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Wildcat Currency

As a form of unregulated inflation in the name of commercial necessity, the financial operations of pioneer Iowa bankers and merchants contributed to the panic of 1857 and the following depression. This account of the experiences of currency manipulation by Davenport business men is adapted for the PALIMPSEST from J. M. D. Burrows's Fifty Years in Iowa. — THE EDITOR.

During the years 1853 and 1854, business in Iowa was very much depressed on account of the "wildcat" nature of our western currency. It was almost impossible for our local bankers to furnish exchange that was acceptable in the East. Iowa prohibited banks from issuing paper money, and consequently the State was flooded with the unregulated issues from neighboring territory — paper based entirely on credit and put into circulation at places so isolated that only wildcats could find them. Most of the available currency consisted of depreciated notes issued by the free banks of Illinois, Indiana, and Wisconsin and by Iowa bankers through agencies outside the State.

Practically all of this currency was below par and the people had lost confidence in it. Small change had about disappeared, and many persons gave their own scrip, printed on pasteboard or fine paper as the case might be, payable in acceptable currency when presented in specified amounts. Gold and silver and eastern bank bills were at a large premium.

John P. Cook, Ebenezer Cook, and George B. Sargent began a banking business in connection with their general land agency in Davenport in 1847. The rapid growth of the State and the development of business required banking facilities. Cook & Sargent took advantage of the opportunity to expand their land agency and began dealing in "uncurrent money of all kinds", accepting deposits, negotiating exchange, and making loans. Within a few years this firm had a reputation as one of the strongest banks in the West. In 1857 they occupied a handsome new three-story limestone building which was said at the time to be the finest bank building west of New York City. Branches were established at Iowa City (Cook, Sargent & Downey), at Des Moines (Cook, Sargent & Cook), and at Florence, Nebraska (Cook, Sargent & Parker). Since there were no restrictions on the issuance of bank notes in Nebraska, the Bank of Florence

issued quantities of currency which the home bank in Davenport and the Iowa branches circulated. This money was redeemable only at Florence. Merchants who banked with Cook & Sargent were expected to handle their circulation.

Our firm, Burrows & Prettyman, who operated a general store, a flour mill, a pork-packing plant, and a warehouse in Davenport, had been circulating Bank of Florence notes, and other wildcat currency for Cook & Sargent for some time. Inasmuch as this situation seemed likely to continue indefinitely and, believing that Burrows & Prettyman's credit was as good as Cook & Sargent's, especially among the farmers, we thought if that kind of circulation was profitable we might as well circulate our own paper as that of others.

Mr. Prettyman and myself talked the matter over and decided that we would enter into the business, and issue one hundred thousand dollars. We sent to Rawdon, Wright, Hatch & Edson, New York City, the firm which printed all bank bills at that time, and ordered what we wanted. They informed us, in reply, that they were not in the habit of engraving and printing such matter except for banks, and requested us to send them references as to the standing of our house. We referred them to James E. Woodruff & Co., of New York. They then filled our order. They

threw in ten thousand dollars, sending us one hundred and ten thousand, for which they charged us eight hundred dollars. They were beautifully engraved, printed on fine bank-note paper, and looked as well as any bank bills in circulation.

I called on Cook & Sargent and told them what we proposed to do, and asked them what they thought about it. Ebenezer Cook rather threw cold water on the project at first, but Sargent and John P. Cook seemed to be in favor of it. I told them we should do it anyhow and I hoped, when they thought the matter over, that we could arrange with them to make our scrip bankable. We would still continue to pay out Florence, giving the farmers whichever they preferred, and we also would let Cook & Sargent have all our eastern exchange as we made it from day to day, which they, at that time, could not have run their bank six months without. In return, they agreed to protect Burrows & Prettyman's circulation, treating it the same as they did their own.

In a short time we began to pay out our engraved checks. They went just as well as the Bank of Florence bills. Cook & Sargent took them the same as Florence. The railroad took them, also the steamboats, and we had no trouble to circulate them. We calculated the profit on the circulation at ten thousand dollars a year, which was

for the benefit of the firm of Burrows & Prettyman.

In the latter part of 1858, and in 1859, the banking house of Macklot & Corbin, of Davenport, made war on Cook & Sargent's bank, on account of their wildcat money. The Davenport *Democrat* also made almost daily attacks on their circulation. The merchants, too, became dissatisfied, and said this state of things was an injury; that it kept out eastern money and made exchange too high. Between Corbin and the *Democrat*, it became so hot for Cook & Sargent that they saw they would be compelled to withdraw their Florence money. To enable them to do this, they procured accommodation paper (notes, drafts, or bills of exchange without consideration) from Antoine Le Claire, George L. Davenport, Davenport & Rogers of Le Claire, Burrows & Prettyman, and J. M. D. Burrows — from any one who was esteemed good in banking circles in the East.

George B. Sargent went East and established a branch of the firm in Boston for the purpose of negotiating this accommodation paper and attending to other "kiting" — that is, raising money on such fictitious paper. As the money was realized on these securities, it was used for redeeming Florence. Had it not been for this assistance, they could not have retired their circulation, and their failure would have been imminent.

In looking over my papers for that winter, I find receipts from Cook & Sargent for six bills of exchange drawn by J. M. D. Burrows on Burrows & Prettyman and accepted by them, payable at the Bank of North America and the Bank of Massachusetts at sixty days. These bills of exchange were for forty thousand dollars. They were acknowledged, in the receipts, as accommodation paper for the benefit of Cook & Sargent, and were to be protected by them when due. This assistance of borrowed paper put Cook & Sargent in possession of funds to redeem their circulation, but Macklot & Corbin's course in refusing to recognize the wildcat currency, together with the severe strictures of the *Democrat*, compelled them to withdraw their circulation faster than was convenient.

When we issued Burrows & Prettyman's money, it was understood that we would redeem it in Florence, which was always bankable at Cook & Sargent's bank, and they did more business than all the other banks put together. If a man wanted to use one hundred dollars in Davenport, on the river or railroad, or within a circuit of one hundred miles of Davenport, Burrows & Prettyman or Florence would answer his purpose. If he wanted to use it in traveling East, it would not answer. A man would bring in a hundred dol-

lars of our checks, saying he wanted something he could use abroad. We would tell him we had nothing but Florence, which was bankable at Cook & Sargent's. We would then count him out one hundred dollars in Florence, which he would take to Cook & Sargent's bank, and get in exchange one hundred dollars of Burrows & Prettyman's checks — and the man was just where he had been fifteen minutes before. This was called, in those days, "swapping cats".

We saw that this practice could not continue, and were retiring our circulation as fast as we could, but the necessity came upon us in bad times. Crops in 1858 and 1859 were almost a failure. Farmers could not pay. Burrows & Prettyman had, on the first day of January, 1859, one hundred and sixty-five thousand dollars outstanding on their books and notes, and I do not believe they ever collected more than twenty-five thousand dollars of that amount.

One morning when I visited the bank, Ebenezer Cook called me into the bank parlor, and said: "We are getting in our Florence very fast. We now have about forty thousand dollars outstanding, and must get it in. Your circulation hampers us. How do you think it would work if we received your money on special deposit only?"

I answered: "It would ruin us. That would be

an announcement that our scrip was no longer negotiable at par. Any change from the present state of things would be bad for both of us. The best thing we can do is to retire our currency as fast as possible."

He called in John P. Cook, and said, "John, Burrows says that change will ruin him."

John P. Cook replied, "No, it will not. His credit with the farmers is so good it won't hurt him at all. Burrows, we will do all we can to help you. We will explain to our depositors that we believe you are as good as ever; that we will take your currency for any indebtedness to us."

I told the Messrs. Cook that they were not standing up to their agreement. As to hampering them, I could not see it. "You have made thousands of dollars out of the eastern exchange I have given you. I let you have it at par. You sold it at from ten to twenty per cent premium, and exacted of me a promise that I would not let our merchants have any, but let you have all, for which favors you agreed to treat our circulation the same as your own. And then, again, you have our accommodation paper, which you are using to retire Florence."

When I left them they were undecided, and made no move until about three o'clock, when they began to enter our checks as special deposits.

Two or three merchants, favorable to me, came to the store just after the bank closed, showed me their bank books, and asked an explanation. I told them what had occurred, and they were very indignant at the manner in which Cook & Sargent had treated us.

That afternoon there was a good deal of excitement, especially in the lower end of town, and I knew there would be a big run on us in the morning. I went home heart-sick. I could neither eat nor sleep. Long before daylight I drank two cups of strong coffee and went up town to see Ebenezer Cook. He lived at that time at the corner of Third and Brady streets. It was very early — an hour before day. I pounded on his door. He put his head out of the window to see who it was. I told him I wanted to see him, and he came down and let me in. We had a long talk. I think he regretted the step they had taken, but he said it was too late now. He did not think it would injure us as much as I anticipated.

Realizing that nothing could be done, I went down to the mill and stayed there until nine o'clock, when I went over to face the music. I found at least a hundred persons at the store. They had their hands full of currency.

"Gentlemen," I said, pleasantly, "you come too many at a time. If there were but a few of you, I

might do something for you. Your checks are just as good now as they were three months ago. Anything in this store or the mill you can have in exchange for our checks, as cheaply as if you paid in gold. There are in the back yard one thousand barrels of Kanawha salt, which we received only a few days ago. You can have all you want of it at the lowest wholesale cash price, the cheapest in town; and we shall continue to take the checks, in store and mill, until the last one is redeemed. If you are owing anything at Cook & Sargent's bank, they will take them from you."

Some one spoke up, and said, "That is honest. You need not be scared." Thereupon about half of them went away, and the rest began to trade.

As regards Burrows & Prettyman's circulation, I am glad to have an opportunity to say that we continued to redeem it until the last note was presented, and never paid less than the face value. One morning when I was in the bank, John P. Cook picked up a large business envelope, and said to me: "Burrows, here is a package of your circulation, one hundred dollars. We received it from a Pittsburgh bank this morning. I don't know how it got there; probably from some traveler. They told us to do the best we could with it, and remit. They don't know the value of it. Give me fifty dollars, and you can have it."

"No, Mr. Cook," I said, "I will not do it. I have never paid less than the face of that scrip, and I have got too near through to begin scalping now." As I was drawing some money, I threw down one hundred dollars and took the package. Whether the Pittsburgh bank got fifty or one hundred dollars, I do not know.

If there is anything I pride myself upon in my business career, it is the Burrows & Prettyman scrip business. The checks were issued at a time when the business of the city and the situation of the county needed them, and they helped to keep the wheels of commerce moving. A month never passes, even now, but some one speaks to me about those checks and how they helped business. We never had more than a hundred and ten thousand dollars out; while I think Cook & Sargent had out three hundred thousand dollars of Florence. I know of their burning two hundred thousand dollars of Florence at one time — at least they said they did.

Cook & Sargent's receiving our checks only on special deposit injured our paper in the East and reacted on them. They usually had one hundred thousand dollars of Burrows & Prettyman's and J. M. D. Burrows's drafts and acceptances (accommodation paper on which they depended to keep themselves afloat); and George B. Sargent found,

after this, it was not so easy to dispose of them, which placed the bank in a critical condition.

About this time, Ebenezer Cook came to me and said they were very much in need of money. He had been to see if Antoine Le Claire would indorse my note for twenty thousand dollars. Le Claire had promised to do so if I would give him a mortgage on my beautiful home, "Clifton".

"I cannot do that, Mr. Cook," I said. "That is my *home*."

The next day Ebenezer Cook called again. We had about the same talk, with the same result. He called again the third day, and was very urgent. He said if they did not get immediate help, they would have to suspend. They had received a telegram from Sargent that day, saying he could realize money on my note, and wanted it forthwith. "If you will do it," he declared, "I will take care of you if the worst ever comes to the worst."

The worst did come to the worst, *soon*, and he did *not* take care of me. He never raised a finger. I gave the note, Le Claire indorsed it and had to pay the twenty thousand dollars, and his estate took my place. I never would have given way had I not known that if Cook & Sargent suspended, they would carry Burrows & Prettyman with them. We, with others, were on their paper for enough to break us all.

On the morning of December 16, 1859, the first place I visited after coming into town was the mill, where I spent about an hour examining what had been done during the night, and counting the amount of flour on hand to see how much money I would need for the day's business. At a quarter past nine o'clock, I left the mill to go over to the store to draw my drafts preparatory to my visit to the bank. In the middle of Front Street I met one of our clerks coming over to see me.

"Mr. Burrows," he said, "Cook & Sargent are not open this morning."

I did not take in the situation at first, and said: "What is the matter? Is any one dead?"

"No," he replied, "they have busted up."

I said, "I don't believe it."

He answered, "I do. I am going over to see."

It was a pretty cold day. I went over to the store to get my overcoat, and then went straight to the bank. Main Street and Second Street were crowded with townsfolk. It looked as if there was a fire. I should think there were more than one thousand excited persons, many of whom were clamoring for admittance to the bank. There were two policemen guarding the front door. I went to the side door. A policeman was on guard. I told him I wanted to go in. He said he had instructions not to admit any one. I told him it was

necessary that I should go in, and that it would be all right.

The policeman stepped aside and I entered. There was no one in the bank, except the clerks. Each clerk stood at his usual place, all looking as solemn as owls. I went at once into the bank parlor, and there I saw a sight that I never shall forget. I was really alarmed. I dropped into the first chair at hand. Ebenezer Cook was walking the floor, back and forth, swinging his arms and tearing his hair out by the handful. Every time he passed me, he gave me such a wild, terrible look that I thought he had gone mad. He crossed the room in this way ten or twelve times, neither of us saying a word.

At last I said, "Cook, what is the matter?"

He stopped in front of me and exclaimed, "I am ruined! You are ruined! We are all ruined together!"

As there was nothing to be done, I went back to the store and found it in possession of the sheriff. We had endorsed some one's paper, and the holder sued out an attachment before our own creditors made a move.

There was so much excitement that day that I did not think of the package of county orders I had left in Cook & Sargent's bank the day before. All the money we had in the world, except our

own circulation, was a Bank of Florence five-dollar bill. It was so early we had not drawn our usual supply of money for the day's business.

The next day Prettyman said, "What are we going to do about paying the men?" We had a large number to pay — coopers, millmen, and clerks.

"I will get the money to pay them," I replied. "I have about eight hundred dollars in county orders over at the bank, and will go over and have them cashed."

I went over to the bank and into the bank parlor, where I had left my package of county orders, and looked the place over thoroughly, until I was satisfied that the orders were not there. I was just going out when John P. Cook came in.

"What are you looking for, Burrows?" he asked.

"I am looking for a package of county orders I left here day before yesterday," I replied.

Cook said, "It is not here."

I said, "Yes, it is; I left it lying on the table."

"Yes; I know you did," he answered, in a hesitating manner.

"Well, where is it, then?" I demanded.

"McCosh, the County Treasurer, was down here, crying and howling, and I gave him all ours and yours, too," he replied.

"Why," said I, "Mr. Cook, they did not belong to *you*. You had no business to give McCosh *my* property to pay *your* debts."

"I suppose I had not," he confessed, "but he was making such a noise and fuss that I wanted to quiet him."

The failure of Cook & Sargent, at that time, was a great surprise to me, and I think it was unexpected by them. It is my opinion that they had no idea of it the day before; but a bank doing such a business as they always had done, not having three hundred dollars on hand when it closed at three o'clock, showed that there was something rotten somewhere. If Cook & Sargent had not failed, Burrows & Prettyman would have gone safely through the crisis. Our financial situation was much better than it had been. Our circulation was nearly out of the way. A wealthy relative in Norfolk, Virginia, had lent me ten thousand dollars, to assist us in retiring our checks, and would have done more if it had been necessary. As it happened, our business was thrown into the hands of a receiver and even my home was lost. Mr. Prettyman accepted a position as agent of the Northern Line Packet Company, and I arranged to manage my mill and the Burrows Block.

J. M. D. BURROWS