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The Development of Banking
in Illinois, 1817-1863

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When the day agreed upon arrived the directors announced that they had been compelled to follow the state bank's example and had therefore ordered an indefinite cessation of the bank's activities.¹⁹⁴

During the year ending June 30, 1842, one hundred and fifty-two other banks in the United States had closed their doors and the rest had greatly reduced their circulation in preparation for the resumption of specie payments. This had led the people of the State of Illinois to rely all the more upon the issues of the Illinois banks until they too suspended operations and their paper became thoroughly discredited.¹⁹⁵ Moreover, specie to the amount of \$798,998.69 lay inaccessible in their vaults. Large amounts of their notes were being accumulated by speculators from the easily frightened countrymen,¹⁹⁶ so that by December, 1842, there was not enough money in circulation to carry on the business of the community and resort was had to payment in kind.¹⁹⁷ For the first time the governor, auditor and treasurer made use of the provision in the act of January 16, 1836, which authorized them at any time to publish a proclamation forbidding the acceptance of state bank paper in payment of public dues. Collectors were further warned not to take the notes of the Shawneetown bank at more than their current value.

At this point, which marks the close of their active existence, the writer has brought together a sufficient number of the statements made by the two banks to the legislature to indicate: (1) The general character of their operations during the whole period of their activity; and (2) the specific changes of policy that occurred from year to year. The following table shows the balance sheet of the state bank for the dates indicated:

¹⁹⁴Goodspeed, *pub.*, *History of Gallatin, etc., Counties*, 100.
¹⁹⁵*Senate Journal*, 1842-43, p. 20.
¹⁹⁶*Ibid.*, 43.
¹⁹⁷*Ibid.*, 18, 19.

Items	September 14, 1835	January 17, 1837	July 1, 1839	November 16, 1840	December 1, 1842
Discounts	\$ 278,293.31	\$1,397,463.24	\$3,287,770.60	\$1,707,751.17	\$1,395,087.07
Bills of exchange	31,445.60	1,247,495.35	1,053,139.98	447,040.53	118,814.57
Loans	4,164.00	458,828.00	469,521.50	423,854.10	219,063.70
Real estate, etc.....			44,399.85	471,995.46	1,144,666.35
Incidental expenses	3,723.62	5,614.16	6,816.60	14,699.51	777.76
Branch balances		107,304.71	74,597.89	15,990.34	15,614.61
Illinois securities			2,763,750.00	2,101,849.59	1,703,534.50
Advances to the state.....			28,748.73	243,397.07	448,869.59
Due from other banks.....	209,396.30	308,990.56	274,283.56	797,278.16	27,312.42
Notes of other banks	20,150.00	185,575.00	243,412.00	129,977.00	23,179.00
Specie	243,223.16	552,702.78	692,482.54	529,640.04	491,598.22
TOTAL	795,645.88	4,293,941.45	8,938,923.25	7,555,969.92	5,758,977.80
Capital	278,739.11	1,413,360.00	3,644,655.00	3,646,125.00	3,637,500.00
Real estate fund.....	200,000.00	550,000.00	500,000.00	400,000.00	200,000.00
Contingent fund			76,436.79	90,000.00	90,000.00
Undivided profits	8,661.67	68,668.96	22,015.95	86,790.04	280,497.38
Circulation	178,810.00	1,429,815.00	3,058,925.00	3,105,615.00	1,454,279.00
Unclaimed dividends		4,936.50	5,825.50	1,663.50	772.00
Canal commissioners		298,799.58	15,133.45	21,726.07	9,316.84
Fund commissioners			693,703.74		
Due to other banks	5,739.62	53,095.78	446,745.42	117,893.49	5,866.04
Individual deposits	123,695.48	475,265.63	475,482.40	85,850.76	75,918.40
Other liabilities			67,736.37	306.06	4,828.14

The following table shows the condition of the Bank of Illinois at various periods:

	Aug. 5, 1837	Dec. 1, 1838	Nov. 2, 1840	Nov. 12, 1842
Loans and discounts—\$243,318.31	\$1,005,588.84	\$1,339,215.00	\$1,170,619.87	
Bills of exchange.....	15,444.76	78,850.61	270,738.40	201,843.76
Suspended debts.....			28,313.41	133,869.59
Advances to fund commissioners.....			240,037.04	
Advances for state house.....			84,197.00	
Illinois securities.....		500,000.00	25,280.95	370,818.84
Insurance stock.....			1,500.00	11,200.00
Due from banks.....	41,727.93	517,121.58	308,539.63	44,853.48
Real estate.....	975.00	11,331.91	62,426.95	98,651.24
Incidental expenses.....	29.25	28,874.95	6,566.67	6,892.05
Specie.....	158,610.34	306,708.05	413,255.38	307,040.47
Notes of other banks.....	45,450.00	82,772.00	63,147.00	2,605.00
Other assets.....				11,982.22
Total.....		2,531,227.54	2,843,217.44	2,366,386.02
Capital.....		1,288,400.00	1,342,740.00	1,349,240.00
Circulation.....		712,204.00	1,262,414.00	757,848.00
United States deposits.....				40.00
Unclaimed dividend.....	39,795.90	40.00	40.00	40.00
Individual deposits.....		404.00	707.44	1,908.00
Due to banks.....	121,238.80	74,998.60	90,552.30	88,634.69
Branch balances.....		108,665.62	31,211.41	11,684.15
Undivided profits.....		32,020.53	32,838.97	24,092.89
Surplus fund.....		4,489.52	67,179.97	126,938.29

The statement for August 5, 1837, shows the condition of the bank shortly before its transformation from a private into a quasi-state institution and its consequent entanglement in the state's disordered finances. The bank at that time enjoyed an excellent reputation and its balance sheet shows that its creditors were well protected.²⁰⁵ As special depositary for the receipts of the land office at Shawneetown it was subjected to the supervision of the secretary of the treasury. As has been indicated in another

²⁰⁵*Senate Journal*, 1836-37, p. 352; U. S., *Letter of the Secy. of the Treas. on State Banks*, 1838, pp. 778-83.

connection, the bank as a private institution performed a useful service in southeastern Illinois, confining its accommodations to lending on local real estate, discounting commercial paper and purchasing bills of exchange from commission men who had sold grain and live stock "down the river."²⁰⁶

Before the next report listed in the above table appeared, the state had subscribed for a million dollars' worth of the bank's stock, paying \$100,000 in cash and the rest in bonds. At the time of the report, December 1, 1838, the bank had disposed of \$400,000 worth of the bonds.²⁰⁷ It will be seen that the partnership with the state brought about a radical change in the bank's condition. The federal government had withdrawn its deposits with the exception of the nominal sum of forty dollars. The deposits of individuals had decreased forty per cent but the fund commissioners had placed in the bank proceeds from the sale of bonds to the amount of \$309,996.27. Under the new regime individual deposits ceased to play an important part in the bank's affairs while the deposits made by various state officials never remained in the bank's keeping for any length of time. The large amount (\$517,121.58) due from banks may be accounted for by the fact that the bank was now the fiscal agent of the state and was concerned in the transfer of funds for the prosecution of the internal improvement enterprises. The bank no longer confined its operations to southeastern Illinois, but with its branches in several important business centers its activities covered a large part of the state. In this way the great increase in the volume of loans, discounts and bills of exchange, as well as the greatly expanded note issue, may be explained. The report of November 2, 1840, almost two years later, shows an increased volume of business, but in reality the bank was in a much weaker condition. \$28,313.41 of its assets were already listed as suspended debt and, as afterwards developed, a large part of the loans and discounts

²⁰⁶Page 82.

²⁰⁷Ford, *History of Illinois*, 190.