Only a few banks survived, among them that of the shrewd and careful Parker Paine." (Paine's bank later formed the main root of the First National Bank of St. Paul.) In 1858 banking laws permitted banks to issue circulating notes in denominations from \$100 to \$500, which functioned as currency and were secured by public stocks deposited with the state auditor. Unfortunately, depreciating railroad bonds were accepted as valid backing for state note issues. No reserves had to be set up. A bank could legally lend all of its deposits, though it could not charge interest in excess of 15 percent.



The American House, known earlier as the Rice House, at Third and Exchange Streets in downtown St. Paul in 1858–1859. The Panic of 1857 was still gripping the nation when this photograph was taken. At that time St. Paul was linked to communities out in the fledgling state by stagecoaches, wagons and other vehicles, such as those shown here. Minnesota Historical Society photo.

Even so, a year later Williams wrote, “the business and financial outlook this fall [of 1859] was very discouraging. Some . . . money based on the state railroad bonds began to circulate but they were looked on with distrust. State script circulated for a while but it soon ran down to forty cents on the dollar, and all classes were in bad financial straits.”

“Hard times continued for at least two years, during which a little Mexican, Canadian, and French money came out of hiding,” Potter wrote. “New banking laws were passed and gradually Minnesota recovered from its land-buying and financial spree. The speculation mania left many business headaches, but eventually the territory and state resumed its progressive march.”

In his inaugural address in January, 1860, Governor Alexander Ramsey inveighed against “the utter derangement of currency.” Two years later he would declare that the dependence of banking

on state stocks was “false in principle and ruinous in operation.”

Williams’s opinion was that “The year 1860 closed under gloomy circumstances. The disunion cloud was darkening the southern horizons, and the mutterings of war were heard in the distance. Trade was again depressed, currency depreciated, and gloom and forebodings rested on all.”

Blegen wrote later that one of the results of the Civil War was a national currency composed in part of greenbacks and in part of national bank notes.

Money as a commodity appeared again in 1894 when the Populist candidate for governor of Minnesota, Sidney M. Owen, declared for “demonetization” of silver as a key to the solution of the farmers’ problems. His opponent, Knute Nelson, who won the election, responded that “he would have no truck with the silver heresy.”

Future historians probably will look

upon the current generation with some surprise concerning our present substitutes for conventional money. Even now we can make deposits in our banks, pay bills, spend money in countless ways by “charging it” with a piece of plastic called a credit card or pay with a piece of paper called a check. What will happen to what we now call currency or cash? Perhaps with just the press of a button in an electronic device and computers will do the rest. Perhaps not for some time will we be able to buy a newspaper or a package of gum or play a slot machine without hard money—but don’t be too sure about that!

Ronald M. Hubbs, the retired chairman of the board of the St. Paul Companies, Inc., is a frequent contributor to Ramsey County History.



The old Adams School, 615 S. Chatsworth Street, around 1900. For the stories of three young men from the school, and their experiences during World War I, see Paul D. Nelson's article beginning on page 16. Minnesota Historical Society photo.

R.C.H.S.
RAMSEY COUNTY HISTORICAL SOCIETY

Published by the Ramsey County Historical Society
323 Landmark Center
75 West Fifth Street
Saint Paul, Minnesota 55102

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