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THE BACKGROUND OF EARLY WASHINGTON BANKING

No phase of our economic life can be independent of political circumstances and geographical environment. For this reason each locality in the country, while its institutions contain certain elements of our common heritage, tends to develop characteristics of its own. This truth is strikingly, if not uniquely, exemplified in the history of the Oregon country. Hither had come a spirit of independence which was to be confronted with strange forces, natural, economic and political. The first of these is typified by the necessity of hewing out homes in the forests, the second by the struggle with the British-Canadian fur interests over the exploitation of the natural resources north of the Columbia, and the third by the semi-political control on the part of these same interests. The subsequent play of these forces resulted in a singular blending of self-assurance and cooperation which made for community strength and development that ordinarily could be compelled only by sheer necessity.

It is difficult to imagine any phase of the history of Washington dating back to the early settlements which does not devote some attention to Oregon. The economic development of the neighboring state was begun somewhat earlier than that of Washington, and the political circumstances at the time were such as to make the two commonwealths inseparable. The domination of the Hudson's Bay Company, coupled with the fact that the earlier American settlements were in the Willamette Valley, placed Washington in a somewhat dependent position. Until the year 1853 Washington remained politically a part of Oregon Territory. Congress then organized Washington Territory, which comprised the present states of Washington and Idaho, as well as parts of Wyoming and Montana. Ten years later the territory to the east of the present state boundary was organized as Idaho Territory. The chief reason for giving Washington a separate existence in 1853 was the inconvenience of administering the distant settlements on Puget Sound.¹

¹ Harold U. Faulkner, *American Economic History* (New York, 1928), 405.

With the creation of Washington Territory the political connection with Oregon was severed, but the economic subservience of the former endured. The Hudson's Bay Company post was established at Vancouver as early as 1825, but the first economic development of the Pacific Northwest occurred in the Willamette Valley. The chief settlements in Washington radiated out of these older population centers, and the early towns in the region east of the Cascades looked to Portland for supplies. The most important of the inland towns other than The Dalles, Oregon, were the Washington settlements of Walla Walla, Dayton, Colfax, and Spokane. Walla Walla was the earliest of the Washington group and became the outfitting point for the settlers of the intermountain district.

The populating of the Puget Sound country proceeded fairly rapidly after the organization of the Territory, the important settlements being on Bellingham Bay and at the sites of Port Townsend, Seattle, and Olympia. In the Willamette area Oregon City was the metropolis until after the California gold rush. Other settlements were those at the sites of Portland, Salem, and Albany. Portland forged rapidly to the front after 1850 and soon became the distributing and banking center of the Pacific Northwest—a region so nearly isolated by the geographic factors of mountains and distance that it was molded into a separate economic unit.

I.

The first trade carried on in the Pacific Northwest grew out of the abundance of fur-bearing animals. It is the opinion of all authorities that for many years after the coming of the white men, the fur business was unusually lucrative since the Indians could be induced to dispose of their holdings in exchange for goods entailing little cost to the fur traders. The market for furs was good both in China and in Europe. In the course of time the Indians discerned the strength of their bargaining position, and the skins, particularly those of the beaver, came to be sufficiently standardized in value to serve as a currency. These skins were a favored medium of exchange until, with the operations of the monopolistic Hudson's Bay Company, they began to pass directly from the Indians and white trappers to the Vancouver agency and thence to the foreign markets. Wheat then came into favor as currency.

In the Puget Sound area hand-made shingles constituted the first important medium of exchange. The shingles were taken in payment of debt or were bought by the fur trading post at Nisqually and

shipped to the Hawaiian Islands. The exchange value seems to have been reasonably satisfactory to the settlers, the price ranging from \$1.50 to \$10.00 per thousand. Exchange was effected in terms of dollars owing to the necessity of grading, and the prices on the goods received were quoted in the same way.²

It is subject to question whether either of the commodities described constituted a true medium of exchange. Beaver skins were never a standard of value, according to J. H. Gilbert.³ Their use as currency grew out of the fact that there was a steady market for these goods which insured their acceptance both inside and outside the Oregon country, but they had shortcomings as to standardization and were usually appraised in dollars or pounds sterling when the exchange occurred.

Wheat was probably the most important of the commodity currencies. During the early years of the development of the Oregon country there was little geographical specialization, each community seeking to produce as much as possible of the necessities of life. There was little intercommunity trade other than that necessitated by the distribution of goods shipped in by the Hudson's Bay Company to be dispensed in exchange for wheat or the skins of fur-bearing animals. It was difficult at best for some of the communities to produce a surplus of wheat owing to meager resources and the necessity of clearing land, and unusual weather conditions often drove them to dependence upon the general depots of food and other goods. The early Northwest pioneer was typically a debtor. Although he may not have become indebted for his land, his improved land and his personal property were often encumbered through the advances of seed, food, and clothing made by the established trading agencies, chiefly the Hudson's Bay post on the Columbia at Vancouver. The fur company officials fostered the wheat industry and were willing to accept wheat in exchange for other goods for the three-fold reason that there was usually a ready market for it in large quantities, it was cheaper to purchase local wheat for company use than to import it, and meant sale of the company goods at a handsome profit.

There was little or no specie to be used as a medium of exchange during the 'forties.⁴ This was a decided advantage to the fur traders in their dealings with both the Indians and the whites. The

2 Herbert Hunt and F. C. Kaylor, *West of the Cascades* (Chicago, 1917), I, 105.

3 J. H. Gilbert, *Trade and Currency in Early Oregon* (New York, 1907), 35.

4 Gilbert, *op. cit.*, 42-43

former brought in furs to the company and received in exchange only British-made articles, such as blankets, beads, tobacco, guns, and ammunition. The latter furnished wheat ordinarily and received goods of British origin or credit on the books of the company. Employees of the company were given book credit for their services, and when leaving for the East, received drafts on the home office of the company. Missionaries and visiting officials of the United States gave the British traders drafts on eastern boards and governmental bureaus, respectively, for supplies purchased.

Although there were independent merchants in Oregon City early in the 'forties who imported goods and accepted small quantities of wheat as currency, the bulk of the import and export trade was under the control of the British traders.⁵ For some time while the naval squadron was in the Pacific Ocean, American settlers sought to gain the advantage of furnishing the government some of the necessary foodstuffs, but without success.⁶ For the British trader there was no problem of the settlement of trade balances. In fact, the value of the furs shipped to England always exceeded that of the goods imported, but it was only necessary to record the balance on the company's books in London. When specie was received by the Vancouver agents it was forwarded to London. Coin was thus virtually kept out of circulation and the market was accordingly restricted. Moreover, immigrants seldom brought money, and prices in terms of wheat were high, adding to the disquietude of the settlers.

His position of seeming economic subservience was often irksome to the American settler. An Oregon City correspondent stated in the *Oregon Spectator* in 1846, that "men of capital dare not venture to engage in merchandising whilst the monster Hudson's Bay Co. reigns over the land." He urged that Congress be memorialized to drive out the British company, and that a joint-stock company be organized for "transacting our own commerce," the stock to consist of wheat. In the issue of February 4 following, a writer complained of the great indebtedness to the British concern. He charged that the resale of wheat by the company would net a profit that would go far toward paying the indebtedness of the farmers of Oregon. Sixty cents a bushel was allowed in merchandise at Vancouver, and "\$40,000 bushels would cost them \$24,000. After manufacturing into flour and paying the expenses, they would have 1,600,000

⁵ Gilbert, *op. cit.*, 42-43.

⁶ Oregon City *Oregon Spectator*, Dec. 24, 1846.

pounds. This is sold at four cents a pound at the mill. The selling price would be \$64,000, leaving a profit of \$40,000. If the flour is shipped to the Sandwich Islands, as is the usual case, it will sell for ten dollars a barrel. This 40,000 bushels of wheat would make 8,000 barrels of flour and command at that price, \$80,000. Deduct the usual price of freight, \$2.00 per barrel, or \$16,000; cooerage at 65 cents per barrel, \$5,200, and the profit is \$34,800.⁷

On the other hand, it was advantageous for the settlers that wheat was accepted on all debts. In 1844 a store was established at Oregon City by the Hudson's Bay Company to make advances of necessaries to those in want. Dr. John McLoughlin, the chief factor at Vancouver, issued orders in favor of settlers and had the goods delivered at Oregon City. Payment would be made in wheat after the next harvest. J. H. Gilbert states that it was estimated in 1846 that four thousand settlers were indebted to McLoughlin and the Hudson's Bay Company, the advances reaching \$100,000.⁸ A letter illustrative of the advances made to immigrants was written by Dr. McLoughlin to the Tumwater agency on Puget Sound on September 27, 1844. The transaction concerned Colonel and Mrs. Michael T. Simmons who had just arrived at the site of the future settlement. The letter carried the instruction that "If you have any to spare, please let him have what he demands and charge it to home," that is, to the Vancouver office of the company.⁹

As wheat grew in favor as currency, "wheat credit" became the prevailing medium of payment in the Northwest. It took the form of warehouse receipts, the wheat being deposited at the market price, and the receipts passing current as money and being acceptable at face value over a considerable area within the domain of the company's operations. It made a good medium since there was always and outside demand for wheat. But since this commodity was by no means uniform, it was now necessary to have some one pass upon its quality when it was deposited. This function was performed by the receiving merchant, the debtor and the creditor reposing their confidence in him, as in the banker. But the merchant's stock in trade was very limited, since he was dependent on the British, and, unlike the latter, could not always satisfy the needs of the customer who held the order on him.¹⁰

In the year 1845 it was perceived that the warehouse receipt

7 Oregon City *Oregon Spectator*, Dec. 10, 1846.

8 Gilbert, *op. cit.*, 45.

9 Hunt, *op. cit.*, 102.

10 Gilbert, *op. cit.*, 54.

was a medium which would no longer remain stable. Three factors united to establish this conclusion: (a) the population was rapidly increasing; (b) the volume of wheat production was very uncertain; and, (c) the fur company was beginning to insist upon payment in gold and silver.¹¹

To the farmers who were accustomed to make their purchases and pay their debts with the wheat they had produced, the announcement of the new policy by the Hudson's Bay Company was unwelcome news. Governor Abernethy of Oregon recommended to the legislative body of the provisional government in 1845 that wheat be made a legal tender. The measure which was passed as a result of this recommendation was more than an attempt to solve the wheat currency problem. Territorial scrip was circulating at the time, being made payable to the bearer to obviate endorsement. Orders on solvent merchants were negotiable and often bore several successive endorsements. Merchants received these forms of paper at any time as credit on the books against which future purchases would be charged, a large portion of the commercial transactions being handled in this way. Under the legislative act "legal tender" was made to include gold, silver, "treasury drafts, approved orders on solvent merchants, and good merchantable wheat" at the market price, delivered at places where the people customarily received wheat.

It was not long before the value of wheat was reduced, since approximately 150,000 bushels had been produced during the season in the Willamette Valley and about Vancouver. There was a surplus of 50,000 bushels, or 10,000 barrels of flour, and grist mills were becoming numerous.¹² As a consequence there was some difficulty over the payment of debts. Jacob Hoover, father of the founder of the Exchange National Bank of Spokane, advertised in 1846: "I hereby give notice that my note in favor either of John McLoughlin, or the Hudson's Bay Co.—I do not now distinctly remember which party—dated in October, 1845, will not be paid unless the payment is compelled by law, as the payment of said note in 'good merchantable wheat' has been refused at the granary at Linton."¹³

Two years after the enactment of the currency measure, the governor reported that gold and silver were more plentiful and "could be made the only lawful tender without detriment to the community," but suggested that wheat be retained as a legal tender.¹⁴

¹¹ As to this third point, see Edmond S. Meany, *History of the State of Washington* (New York, 1927), 146.

¹² Oregon City *Oregon Spectator*, Jan. 7, 1847.

¹³ *Ibid.*, Dec. 10, 1846.

¹⁴ Meany, *op. cit.*, 147.

Although this suggestion was not acted upon favorably, wheat remained an important currency until gold dust came into the territory in considerable quantities after the California discovery of 1848. Gold then became the actual standard.

Coincidentally the value of the territorial scrip was also low, being quoted at a 33 per cent discount in terms of specie because the revenues of the provisional government were inadequate. The premium on specie required the quotation of two prices.¹⁵ An advertisement appearing in the *Spectator* during January and February, 1847, stated that farm and town lots were for sale, and "if any person wishes to pay specie, I will make a discount of 50 per cent." The local currency, of course, was not acceptable outside the territory as a rule, and vessels which could not take wheat had no purpose in coming. This general situation greatly hindered the importation of stock from California by the Willamette Cattle Company.¹⁶ By February, 1848, the increased production of wheat due to the adaptability of the soil to this crop, resulted in an unexchangeable surplus and prices in terms of wheat rose tremendously.

In 1848 there were about 13,000 white people in Oregon, nearly all of whom were farmers. Oregon City, with a population of approximately 800, was the largest town, while Portland was a village of about 100. With the discovery of gold in that year half of the people in the Oregon country left for California. The population of California quickly grew to 100,000. The Oregon surplus of wheat could then be favorably marketed, while the demand for lumber, fruit, fish, and coal greatly stimulated the production of these commodities.¹⁷ The people of Oregon were so favorably situated that they probably fared better than the "forty-niners."¹⁸ Industry became diversified and goods were distributed somewhat more extensively outside the territory. Professor Meany states that the first employment of the newcomers at Alki Point, the Seattle settlement of 1851, was the supplying of a cargo of piles to be used in the construction of wharves at San Francisco.¹⁹ The stimulus of the California demand for sawed lumber caused the erection of many saw mills on Puget Sound, and within a few years markets for lumber were found in Hawaii, Australia, and China.

The Californians made payment in gold dust, with the result that there was shortly an abundance of this medium of exchange

15 Gilbert, *op. cit.*, 55-56.

16 *Ibid.*, 59.

17 Meany, *op. cit.*, 256.

18 Gilbert, *op. cit.*, 74.

19 Meany, *op. cit.*, 299.

in Oregon. Weighing of the precious metal became a familiar operation. There were few important discoveries of gold in either Oregon or Washington until 1860, yet within a year after the California discovery it was estimated that the value of the gold dust in Oregon totaled \$2,000,000. The dust was not standardized, however, the quality being uncertain owing to lack of assaying, and what is more, the scales and weights used were often inaccurate. The variation in value of this miners' currency naturally caused a certain amount of difficulty in trade. Taxes were often paid and business conducted in terms of Mexican and Peruvian dollars which had been shipped to Oregon in barrels. While the Hudson's Bay Company would allow only half value for these coins, the provisional government accepted them at face value.²⁰

But the gold dust gradually tended toward a standard value. In San Francisco, where the auction price had ranged during the first three years from \$12.00 to \$20.00 an ounce, assay offices were set up to determine the value of the dust and competing banks accepted it at uniform prices. Moffat & Co. was issuing and shipping redeemable coins by the year 1851.²¹

This standardization movement led to similar action in Oregon. For a time during the interval when the miners were returning north, the Oregon merchants allowed only \$11.00 per ounce for gold dust which could be shipped back to the San Francisco market and sold at \$16.00. Since coins were at a premium, the legislature authorized the establishment of a mint at Oregon City in 1849 for weighing, assaying, and stamping gold. With the arrival of Governor Joseph Lane in 1849 and the disapproval of the act by the federal government, the project was taken over by local business men. The price of gold was fixed at \$16.00. The coins issued have been called "beaver money" because of the design of a beaver which they bore. They were made heavier than standard to compensate for impurities, and since they uniformly proved to be worth slightly more than their face value at San Francisco, they were always acceptable and were a boon to trade.

As was to be expected, the abandonment of Oregon farms reduced the volume of farm production considerably. The return of the miners and the arrival of new immigrants led to the importation of food and other goods and the draining out of much of the gold.²² Production was soon revived, however, and an abundance

²⁰ Meany, *op. cit.*, 147.

²¹ H. H. Bancroft, *California Inter Pocula* (San Francisco, 1888), 340.

²² Oregon City *Oregon Spectator*, Aug. 29, 1850.

of gold remained in circulation. The lumber industry was a major factor in maintaining this position, the sixteen mills on Puget Sound alone having a capacity in the autumn of 1855 of 85,000 feet daily.²³

The gold discovery of 1848 so stimulated migration to the Pacific Coast that the decade of the 'fifties offered great opportunities in the merchandising business in Oregon as well as in California. The commission merchants of the Northwest, now no longer dependent upon British traders, regularly sold their goods at a substantial advance on eastern or San Francisco costs. Among the merchants who reaped the harvests of this period was William S. Ladd whose name came to be identified with Portland's history for forty years. His success as a merchant and the concomitant development of the city of Portland induced him to join in 1859 with C. E. Tilton, an eastern capitalist, in the establishment of the first and one of the most notable banks in the Pacific Northwest, the Ladd & Tilton Bank.

II.

The formal establishment of banking institutions began in Oregon in 1859 and in Washington a decade later, but many years previously certain definite functions had been performed on a small scale by merchants, express companies, and others. The transactions consisted of collecting, the buying and selling of exchange, the negotiating of loans, and the receiving of gold, money, and other valuables on deposit.

At the outset it may be well to emphasize the fact that in more-or-less isolated communities, banks which are locally capitalized tend to evolve, rather than to be established as the "first love" of their founders. In the Pacific Northwest they were chiefly an outgrowth of the mercantile business. This truth is exemplified, notably, in the establishment of the Ladd & Tilton Bank in Portland, of the Baker & Boyer enterprise in Walla Walla, of the Dexter Horton business in Seattle, of G. A. Barnes & Co. in Olympia, and of A. M. Cannon's bank, the Bank of Spokane Falls. The merchant imported and sold goods on commission or bought his stock as he saw fit. He kept regular accounts with his customers, many of whom frequently brought in produce, and he debited or credited the accounts as the occasion required. Anticipating the receipt of future produce he often made advances of cash or merchandise. Likewise the merchant's iron safe, improvised safe, or coffee barrel, became a conven-

²³ Meany, *op. cit.*, 229.

ient depository for the funds of laborers, venturesome travelers and prospectors, miners, and loggers. When men left for the mines their gold dust was deposited intact with cards tied to the buckskin pouches or other receptacles. The merchant also frequently became the outright purchaser of gold dust which was shipped to San Francisco. Remittance was made in the form of drafts, or exchange balances were built up. Thus the merchant was able to accommodate customers seeking exchange on San Francisco. In productive communities he also became the purchaser of drafts on the larger centers.

There were many merchants, of course, who engaged in banking activities of one form or another but did not continue to perform such service. It is interesting to note that Couch & Co. of Portland displayed an advertisement in the *Oregonian* as early as December 4, 1850, which represented that services would be rendered by the company as bankers, wholesalers, and retail merchants and dealers in exchange on San Francisco and New York.²⁴ Two months later Norris and Co. advertised that they would forward gold dust to the east and would draw drafts on all large cities. Schwabacher Bros. & Co., who had general merchandise stores in a number of places in the Northwest, and in Walla Walla as early as 1861, was one of the several firms that sold exchange.²⁵ It is probable that some firms did not enter into exchange dealings through choice, but rather through necessity, since for a considerable time during the controversy over greenbacks in San Francisco, wholesalers insisted upon gold payments in the case of Northwest merchants who made like demands.

Special agencies for making loans on approved security were set up, either furnishing their own capital or negotiating loans for others. The general merchant usually found ample employment for his surplus earnings, expanding his business as the demand for his goods grew with the increasing population. He tended rather to accept deposits as a partial basis for his loans and thereby found himself in the status of a banker. Professional men, particularly lawyers, who came at a later time, were equipped at the outset to serve as brokers, being well informed to advise both borrower and lender. As time advanced the surplus income from fees and commissions gradually accumulated as loanable capital. While the mer-

24 J. H. Gilbert, "The Development of Banking in Oregon," in *University of Oregon Bulletin* (Eugene, 1911), n. s. IX, no. 1.

25 T. C. Elliott, personal interview, Walla Walla, Sept., 1932.

chant who made loans might thereby help to establish potential competitors in business, the lawyer incurred no such risk. As a matter of fact, productive loans often led the way to a greater clientele. It was frequently the case, therefore, that lawyers or law firms engaged in some form of banking activity which was either continued as an adjunct or was gradually allowed to absorb the firm's entire attention.

Jacob Hoover, a graduate of Pacific University, Forest Grove, Oregon, with the class of 1869, went to Steilacoom, Washington, in that year to practice law. Nine years later he moved to Colfax where he devoted some attention to banking. Eventually he gave up his law practice and became one of the organizers of two banks in Spokane. J. J. Browne practiced law in Spokane for a number of years, invested his surplus funds in loans, and finally organized the Browne National Bank. N. B. Coffman's banking business in Chehalis was in part an outgrowth of a law practice.

There were miscellaneous firms that entered the loan market, but, like some of the mercantile firms, did not evolve into banking houses. The law firm of Allen Bros. & Wyche, located in the land office building at Olympia, advertised "money to loan" early in the 'seventies.²⁶ Hawley, Dodd & Co. of Walla Walla sought to make loans on farm land and growing crops.²⁷ J. K. Rutherford advertised himself as willing to invest in mortgages on improved farms and to deal in "all kinds of scrip and warrants."

But the real estate agent of the early type, like the lawyer, was especially equipped to make loans on his own account. E. R. Buck, a general land agent and broker, had money to loan on real estate or good paper and offered to buy scrip. He loaned his own capital and also borrowed funds for the purpose of reloading, advertising that money was wanted for any length of time.²⁸ Angus Mackintosh of Seattle was a notary and conveyancer, and he and a partner, W. H. Reeves, were associated in a real estate agency before the two set up the Seattle Loan & Savings Agency, the predecessor of the Merchants National Bank of Seattle. H. L. and J. F. Caples, who were performing similar functions in Vancouver, Washington, as early as 1865, advertised that they were prepared to "secure and collect debts in Washington Territory, to negotiate loans upon good security, to buy and sell commercial paper."²⁹ This firm would more than likely

26 Olympia *Olympia Transcript*, Aug. 3, 1872.

27 Dayton, Washington, *The Dayton News*, March 16, 1878.

28 Dayton, Washington, *Dayton Daily News*, and *Dayton Weekly News*, Dec. 4, 1880.

29 Vancouver, Washington, *Vancouver Register*, March 17, 1866.

have developed beyond its embryonic state in the banking field if it had not been handicapped by proximity to Portland. Although Vancouver was the oldest community in Washington Territory, it had from an early date been overshadowed by Portland where most of its important banking was done. Mortgage loan companies and brokers, however, found it possible to secure some patronage since the banking business in Portland was so largely commercial and of a conservative type.

At a very early date the express companies were performing banking functions similar to those described above. In 1845 Wells, Fargo & Co. sold its interests in the East to the American Express Company and moved to the Pacific Coast where it developed business between the mining towns and the coast and between the Atlantic and the Pacific.³⁰ This company, as well as Adams Express, inaugurated its service in the Pacific Northwest early in the 'fifties. Employees of these companies and independent "express riders" carried small packages overland between Portland and San Francisco, the charge for carrying a letter being fifty cents.³¹ Connections were established with "all parts of Oregon" to accommodate the miners and prospectors.³² The fast pony express was instituted on the coast in 1860.

These agencies received and forwarded gold dust and other valuables and served as depositories. Wells, Fargo & Company's agents advertised as bankers and exchange dealers. The banking system inaugurated by this express company had as its initial function the purchase and sale of gold dust and bullion.³³ The advertisements of Adams Express Company which was organized in 1854 by the consolidation of Adams & Co., with several other firms, stated that deposits would be received on general accounts. One deposit amounting to \$15,000 came to light when the San Francisco house of Adams & Co. failed.³⁴

Yet little is known as to how extensively the Portland agency entered into banking. Very little, at least, was done in the line of lending and discounting. The profits of Wells, Fargo & Co. were later invested as banking capital in Portland and San Francisco, the name being preserved to the present day in the title of the San Francisco institution, Wells, Fargo Bank & Union Trust Co. The Commercial National Bank of Portland was for a short time during the

30 Faulkner, *op. cit.*, 334.

31 Joseph Gaston, *Portland, Its History and Builders* (Portland, 1911), I, 252.

32 Harvey W. Scott, *History of the Oregon Country* (Cambridge, 1924), III, 183.

33 Alexander L. Stimson, *History of the Express Business* (New York, 1881), 259.

34 Gilbert, "Development of Banking in Oregon," *op. cit.*, 6.

'nineties owned by this company, but was later merged with the United States National Bank.³⁵ Certain litigation, recorded in the federal reports, was the outgrowth of banking operations engaged in by Wells, Fargo & Co. in Washington Territory.

The rapidity with which the Pacific coast was populated by the California gold rush and the subsequent prospecting in the Oregon country caused the government to begin an expansion of the mail service in western Washington and Oregon. Connections with the important inland settlements as far as Boise were established as early as 1850.³⁶ The Indian wars retarded the settlement of the inland country, but after 1858 the gold seekers appeared in large numbers. Walla Walla, which was first settled in 1855, came into prominence by 1861. Early in the next decade many other towns had appeared in this area, and the mail service was extended to them. Private stages were utilized by the government, for this purpose. Miss Leoti West, pioneer school teacher of Colfax, tells of riding into that town on a buckboard with the mail under her feet.³⁷

In the 'seventies this service was well enough organized to enable the government to grant petitions for postal money order adjuncts. The service of forwarding small sums from the growing communities was made available by application under the postal money order act of 1864, and many Washington towns took advantage of this opportunity in the next decade.³⁸

South Central Washington, which banked at The Dalles, and had no banking service of its own until 1889, received a money order office by 1880 at Goldendale. Private agencies selling exchange on the neighboring towns early in the 'seventies charged no less than one-half of one per cent. In Olympia this was the quoted rate for exchange on Seattle and Portland, as well as San Francisco.³⁹ A few years later the rates were reduced materially, Portland exchange in The Dalles, for instance, standing at one-fourth of one per cent in 1880. The reduction was doubtless due in part at least to the competing postal service.

San Francisco banking houses entered the Northwest field, advertising particularly during the harvest seasons, but evidently did not send agents into the territory since loans were offered only on collateral and other securities which could be mailed or expressed to the California city. They were especially interested in receiving de-

35 Scott, *op. cit.*, V, 118.

36 *Ibid.*, III, 183.

37 Leoti L. West, *The Wide Northwest* (Spokane, 1927), 24.

38 Olympia *Olympia Transcript*, July 3, 1880.

39 *Ibid.*, October 12, 1872.

posits and paid high rates upon the same. The Collateral Loan & Savings Bank of that city announced that "the object of this bank is to loan money upon collateral securities—such as stocks, bonds, savings bank books; also diamonds, watches, furniture, warehouse receipts, etc."⁴⁰ To what extent these banks transacted loans and attracted deposits has not been determined. It is likely that the effect, at least, of the operation of the numerous quasi-banks, combined with that of the banking service rendered from outside, retarded the development of regular banking institutions except in the North-west metropolis, Portland.

These outside banks frequently set forth in their advertisements during the 'seventies the rates at which they would make loans, as well as the rates they would pay for funds received in the form of time deposits. The Western Savings and Trust Co. of San Francisco advertised that the directors had "declared a ten per cent dividend per annum on term deposits and eight per cent on ordinary deposits."⁴¹ The Collateral Loan & Savings Bank, referred to above, charged "the legal rate of interest of four per cent per month." While they would receive deposits subject to call or check, they stated that "for the present the bank allows the following rates of interest to depositors: six months, one per cent per month; twelve months, one and one-fourth per cent per month. Subscription books for limited number of shares are now open at \$10.00 per share."⁴² The Market Street Bank of Savings, also of San Francisco, advertised that interest would be "allowed on all deposits remaining in the bank over thirty days. Interest on term deposits twelve per cent per annum."⁴³

When the Ladd & Tilton Bank was established in 1859 the ordinary rates upon commercial loans ranged from three to five per cent per month, some of the best loans being made at two and one-half per cent. The bank loans were almost exclusively commercial and usually did not exceed ninety days' maturity. As time advanced the terms became somewhat more favorable to the borrowers, but even as late as 1877 the Portland banks were charging the legal twelve per cent per annum on ordinary discounts, with an additional commission in many cases. In that year the San Francisco banks reduced their rates on such discounts, but the Portland institutions were able to maintain the higher rates owing to the local scarcity of

40 Vancouver *Vancouver Independent*, July 8, 1876.

41 Vancouver *Vancouver Register*, Aug. 6, 1875.

42 Vancouver *Vancouver Independent*, July 8, 1876.

43 *Ibid.*, July 5, 1877.

capital.⁴⁴ Up to 1866 the exchange rate on San Francisco was three-fourths of one per cent, thereafter being reduced to one-half of one per cent.

The rates charged throughout this interval seem excessive, yet it is to be borne in mind that the supply of loanable funds was low and that a bank itself was forced to pay high rates of interest to attract deposits, ranging between ten and twenty per cent per annum. During the Civil War period the rates ranged from one and one-half to two and one-half per cent per month. It is also necessary to consider that the volume of business was low. After the close of the war there were four competing banks in Portland—the Ladd & Tilton Bank, the First National Bank of Portland, the Bank of British Columbia, and the East Portland Savings and Loan Bank. By the end of 1865 the deposits of the Ladd & Tilton Bank amounted to \$222,000, while the capital stock had been increased to \$400,000. If the capital was employed, the loans were to a large extent cash and entailed considerable risk that could not be passed on to depositors, as came to be the practice under later banking. Moreover, no bank ever would have been set up by local interests unless the returns were substantially equal to those of the general merchandise and other lines of business, and there is much evidence to show that the general merchant of the time enjoyed a lucrative business.

III.

It will now be evident that no history of Washington banking can overlook the importance of Oregon, and especially of the city of Portland, upon the course of banking in Washington up to the beginning of the present century at least. Toward the end of the nineteenth century, it is true, Seattle and Tacoma, Portland's growing commercial rivals to the north, became the distributing points for the Puget Sound area, but the Inland Empire was enticed to Portland by access to cheap transportation for its produce and wholesale purchases upon and along the Columbia, a factor which still plays an important part in commercial connections in the Northwest. No town in Washington Territory during the 'eighties was doing a volume of business equal to that of the Oregon metropolis. Portland was the wholesale and jobbing point, as well as the banking center of the Northwest. The inland towns looked to Portland for commercial service until railroad development turned the spotlight on Spokane Falls, but even today the railroad rates upon the wheat

⁴⁴ Gilbert, "Development of Banking in Oregon," *op. cit.*, 9-13.

shipments out of the area in Washington lying south of the Snake River constitute a bone of contention between Portland and Seattle, with the former the favored rival.

Since it was the first town in the Pacific Northwest to attain commercial importance, Portland became the outfitting point for all immigrants, miners, and others, bound for the intermountain district. Walla Walla, in turn, was the largest town in Washington, with a population of about 2000 in 1870, and was the supply center of the Inland Empire. The early migrations which radiated out of Portland into the upper Columbia country, almost invariably had Walla Walla for their immediate destination. Settlers and prospectors bound for the Palouse or Spokane country went through the busy little town where stage service to the northern settlements could be secured, and goods coming from Portland were transported over the same route. The tracing of migrations through pioneer annals will reveal many a case of Spokane settlers having lived successively in Portland, in Walla Walla, and in Colfax before adopting Spokane Falls as a permanent place of residence.

Portland's social and commercial relations with the Washington towns were to be of advantage in building later banking connections in the Northwest, and, as will be seen, the opportunities were not overlooked. The interval between 1859 and 1892 witnessed at first a slower and more substantial growth and later a rapid and feverish development, but the banking houses played a prominent role throughout the period. It is therefore fitting to discuss the initial enterprise in banking and the part it played in the development.

The banks of Oregon, like those of Washington, never enjoyed the circulation privilege. It was an act of Congress which decided the lot of the latter, while the Oregon constitutional convention of 1857 closed the doors to circulation in the case of the former.⁴⁵ No bank of issue was to be chartered or allowed to exist in the State of Oregon. Failure to include such a provision in the Oregon constitution would doubtless have resulted in rejection of the application for statehood, since the evils of wildcat banking had thoroughly impressed themselves upon Congress. Under this single restriction, the first bank in the Northwest, established by William S. Ladd and C. E. Tilton, began to operate in Portland.

After having been in Portland for two years, Mr. Ladd constructed in 1853 the first brick building in the town, a small, one-

⁴⁵ Constitution of Oregon, Art. XI, Section 1.

story structure near Front and Stark streets which housed the mercantile business of Ladd & Tilton. In 1857 a second story was added and it was here that the bank copartnership was set up on June 1, 1859, with \$50,000 capital.

The partners had grown up together in New England. Mr. Ladd was the active manager of the enterprise throughout its early career. Mr. Tilton never made his home in Portland but in San Francisco and in the East where he had other interests. He kept in touch with the Portland business by correspondence, writing shortly after its establishment the following letter:

"Let us take a safe and straight course in all our business dealings. Tell a man what we can do, and will do; tell it to him after our minds are fully made up, and then stick to it! Such a policy appeals to everyone and makes friends; and, as we are now starting in the banking business, let us try to gain this reputation for the bank. We must be prompt in meeting every obligation—we must be jealous of our credit at home and abroad. It is a pleasure to do business with a man who is cautious of his credit, but very disagreeable to have relations with one who is slack and careless in this respect. These are matters, I think, for us to regard with seriousness, and to observe with the greatest care at this time. You know how easy it is to create an impression, either favorable or otherwise, at the start. And people are governed largely by their first impressions.⁴⁶

On the sixth day of the bank's operation, Mr. Ladd wrote to his partner that "We have \$10,000 deposited with us!"⁴⁷ By the close of the year the deposits had increased to almost \$50,000, and two years later to over \$113,000. In 1861 the capital was increased to \$150,000 with the admittance of Stephen Mead into the partnership.

It is interesting to note that the first certificate of deposit was issued by Mr. Ladd to Almos H. Reynolds, who became the founder ten years later of the first banking business in the Territory of Washington. The deposit was in the sum of \$150.00 and the certificate bears the date of June 4, 1859. It was a demand certificate containing no provision for interest. A time certificate of deposit was issued a few months later, when a sum of \$2000 was placed with the bank for a term of 30 days, stipulating an interest rate of two and one-half per cent per month.

On July 1 the bankers advertised that they would "purchase certificates of deposit and other exchange at current rates, sell drafts

⁴⁶ Ladd & Tilton Bank, *Sixty Milestones of Progress* (Portland, 1919), 11.

⁴⁷ *Ibid.*, 19.

at sight on Messrs. Duncan, Sherman & Co., New York, and Messrs. Alsop & Co., San Francisco. Money received on deposit, general or special. Collections made and proceeds promptly remitted. Land warrants bought and sold. All business pertaining to banking promptly attended to."⁴⁸

The following interesting letter was addressed to a New York insurance firm on June 20, 1859:

"Your favors of November 20 and December 6 came to hand 1st of February last. Circumstances were such that we did not commence our business as soon as was anticipated when our Mr. Tilton called on you last October. We commenced business on the 1st instant and find that our remittances to San Francisco will be about fifty to sixty thousand dollars per month. We are forced to purchase Government drafts for our remittances, for the reason the Express Companies have a messenger on each steamer, and these messengers have their own safes and carry their own coin, thereby paying no freight if they insure. The Express Companies—Wells-Fargo and Freeman & Company—sell exchange at $\frac{1}{2}\%$ to $\frac{3}{4}\%$ premium. In the event we ship coin and draw against it, we are compelled to pay freight, $\frac{1}{2}\%$, and insurance, $\frac{3}{8}\%$, making expense on our shipment of $\frac{7}{8}\%$. For this reason we are compelled to purchase Government paper, as above stated. In the event we ship Treasury, we will avail ourselves to insure through you, as advised."⁴⁹

The Government drafts referred to were presumably those representing salary payments to government employees stationed in the Northwest and orders on departmental bureaus at Washington which were issued to defray the expenses of traveling officials. Later there was sometimes occasion to "ship Treasury." For example, the *Oregonian* on September 25, 1863, carried the following item of news: "Departure of the steamer *Brother Jonathan* for San Francisco with the following shipment of treasure: Wells, Fargo & Co., \$210,00; Ladd and Tilton, \$17,200; Oregon Steam Navigation Co., \$7,980; A. Cohn & Co., \$7,000; Cohen Lyon & Co., \$6,500; Knapp, Burrell & Co., \$3,000; total \$315,780. In addition to the foregoing there was a large amount of gold dust in the hands of the passengers."⁵⁰

A letter mailed to a man in Cleveland, Ohio, on August 5, 1859, gives certain data regarding charges made for the bank's services.

⁴⁸ *Ibid.*, 14.

⁴⁹ *Ibid.*, 15.

⁵⁰ *Portland Oregonian*, Sept. 25, 1863.

Mr. Ladd had occasion to collect a note of \$500, due, with six months' accrued interest at 10 per cent, on August 1. He was instructed to forward \$100 to a man in Salem, Oregon, and to draw a draft on New York for the balance. The commission for collecting the \$525 and forwarding the sum of \$100 was ten dollars, while an exchange charge of 4 per cent was made for the New York draft of \$399.04, the total cost of the service being \$25.96.⁵¹

The favored position which Portland held as the trading center of the Pacific Northwest gave the capitalists of that city an advantage in deciding when and where to employ their surplus funds. The development of the grazing industry and later of the wheat industry caused them to turn their attention first toward the Walla Walla area. After 1875 the tremendous development due to the operation of the Walla Walla and Columbia River Railroad, which had been constructed by Dr. D. S. Baker, was becoming apparent in Portland. The possibilities suggested thereby led to the establishment in Walla Walla of the first national bank in Washington. Levi Ankeny, one of the chief organizers, who had been associated with C. E. Tilton in an enterprise which required the selling of goods from pack trains in the Inland Empire, was supported by Tilton and a Portland capitalist, D. P. Thompson, who later was interested in many national banks in Washington and Oregon. Another bank in this section in which Thompson became interested at an early date was the First National Bank of Pomeroy.

Until a few years before his death, which occurred early in 1893, Ladd confined his banking interests to Portland and its immediate vicinity. In 1868 he and a partner, Asahel Bush, had established a bank at Salem, the only important early venture outside of Portland. When a number of flour mill owners who were indebted to him found themselves in difficulty in 1873, Ladd took the mills over for operation. One of these was located at Dayton, Washington. From this time forward, so many enterprises in Washington, Oregon, and Idaho depended upon him for financial assistance that he was popularly credited with being a taxpayer in every county of these three commonwealths. In addition to this developmental use of his capital, he finally acquired control of Dexter Horton & Co. of Seattle, of the First National Bank of North Yakima, and of the Merchants Bank of Port Townsend. In Washington, during the 'eighties, he was regarded as an outstanding capitalist, and many

⁵¹ Ladd & Tilton Bank, *op. cit.*, 16.

Washington merchants did their banking through the Ladd & Tilton Bank.

Washington banking itself was now well under way, having had its earliest development in Walla Walla, Seattle and Olympia. As already stated, many of the early banks represented the consummation of an evolutionary process. The transition from general merchandising into banking was not so abrupt as it was in the later days when the merchant performed more specialized functions.

But there were other ways in which banks came to be established. As the means of communication and transportation developed and there were population offshoots into the interior and tributary country, the sons and protégés of established bankers in Oregon were sent out to set up new banking enterprises. This was mutually advantageous to the parties concerned as investments in the new localities were profitable and exchange connections were automatic. Bankers of this type were Levi Ankeny of Walla Walla, and Alfred Coolidge and A. F. McClaine of Colfax. Others, like C. G. Linnington of Colfax and Bellingham, and F. M. Wade, who promoted many Washington banks, were constantly watching for new and more promising opportunities. In the course of time many banks were opened in Washington by such newcomers from the older settlements in California and Oregon, and a little later from the Middle States. In Whitman, Walla Walla and Spokane counties the pioneer bankers were almost entirely emigrants from Oregon who had perceived greater opportunities in various lines in the territory to the north and had eventually drifted into banking. Of this class prominent examples were Jacob Hoover, an attorney for several years at Steilacoom, who engaged in banking at Colfax and Spokane, and J. J. Browne who came from Portland and as a lawyer had a substantial clientele in Spokane before venturing into the banking field. D. S. Baker and J. F. Boyer of Walla Walla, whose bank evolved out of a mercantile business, had been in the California and Oregon country since the "days of 'forty-nine," and Almos Reynolds of Walla Walla had come from Oregon about ten years before opening his bank. Both J. N. Glover and A. M. Cannon, pioneer bankers of Spokane Falls, had migrated from Oregon.

The phenomenal development of the Pacific Northwest between 1882 and 1892 placed Portland banking in an enviable position. But by the close of this period the Oregon banks were facing formidable competition from the growing institutions on Puget Sound. Though

this area was therefore lost to Portland bankers, the old connections with the upper Columbia and Snake were largely preserved owing to the natural transportation route provided by the Columbia. The institution founded by Ladd continued during the present century to participate extensively in the transactions, but in 1925 was absorbed by the United States National Bank.

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