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PIONEER PRIVATE BANKERS IN WASHINGTON

Nature of the Early Private Bank

A bank is usually organized by a group of capitalists who have money to invest and have arrived at the conclusion that a venture in banking is either the most suitable or the most profitable type of enterprise for their purpose. In Washington during the 'seventies such was not the case. The early banks in the Territory usually evolved out of some other type of business which accumulated a surplus or acquired certain facilities adaptable to banking. Although the merchant whose business experienced transformation may have been amenable to the conversion, he nevertheless appears to have had no alternative. In some cases his patrons had required banking services of him for several years before the conversion occurred. He had accepted their gold or other valuables for safe-keeping, had bought their drafts on other centers and had sold exchange. The establishment of a bank merely meant an expansion of these activities supplemented with the practice of using the deposits as a basis for loans to business men.

The so-called private, or unincorporated bank, which depended solely upon the honesty, judgment and financial responsibility of the man who operated it, was the usual type of bank in Washington during the early period. Banks which were technically of the same class continued to operate in the state until the end of the year 1914, being specifically outlawed by an act of the Legislature which required either incorporation or retirement from business by January 1, 1915. Like the early private bankers, these later enterprisers were not supervised nor required to make reports or submit to inspection of their business. Although the volume of their business was usually very small, the private bankers had become an unsafe economic element constantly tending to impair the whole banking structure of Washington. They were therefore wisely legislated out of the State. Incorporation has for some time been required in most of the States for similar reasons. But the early bankers, although operating free from any restrictions whatever, exerted a de-

cidedly salutary influence which was vital to the development of the Territory.

The first bank in the Pacific Northwest, the enterprise of Ladd & Tilton, was an outgrowth of a general merchandise business operated in Portland by W. S. Ladd for eight years before the announcement in 1859 of the opening of the bank in quarters over the store. This bank had a continuous existence until 1925 when it was absorbed by the United States National Bank. It wielded a powerful influence on the progress of Portland and indeed of the entire Pacific Northwest. C. E. Tilton, an eastern capitalist, contributed funds to the mercantile enterprise and retained an interest in the bank for over twenty years, but never made his home in Portland. Mr. Ladd was the active manager of the banking firm throughout its early career, although he was favored with wholesome advice by Mr. Tilton.

Mr. Ladd had many banking and other financial connections in Washington between 1880 and 1890. His financial lines extended, for example, to the First National Bank of Seattle in 1882; to the bank of the same name in North Yakima in 1885; to Seattle's pioneer banking institution, known as Dexter Horton & Co., in 1887; and to a new enterprise, the Commercial Bank, in Port Townsend of which he was the chief stockholder upon its organization toward the close of the 'eighties.

But although some of the banking corporations in Washington owed much to the assistance of Ladd, the early private banks developed independently in a manner somewhat similar to that attending the evolution of the Ladd & Tilton institution itself. The consummation of the process was retarded for ten years only because banking development cannot precede, but must accompany commercial advance. Other growing enterprises were essential to the success of any bank. But it is well to bear in mind that a banking establishment was an indispensable part of the economic order, without which no business center could grow to healthy proportions nor long maintain its status as such a center. Too frequently a bank has been looked upon as an agency which is purely selfish and renders no real economic service. There is probably no single type of institution to which we can point today that meant more to the commercial progress of the pioneer towns of the Northwest than the contemporary private bank which came into existence because they were needed and which were operated by men selected primarily by their own clientele.

Reynolds First Banker in Washington

The first bank in Washington was not of the mercantile type. It was established by Almos H. Reynolds, originally a millwright, in the town of Walla Walla in the summer of 1869. It was worthy of note in passing that Mr. Ladd had issued his first certificate of deposit to Mr. Reynolds, who had been in California and Oregon since 1850.¹ Being interested in the construction of mills of various types, Reynolds was attracted to Walla Walla in 1859 by the possibilities for development in the vicinity. His judgment was confirmed by the quick settlement of the area accompanying the northward tide of gold seekers which was accelerated in 1860 by new discoveries in Oregon, Washington, Idaho and Montana. During the 'sixties the extensive mining operations transformed the little settlement of Walla Walla into a thriving supply center for the gold prospectors. The town became the largest in Washington Territory, a status which it maintained up to 1880. Mr. Reynolds prospered during the decade, and early in July, 1869, began the preparation of quarters for what came to be known as the A. H. Reynolds Bank.

Dr. J. H. Day, proprietor of a drug store in the town, was associated with him at the outset for the purpose of assaying the gold which was brought in for deposit by returning miners. Doctor Day had for a number of years been receiving and assaying gold dust while performing medical services for the residents of the vicinity. The bank was capitalized at \$35,000, of which Doctor Day contributed \$8,212 in the form of a gold brick.² The banking enterprise was operated successfully by Mr. Reynolds for eight and one-half years, becoming in 1878 the nucleus about which the First National Bank was organized. This national institution, which is still in existence, is not only the pioneer and oldest bank of its kind in the state, but it set sail under favorable auspices by assuming a business which had attracted many patrons and was doing much to develop the inland territory.

Baker & Boyer of Walla Walla

By coincidence the oldest existing bank in the State of Washington is located in Walla Walla. It is the Baker-Boyer National Bank which was originally established as a private enterprise on November 10, 1869, by Dr. D. S. Baker and his brother-in-law, John

¹ Files of Ladd & Tilton Bank. A photostat copy was printed in 1919 in a booklet called *Sixty Milestones of Progress*.

² Gilbert, Frank T., *Historic Sketches*, appendix, p. 12.

F. Boyer. Doctor Baker, who had been in the mercantile business in Portland, opened a store in Walla Walla in 1859, coming to the place to assume the management a year and a half later. In 1862 a partnership was formed with Mr. Boyer, but the firm name of D. S. Baker & Co. was retained until 1869, when the title of Baker & Boyer was adopted. The store was that year sold to Paine Brothers & Moore and the banking business was opened in the upstairs quarters with the words "Bank Place" inscribed above the windows.

Being of the evolutionary mercantile type of enterprise prior to the formal establishment of the bank and the opening of the checking accounts, this partnership performed certain banking services for several years during the 'sixties. The transactions are a matter of record at the bank. The books show the receipt and withdrawal of deposits, the making of loans, and the purchase and sale of bullion and gold dust to the extent of several hundred thousand dollars. There are twenty-seven volumes, containing some 14,600 pages, which record the transactions of Baker and his associates between 1858, the year before the business was established in Walla Walla, and 1870 when the bank was well started on its career.

"In those primitive times business was transacted in a crude way. . . . The miners used to give Boyer their gold dust for safe-keeping on their departure for the distant mines. . . . It was their custom to bring large quantities of gold into the store in buck-skin pouches. The names of the owners were attached in some way, either on a card tied to the sack or by writing on the receptacle itself. In those times it was not the custom either to give or ask for receipts. In many instances, Mr. Boyer was the only living witness, except the owner of the gold dust, that any sum whatever had been entrusted to his care. Although this custom continued for many years, there were never any losses, disputes or misunderstandings over these pioneer transactions."³ These views constitute in part the recollections of P. B. Johnson, for many years editor of the *Walla Walla Union* and at one time an employee of Doctor Baker.⁴

The firm of Baker & Boyer continued to do a private banking business until 1889, when a national association was organized under the present title of Baker-Boyer National Bank. The founders of the private bank were always prominent in the community life of Walla Walla and vicinity. Mr. Boyer lived until 1897, but the dy-

³ From a bank publication called *Fiftieth Anniversary, Baker-Boyer National Bank, Walla Walla, 1919.*

⁴ Miles C. Moore, *Up-to-the-Times Magazine*, 1918-19, pp. 8798-9.

namic personality of Doctor Baker was halted by death several months before the application was made for the national charter.

It is impossible even to estimate the influence of Doctor Baker upon the contemporary and subsequent development of the Walla Walla country. Outside of his banking activities he did much to lay the foundation for the commercial and agricultural advance of the area. He is remembered, for instance, for the construction of the Walla Walla & Columbia River Railroad, once popularly known as the "Doctor Baker Road," the first railroad other than portage in Washington Territory, which superseded the laborious wagon system of transportation over the thirty miles between Walla Walla and Wallula, and thus made possible a more lucrative and voluminous business in the wheat industry in Southeastern Washington. From a social standpoint, Whitman College, founded in 1859 as Whitman Seminary, is indebted to him for the donation of its original site.

Dexter Horton of Seattle

Until recently it was commonly supposed that Dexter Horton, Seattle pioneer of 1853, was the founder of the first bank in the Territory. This notion had gained credence from the fact that Seattle displaced Walla Walla as the largest town in the Territory by 1880 and soon quite eclipsed the inland settlement in both population and commercial development. It may also be mentioned that the opening of Dexter Horton & Co. occurred much less than a year after that of the banks in Walla Walla. The Seattle private bank was evolved, like the Baker & Boyer enterprise, out of a general mercantile business.

Dexter Horton was intimately connected with the life of Seattle from 1853 until his death in 1904, a period of fifty-one years, during which time he exerted a great force in the material and social advancement of the city. He had come to Oregon by wagon train in 1852, and after bringing his family to Seattle was not only penniless, but was indebted to the extent of \$50.00 to Thomas Mercer, captain of the wagon train. For a time he chopped piles at \$2.50 per day, later earning \$10.00 per day clearing two lots for a man at Port Townsend. For several months he worked in a mill while his wife cooked for fourteen men.

Arthur A. Denny, "father of Seattle," who had purchased a small stock of goods on commission, invited Horton and David Phillips, the latter recently arrived from Olympia, to join him in the enterprise. The three partners pooled their limited resources and

bought more goods. A little later Horton bought the interests of his partners, giving them credit on his books, and continued in business alone. According to Frederic J. Grant this little store did the leading business in the village.⁵

Horton sold his stock of goods on January 1, 1867,⁶ and spent the next three years in San Francisco where he solicited business with Puget Sound dealers as a commission merchant.⁷ A news item in the *Intelligencer* of March 21, 1870, disclosed the fact that Horton expected to open a bank in Seattle soon and had ordered a five-ton safe, while the same paper announced on March 28 that he was now prepared to do a general banking business, including the making of collections and the discounting of drafts.

During the earlier years of his experience in Seattle Horton had conducted a rudimentary banking business, the records showing that he had advanced cash to individuals and charged their accounts, accepted orders from customers to advance both money and goods to others and kept the necessary accounts, negotiated drafts drawn against local individuals and business houses, making payment to the holders of the drafts in the form of money, goods or credit, and accepted produce for credit.

Clarence B. Bagley gives an account of the evolution of the bank: "Loggers coming in from the camps did not wish to carry their money and grew into the habit of leaving it with Horton. It was placed in sacks and hidden in various places in the store, the depths of a barrel of coffee being one of the favorite spots. As the stock of other people's money grew, Horton installed a safe to take care of it. Men would leave their sacks with him and he would throw them into the safe with an identifying tag on each. In some cases years would elapse before the owners would call again. Gradually it became the habit to keep the sacks in action by the owner calling often to add to or subtract from his store of gold. When money was needed the owner would take out what he needed, place a receipt for the amount in its place, and again the sack was thrown into the safe."⁸

A banking or a brokerage business was doubtless contemplated previous to the sale of the mercantile establishment since Horton engaged in the latter type of enterprise upon arriving in San Francisco. The banking establishment grew out of the brokerage busi-

⁵ Grant, Frederick J., *History of Seattle*, p. 397.

⁶ *Ibid.*, p. 288.

⁷ *Territorial Republican*, Aug. 10, 1868, and *The Commercial Age*, Feb. 5, 1870.

⁸ Bagley, Clarence B., *History of Seattle*, p. 478.

ness just as the latter was suggested by and evolved out of the varied activities of the general mercantile enterprise.⁹

In June, 1870, Phillips rejoined his erstwhile associate and the firm name became Phillips, Horton & Co. Less than two years later Phillips died, and Arthur Denny bought a half interest in the business. Under the title of Dexter Horton & Co. the bank was henceforth operated jointly by Horton and Denny until 1887 when it was incorporated and came under the control of William S. Ladd of Portland.

It is worthy of note that Bagley wrote in 1916, concerning the Horton and Denny enterprise, that "the confidence reposed in the two men was a greater asset for the firm than the column of figures that reflected its commercial standing."¹⁰ The present writer was informed by Professor Edmond S. Meany that Mr. Denny was authority for the statement that, while the unincorporated bank was given the highest rating by Bradstreet's, the standing was reduced somewhat upon incorporation in 1887—a splendid tribute to the integrity and business sagacity of these two pioneer bankers.

The institution founded by Dexter Horton was converted to a national bank in 1910. It subsequently absorbed a number of smaller institutions and eventually was consolidated with two other large banks to form under its own charter what is now known as the First National Bank, capitalized at eight million dollars.

Three Outstanding Personalities

It is impossible in this brief space to do justice to the pioneer bankers. A prominent place in the banking annals of the state has been earned by such men as G. A. Barnes of Olympia, who with the aid of others established a bank in August, 1870, by J. A. Perkins of Colfax, A. M. Cannon of Spokane, N. B. Coffman of Chehalis, and several others. Many of those who made substantial contributions to the healthy development of the State have virtually been lost to history. In a score of communities the older generation manifests pride in local pioneer bankers, some of whom, in spite of their failure during the financial storms of the 'nineties, continued to enjoy the confidence and love of patrons who had suffered at their hands. In some cases of this kind new banking enterprises were launched by former bankers at the instance or with the cooperation of former patrons. The same charity which was characteristic of

⁹ *Ibid.*

¹⁰ Bagley, *op. cit.*, p. 478.

certain bankers was evidenced among the citizenry by transferring all blame for losses to the general financial stringency of the time. This attitude is perhaps justified. With the elasticity now afforded by the banking system many of the failures of 1893-1896 might have been averted. But it may also be said to the credit of a number of the pioneer bankers whose memory is cherished, that despite the failure of their banks, they left their communities richer for their benefactions and the stimulus which they had given to local business. Higher standards of living had been attained through their activities.

Among the bankers antedating the 'eighties there were, in the writer's opinion, three illustrious personalities in the Northwest, two of whom were Washingtonians. They were William S. Ladd of Portland, Dr. D. S. Baker of Walla Walla, and Dexter Horton of Seattle. They were all private bankers, the guiding geniuses in enduring enterprises. The two Washington men, it is true, were afforded valuable assistance by their respective partners, John F. Boyer and Arthur A. Denny, whose reputations for integrity were equal to those of the men with whom they cast their lot. It is likewise true that during the 'eighties there were many lesser lights who might have come to similar prominence if they had found themselves in the proper setting. But there was an outstanding quality possessed by all three of the bankers mentioned—an exhaustless, driving energy which did not know defeat. And to leave any one of them out of a local history would amount to historical mutilation.

These men were community builders, not solely opportunists. It is not to be doubted that each of them played an inestimable part in the development of his community and of the Northwest as a whole. Each was so closely connected with the life of his community that he has left an indelible impression there. If any one of these men were to be considered purely from the standpoint of his banking contributions he would have earned a lasting place in the hearts of his fellow citizens. But these men were more than bankers. They were bankers because they had already been good citizens and business men. The life of their communities was enriched by their presence. In other words, success of the type which they achieved was not only personal, but also social aggrandizement.

Private banking of the old unregulated type has ceased to exist in the United States since the going into effect of the Banking Act of 1933. Many bankers of the older generation look back with

"historic homesickness" upon the lack of restriction in the private banking era. It is to be noted, however, that after a lapse of time the Fates had wrung out of the banking business the old opportunities for local investment which formerly had absorbed the bankers' entire working capital, and had consequently placed upon the depositary the responsibility and trust of making wise outside use, not only of the bank's capital, but also of other people's money. The new situation called not only for honesty of investment where the facts were known, but also for dependable judgment as to the soundness of securities far removed from the banker's own experience, and for a conservative policy that could resist the lure of a possible high, but uncertain yield.

While this transformation was in progress the private banker was fading inevitably out of the picture to become another historical figure in the long galaxy of the past. Men of the Ladd-Baker-Horton type could still be trusted with the stewardship, but unfortunately a democracy knows no way to discriminate, and the fit and the unfit had to conform alike to the restrictive measures. It came to be necessary to have legislation covering capital minima, impairment of capital, paying-in of subscribed capital, acceptance of deposits while in a state of insolvency, limitation and restriction upon loans and deposits, safeguarding of public funds, and other subjects including the abolition of private banking itself. Such legislation was, in a sense, the tardy reaction to new economic conditions, and it may even be said that where private banking continued to exist it was mirrored out of the past. But restrictive legislation would not have been necessary without the prevalence of poor banking. Finally, regardless of how coercive any legislation might be, it could never in reality be a substitute for refined judgment.

In a sense it may be said that many of the early private banking ventures were controlled by what we might call the idealistic American spirit—tireless effort to achieve economic success, tempered with genuine honesty and a reasonable devotion to the public interest, a devotion that is not marred at all by a penetrating judgment as to what is good and what is poor business. This was the spirit which made the pioneer Northwest tolerable. This was undoubtedly the spirit which actuated Dexter Horton of Seattle and Dr. D. S. Baker of Walla Walla—the type of banker who was never in need of supervision. Banking regulation came, Mr. N. B. Coffman of Chehalis once said, because bankers were not faithful to their trusts,

and thus the proper relation between the banker and his government was destroyed. It was not so much the changing time as the changing type of banker that brought on our troubles. While regulation was doubtless inevitable, the retrospect of a life-time of integrity rebelled at the thought of compulsory observance of the rules of good banking. There was a social duty to be performed. Pioneer bankers of this type have left a heritage incomparably greater than their own family fortunes.

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