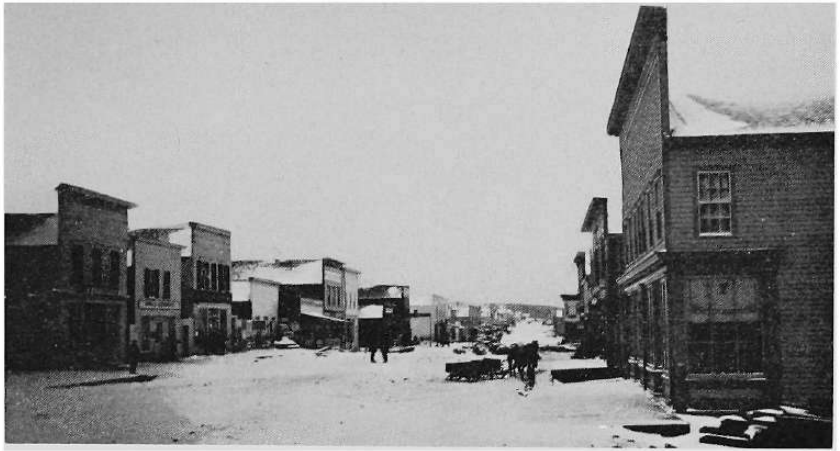


SUPERIOR Street,
1871, showing
Clark's bank
third from left



FINANCING A FRONTIER CITY

The PIONEER BANKS of DULUTH

CECIL H. MEYERS

A SAYING popular during the years which saw the rapid economic development of the West held that "every railroad into a city brings a bank."¹ Its validity is reflected in the history of Duluth, whose financial institutions were deeply influenced from the outset by railroading.

From the time of the town's incorporation in 1857 until 1869, the most pressing needs of Duluth's citizens were met by the small private bank established by Hamilton Peyton at Superior, Wisconsin, in 1857. Service was also available through St. Paul and Minneapolis banks, some of which actively sought business in the area. The panic of 1857 and the shadow of war stunted the young city's growth to such an extent that it did not need local banking firms.²

MR. MEYERS is professor of business and economics in the University of Minnesota, Duluth. This article is a revised version of a paper read before the St. Louis County Historical Society at Duluth on April 28, 1959.

In late 1868, however, a period of rapid development began. At that time Jay Cooke and Company, in co-operation with the banking firm of E. W. Clark and Company of Philadelphia, agreed to underwrite the Lake Superior and Mississippi Railroad, the lake terminal of which was to be Duluth. During the six months after January, 1869, the population of the city increased from fewer than a hundred to more than thirty-five hundred. Cooke, a sanguine believer in the future of Duluth, made extensive investments there,

¹ *Duluth Daily News, Illustrated Annual Edition*, 1890, p. 29.

² Walter Van Brunt, ed., *Duluth and St. Louis County, Minnesota*, 1:137-139 (Chicago and New York, 1921); *Duluth News-Tribune*, October 15, 1931. The term "commercial" bank is used to designate banks which accept checking as well as savings accounts and are obligated to pay checking deposits on demand or suffer insolvency. In general, some very early banks were not commercial in this strict sense. Many were private, and as such may or may not have provided a checking service for the public.

and among his ventures was the city's first commercial bank, which opened for business in May, 1869. Though his exact role in the enterprise is somewhat nebulous, it is clear that Cooke was the bank's principal financier. Its manager, George B. Sargent, had gone to Duluth to serve Cooke's pecuniary interests, and in his advertising Sargent included among his references Jay Cooke and Company and the E. W. Clark Company. That Cooke was considered the principal underwriter is also evidenced by the fact that the institution was frequently called "Jay Cooke bank."³

The bank's building, which was located on Superior Street just west of Lake Avenue, was considered most luxurious, for it was reported with great pride to be the first structure in Duluth with plastered walls.⁴ Curiously enough, construction details appear to have attracted more attention than the financial facilities that it made locally available. Yet, allowing for the fact that such services were generally unstable on a nationwide basis, and since a uniform American currency system had not at that time been developed, it may be assumed that Sargent's bank brought at least some small degree of financial stability to the young city, and it became the first link in a chain of rapidly changing financial developments which from that time provided continuous monetary service in the Duluth area.

In January, 1870, Cooke undertook the financing of the Northern Pacific Railroad, and by the early months of 1871 he was experiencing serious difficulties with that project. Partly as a result of this, perhaps, and no doubt also because Sargent had become Cooke's agent in Europe, Sargent's bank was closed either in late February or early March. In March E. W. Clark and Company opened a new bank in the same building and apparently with identical facilities. B. S. Russel was sent from Philadelphia as its manager. Although the firm apparently changed hands, Cooke still was very much involved in it. According to the *Duluth Morning Call* of March 27, 1871, the

Clark firm had Cooke's "backing" in the venture.⁵ In the same paper the company announced that "Having opened a branch of OUR PHILADELPHIA BANKING HOUSE in the City of Duluth, we are now prepared to receive deposits, make collections on all points and furnish exchange on all principal cities of the United States and Europe. We are also prepared to make LOANS ON GRAIN stored in the Duluth Elevator and to NEGOTIATE PAPER drawn against SHIPMENTS OF GRAIN AND FLOUR."

The financing of grain — always important in Duluth banking — apparently began there with the Clark company, but since railroad traffic to Duluth did not immediately reach the levels anticipated by Cooke, the Clark firm no doubt relied heavily on ordinary bank business in addition to financing grain and flour storage. It may well be that the extension of credit for transfer and storage activities turned out to be of secondary importance.

With the continuation of boom conditions, optimism ran high in Duluth, and in this setting there was established, on March 23, 1872, the First National Bank, with a capital of fifty thousand dollars — a large amount for the times. J. B. Culver, its president, and George C. Stone, its cashier, were among the earliest residents of the Zenith City. Unfortunately, little is known about this bank. Its corporate existence spanned less than two years.⁶ A third bank established in the flush of prosperity was the Duluth Savings Bank, which opened for business on May 15, 1872. This private bank came to be known by the

³ Van Brunt, *Duluth and St. Louis County*, 1:171, 185, 226; Henrietta M. Larson, *Jay Cooke: Private Banker*, 252, 330 (Cambridge, 1936); Ellis P. Oberholtzer, *Jay Cooke: Financier of the Civil War*, 2:110 (Philadelphia, 1907).

⁴ *Duluth Minnesotian*, May 22, 1869.

⁵ Larson, *Jay Cooke*, 329. The *Morning Call* is quoted in a manuscript "Memorandum" relating to early banking in Duluth, prepared in 1948 by the secretary of the St. Louis County Historical Society and now included in a "Banking File" owned by the society at Duluth.

⁶ Van Brunt, *Duluth and St. Louis County*, 1:227; *Duluth News-Tribune*, July 12, 1925.

name of its owner, John Hunter. His office was located on Superior Street and First Avenue West, near the Clark bank. Like many other early banks, Hunter's may have occupied temporary quarters prior to completion of a permanent building. That owned and occupied by the Duluth Savings Bank was constructed of stone and masonry, reflecting the stability and longevity this institution was destined to exhibit, for it continues to operate in 1960 as a part of the First American National Bank of Duluth, and its original building (modified somewhat) is still used by Oreck's department store.⁷

Jay Cooke and Company failed on September 18, 1873, and E. W. Clark and Company closed immediately thereafter. The exact date on which the doors of Duluth's First National Bank were locked for the last time is not clear, but of the three banks operating in the city during the summer of 1873, only one—John Hunter's savings bank—survived the panic of the autumn months.⁸

THE ENSUING nationwide depression was felt with particular severity in Duluth. The city's population, reported as five thousand in late 1873, fell to approximately thirteen hundred. Those who remained dug in obstinately and managed to hang on and survive in the economically beleaguered city. The low point was reached in 1874, and during the next four years Duluth fought a slow, uphill economic battle. By 1878, however, forest resources began to attract investors, and almost simultaneously the fertile grain

fields of northwestern Minnesota and the Dakotas began pouring their vast harvests via rail to the head of the lakes for storage and shipment. The harbor was improved and expanded to handle the enlarged traffic, and railroad spur lines and other transportation facilities were constructed. For the next fifteen years the city grew phenomenally and the number of commercial banks increased proportionately.⁹

One of the first ventures in the financial field to be organized after the depression was a private banking house established in 1877 by Henry H. Bell and William C. Eyster. Over the next thirteen years this firm was probably the community's leading financial establishment—at least in terms of popularity. The Bell and Eyster bank, as it was commonly known, became the official depository for city funds and did a flourishing general banking business. In 1888 its deposits exceeded \$750,000. From the reports of those who still remember the bank, it served a wide clientele in a period when persons of ordinary circumstances were not accustomed to feel comfortable in a commercial bank. It was the first to install safety deposit vault service in Duluth and the first to establish a branch banking house in West Duluth. The latter, known as Henry H. Bell and Company, began operations about September 1, 1887, at 1541 West Michigan Street. Its manager was Henry H. Bell; Samuel A. Siverts was cashier. An advertisement of 1887 noted that Bell and Eyster "transact a general banking business and solicit the accounts of merchants, corporations and individuals." Eyster retired from the firm in 1886, although its original name was retained. Four years later, on November 26, 1890, the bank failed. The source of its difficulties has been traced to the Baring brothers bank failure in London, which through New York and correspondent banks conveyed the disaster to many others. The branch bank, Henry H. Bell and Company, succumbed with the parent organization.¹⁰

The Duluth Savings Bank was reorganized as a state bank in 1879, when its name

⁷ Van Brunt, *Duluth and St. Louis County*, 1:227; *Duluth Herald*, August 22, 1958.

⁸ Oberholtzer, *Jay Cooke*, 2:422-427; Van Brunt, *Duluth and St. Louis County*, 1:228.

⁹ *Duluth's Relations to the Northwest*, 1888, p. 7; *City of Duluth, with a Review of Its Trade, Commerce and Industries*, 1886, p. 13-15.

¹⁰ *City of Duluth*, 1886, p. 93; *City of Duluth, with a Review of its Trade, Commerce and Industries*, 1887, p. 80; Van Brunt, *Duluth and St. Louis County*, 1:285. Material was drawn also from a series of scrapbooks compiled by personnel of the First American National Bank and its antecedents. These contain published financial statements of the Duluth banks, beginning about 1880.

was changed to the American Exchange Bank of Duluth. This was intended to strengthen both its capital and its management. Peyton, the pioneer Superior banker, became the new president, while Hunter was the cashier. The bank now began construction of a magnificent new and functional building which was to be both a physical and financial landmark in Duluth for the next half century. As the American Exchange Bank (later the American Exchange National) the firm remained one of the foremost banking houses in the city until 1929, when it merged with the First National to become the First and American National Bank.¹¹

With the exploiting of rich iron ores on the Vermilion Range in the 1880s and later on the Mesabi, Duluth's prosperity was once more raised to the optimistic pitch that typifies boom conditions. The census of 1880 reveals a population of about thirty-five hundred for Duluth, while that of 1890 shows nearly thirty-three thousand people residing there.¹² On this basis alone it would have been possible to predict an increase in commercial banks of at least ten or twelve. Between 1882 and 1890, however, sixteen new banks, several of which resulted from mergers, were founded. Their names and the dates of their openings reflect the sanguine outlook of the period: Duluth National Bank, 1882; Merchants National Bank, 1886; Union National Bank, 1886; Paine and Lardner, 1887; State Bank of Duluth, 1887; Hall Brothers and Company, 1887; Henry H. Bell and Company, 1887; M. S. Stewart, 1887; Stewart and Britts, 1888; Duluth Union National, 1888; Manufacturers Bank of West Duluth, 1889; National Bank of Commerce, 1889; Marine National Bank, 1889; Security Bank, 1889; First National, 1889; and Peoples Savings Bank, 1890. Two other banks were organized, but they either did not get under way or they operated for an extremely short time. During this period of rapid change in the financial picture of Duluth, the Duluth Clearing House Association was organized and began operations in March, 1887.¹³

The life history of most of these banks is uninteresting, but one firm stands out by virtue of an unusual combination of mergers and by the fact that it was a landmark on the Duluth horizon for half a century. This was the First National Bank of Duluth—not to be confused with the earlier bank bearing the same name.

In 1882 the Duluth National Bank was established, largely through the efforts of Luther Mendenhall. This firm began with a capital of \$150,000, which was large for the time, and was later increased to \$300,000. It occupied temporary quarters while completing a building of its own on the upper side of Superior Street and Third Avenue West, just across the street from the newly finished home of its largest competitor, the American Exchange. The Duluth National moved into its own building on November 24, 1887, and a few months later, in February, 1888, it merged with the Union National Bank, resulting in the Duluth Union National Bank. Less than a year after this firm occupied the fine new building, the Duluth Union National merged with the Merchants National to become the First National Bank of Duluth. This bank remained on the scene until 1929, when it merged with the American Exchange to become the First and American National Bank. Thus, the building originally intended for the Duluth National came to be known as the First National Bank Building. It was continuously occupied as a banking house until 1958.¹⁴

In the period between 1882 and 1890 there were probably never more than a dozen banks in existence at any one time. With the population of Duluth at forty thousand, each bank could serve, on the average,

¹¹ Publicity releases concerning this merger are included in the St. Louis County Historical Society's "Banking File."

¹² *United States Census*, 1950, *Population*, 12.

¹³ *Duluth City Directory*, 1882-90; Van Brunt, *Duluth and St. Louis County*, 1:261.

¹⁴ *Duluth's Relations to the Northwest*, 38; "Growth of a Bank," in *Duluth Herald*, August 22, 1958. The present Duluth National Bank, located at 2000 West Superior Street, has no historical connection with the earlier bank.

over three thousand persons. By the economic standards of the era, this proportion of banks to population was not excessive, although it would be considered so today. Because banks were not so commonly used in the late nineteenth century as they now are, the average market for each bank was probably too small for long-run profitable operation. At the same time, many other institutions of a semi-banking character were springing up in Duluth, and the competition for loans, individual savings, and accounts of business firms must have been intense.¹⁵

Newly inaugurated financial organizations of the 1880s included a large number of firms whose main interest was in financing real estate. Some no doubt transferred from more heavily populated areas funds which could be lent at higher interest rates in a rapidly growing community, while others operated almost as private banks, soliciting the savings of local residents for the express purpose of financing real estate. Judging from advertisements appearing in the contemporary press, many such firms doubtless were one-man offices, and some of the managers probably were either partners or local representatives of out-of-town establishments. This situation was not unusual, since rapidly growing communities are traditionally "capital importers." Some secured money from local banks and subsequently loaned at differential rates to less credit-worthy borrowers. Thus, in one way and another, a good deal of bank money found its way into speculative land transactions—a practice that ultimately brought about the downfall of many commercial banks.¹⁶

Another type of financial institution introduced to Duluth during this prolific period was the building and loan association. In the decade between 1880 and 1890 no fewer than eight associations were launched: the Zenith, the Union, the Homestead, the



AMERICAN Exchange Bank Building, 1887

Scandia, the Duluth, the Sobieski, the West End, and the West Duluth. Generally speaking, they were not large, although there is evidence that at least two took in and subsequently loaned over a hundred thousand dollars each. The trustees and officers of all eight organizations were said to be businessmen of the "highest integrity." The demise of most of these institutions was an unfortunate result of the depression of 1893.¹⁷

A substantial land boom, which was, however, short-lived, developed during the early 1890s in an area known as New Duluth, to the west of the city along the St. Louis River. The village of New Duluth, which began its official life late in 1891, lasted only until December 31, 1894, when it was absorbed by the city of Duluth. The intensity of the speculation which accompanied its brief existence is illustrated by the near hysteria which characterized the first sale of lots on October 28, 1890. The office of the New Duluth Land Company, the organization of the townsite's proprietors, was crowded with prospective buyers, some of whom arrived a full day early to obtain choice locations. During the long hours of

¹⁵ *City Directory*, 1882–90.

¹⁶ *Duluth Daily News, Illustrated Annual Editions*, 1888–91; Lawrence J. Laughlin, *Money, Credit and Prices*, 2:348–369 (Chicago, 1931).

¹⁷ *Daily News, Annual*, 1887, p. 95; 1890, p. 33.

anxious waiting many fainted or became ill from lack of air and from excessive physical strain. This is said to have been one of the largest land sales in the general area of Duluth. Within three years, the panic of 1893 had so weakened financial positions that many who had purchased land on a deferred payment basis were unable to meet their obligations, and sales were discontinued.¹⁸

It is impossible to know precisely what impact this speculation had on commercial banks. Only one new bank came into being as a result of the boom—the New Duluth National Bank, established on June 9, 1892. The firm probably was organized to serve the financial needs of what was expected soon to be an industrial metropolis, rather than as an adjunct to land financing. The meager information available concerning the bank indicates that it continued to operate until about 1905, although it was reorganized as a state bank about 1896.¹⁹

FOR DULUTH BANKS, which were concerned largely with ordinary banking operations, real estate, and the financing of grain movements in the 1880s, another major source of business was added with the discovery of iron ore on the Mesabi Range in the early 1890s. The new decade was characterized by feverish exploration and the acquisition of iron ore lands—activities that were soon reflected to some extent in the city's banking structure. Commercial banks were called upon to make advances to newly formed mining companies and to finance mercantile establishments which supplied prospecting and mining equipment. Only one new bank, however, emerged as a direct result of iron ore operations—the Iron Exchange Bank, established on May 16, 1892, by the famous Merritt brothers in connection with their development of the Mesabi Range. Although the name suggests that the bank might have been concerned only with iron ore, it conducted a general banking business from quarters in the Chamber of Commerce Building. Well patronized by Duluthians, it held deposits

totaling nearly five hundred thousand dollars in May, 1893, and it played a major role in handling the extraordinarily large sums of money needed for the construction of the Duluth, Missabe, and Northern Railroad. The story of this project and of the Merritts' place in the development of the Mesabi Range is too extensive to be summarized here. The brothers' subsequent financial difficulties were reflected, however, in the fortunes of the bank, and it was forced to close on September 21, 1895. Losses to depositors were paid by the Merritts personally.²⁰

The Commercial Bank of Duluth, the New Duluth National Bank, and the Merchants Bank of West Duluth also were established in the early 1890s. Of these, the first two survived the depression of 1893, but both required reorganization. A bank begun in 1887 by M. S. Stewart changed to Stewart and Britts in 1888 and became the St. Louis County Bank in 1891. Three new banks were established in the closing years of the century by H. E. Smith. The first, which was organized in 1895, was known by his name. He also established the West Duluth Bank in September, 1896, and the Merchants Bank of Duluth in February, 1898. While these firms continued to operate for several years, all three closed before 1910.²¹

It is ironic indeed that the decade from 1890 to 1900, which was economically so important to Duluth because of the discovery of iron ore on the Mesabi, was also the decade during which the pioneering commercial banks were almost completely swept away. The nationwide depression of 1893, like that of 1873, created conditions which most banks simply could not withstand. Of twelve commercial banks operating in Duluth in 1893, seven were forced to close, and

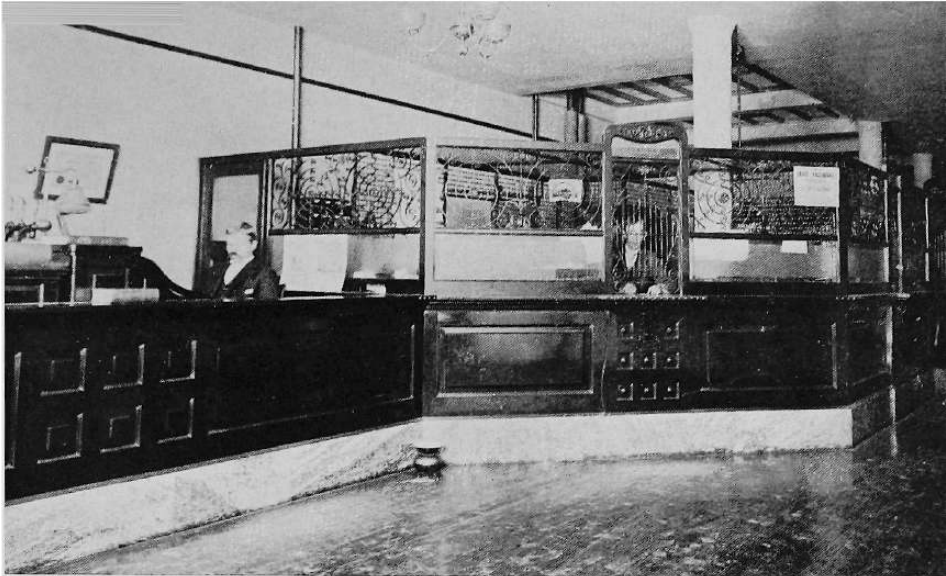
¹⁸ Van Brunt, *Duluth and St. Louis County*, 1:279–281.

¹⁹ *City Directory*, 1890–1905; First American National Bank Scrapbooks.

²⁰ Letter of Hansen Evesmith, May 19, 1925, in St. Louis County Historical Society's "Banking File."

²¹ *City Directory*, 1890–1910; First American National Bank Scrapbooks.

TELLER'S cage in
the Iron Exchange
Bank, 1894



of the five remaining, three went through reorganizations of one kind or another. The two which did weather the storm of 1893 and subsequent years were the First National and the American Exchange, and they survived only with the utmost difficulty by drawing heavily upon their capital resources. Ensnared in their relatively new buildings and facing each other across Superior Street at Third Avenue West, these two fought the storm of 1893-95 as giants might. Like other commercial banks, they were obliged to pay all maturing claims against them promptly in cash, in order to remain solvent, though to obtain cash in any amount during a monetary panic is a major accomplishment. The American Exchange sought currency in Chicago and in at least one case from a correspondent, the Bank of Montreal. Since the discount rate on such transactions rose at times to as high as twelve and a half per cent, both banks lost heavily. Thus survival was nearly a Pyrrhic victory, their capital structure being greatly reduced. As business and financial activities returned to normal, however, time healed the economic wounds inflicted by the depression.²²

²² *City Directory*, 1890-1900; interview with Mr. B. Murray Peyton, a retired Duluth banker of long experience, April, 1960.

THE PICTURES on pages 123 and 125 were furnished by the St. Louis County Historical Society. The view of Superior Street on page 119 is from the collection of the Minnesota Historical Society.

The pioneer banking period closed in Duluth about 1900. Approximately thirty-six banks had been chartered there earlier, although some of these were the result of mergers and thus perhaps might not be considered separate institutions. Viewed in the perspective of nineteenth-century banking history, this number does not appear overly large, and Duluth's experience does not differ greatly from that of other communities of similar size. Pioneer banking in Duluth was a hectic, exciting, and difficult business. During most of the period there existed a warm air of expectancy, bearing the promise of great fortunes to lure investors. At the same time, industry became established on a firm and diversified footing and the real growth of the city took place concretely and unobtrusively in spite of national depressions and monetary panics. Early banking in Duluth was marked by the optimism so natural and buoyant in progressing from a frontier settlement to an established community. Many of the difficulties faced by commercial banks can be traced to imperfections in the national currency and credit system within which these financial institutions necessarily operated. The panics of 1873 and 1893 were so severe that they nearly carried away the city's banking structure. Yet, following each catastrophe, banking revived, meeting the new needs of the community and building stronger foundations that would withstand the test of time.



Copyright of **Minnesota History** is the property of the Minnesota Historical Society and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. Users may print, download, or email articles, however, for individual use.

To request permission for educational or commercial use, [contact us](#).