

# Chapter F15

by  
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# The Cooke National Banks, Maui, Territory of Hawaii

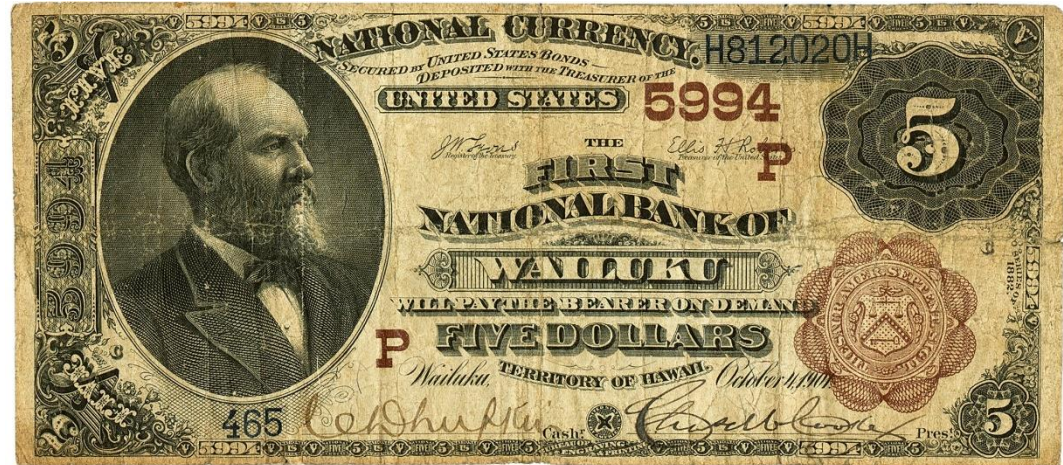


Figure 1. This spectacular Wailuku note offered by Heritage Auctions in 2023 is the fourth \$5 Series of 1882 brown back discovered from the small 3,000 issuance of \$5 brown backs from the bank, the only type currently reported from the bank. Heritage Auction photo.

## Objective and Overview

This is a numismatic perspective on the chain of three national banks organized on the Island of Maui between 1901 and 1913 by Charles D. Lufkin for Honolulu banker Charles M. Cooke, principal owner of the Bank of Hawaii in Honolulu.

This article continues an examination of the national banks on Maui stepping off from the article *Kahului, Hawaii territorial 1902 red seal* that dealt with The Baldwin National Bank, the other national bank on that island. The action in banking on Maui followed Hawaii's annexation to the United States by a joint resolution of Congress known as the Newlands Resolution that was signed into law by President William McKinley on July 7, 1898 and subsequent passage of the Hawaiian Organic Act of April 30, 1900 that established the Territory of Hawaii and provided for a constitution and government for it, also signed into law by McKinley.

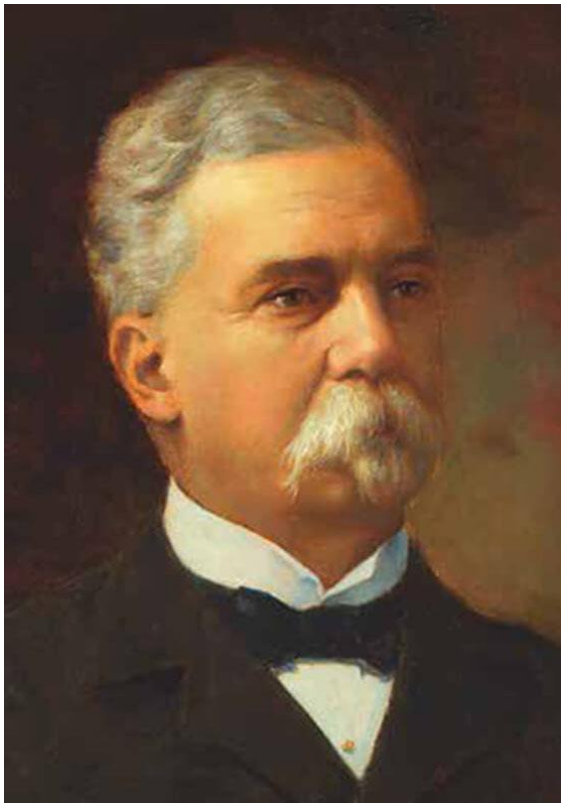
You are going to read about the Five Hawaiian corporations and some of the principals in them. The story of how those giant diversified firms and the oligarchs who ran them got possession of their lands

and power, overthrew the Hawaiian monarchy, and why and how Hawaii was annexed to the United States is succinctly laid out in the Kahului article. You can read or even download it from the Society of Paper Money website using this link.

<https://s3.amazonaws.com/nbnencyclopedia.spmc/chapter-f14-hi-kahului-8207.pdf>

Charles M. Cooke died in 1909, so his second son Clarence H. Cooke presided over both the Bank of Hawaii on Oahu and the Maui chain of national banks. Clarence ran afoul of the provisions in the Clayton Act prohibiting interlocking directorships in monopolistic enterprises so he had the Maui national banks liquidated in 1917 and reorganized as the Bank of Maui under less restrictive Hawaii territory banking law (Maui News, May 4, 1917; Davis, 1920) . Ultimately, he merged his Bank of Maui into his Bank of Hawaii on September 2, 1930, consolidating the entire enterprise as a thriving and expanding interisland branch banking network.

Charles M. and son Clarence H. were scions of Amos Starr Cooke from Danbury, Connecticut, who arrived in Honolulu in 1837 along with Samuel Northrup Castle aboard the *Mary Frasier*. Cooke and Castle were classified as lay missionaries associated with the American Board of Commissioners for Foreign Missions to Hawaii. They found commercial opportunity as partners in a mercantile business in 1851, plunged into Hawaii's budding sugar industry in 1858, and expanded into shipping in the late 1860s. These endeavors formed the nucleus of Castle & Cooke, a diversified major land-owning enterprise that by the turn of the 20th century was one of the so-called Big Five corporations that monopolized commerce in Hawaii. In sugar alone, the Big Five controlled 90 percent of the world's sugar trade after Hawaii was annexed by the United States in 1898.



**Figure 2. Charles Montague Cooke, president of the Bank of Hawaii, Honolulu, Oahu, seeded three national banks on Maui during the sugar boom after annexation of Hawaii to the United States. Wikipedia photo.**

The Big Five consisted of Castle & Cooke, Alexander & Baldwin, C. Brewer & Co., American Factors, and Theo H. Davis & Co. Although these firms carved up commerce in Hawaii, they weren't fierce competitors. In sugar, pineapples, transportation, banking, whatever, the concept of conflict of interest was not considered troubling. The byword was to cooperate to gain economic dominance so as to maximize profits. The principals involved as well as their corporations invested in each other's ventures, the companies exhibited interlocking directorships and ownerships, and thus their collective influence in such things as sugar, pineapples, land and shipping eventually extended well beyond Hawaii.

An excellent example involved the Matson Navigation Company. In the 1910s, four of the Big Five bought Matson giving them control over shipping in the Pacific. The only one of the Big Five without an interest in Matson was Theo H. Davies. The U.S. Department of Justice challenged the monopolistic ownership of Matson following statehood in 1957. The lawsuit was settled when three of the four agreed to divest. Alexander and Baldwin bought out their interests, completing the purchase in 1964. That Baldwin was the same Baldwin of The Baldwin National Bank of Kahului, the fourth national bank on Maui.

Ownership of the Big Five was largely passed down through a few early missionary families whose legacy has been encapsulated as "The missionaries came to Hawaii to do good; their sons did well."



### Charles Montague Cooke (May 6, 1849-August 27, 1909)

The big name when it comes to the three Maui national banks treated here is Charles Montague Cooke, son of Amos who was the co-founder of Castle & Cooke, Charles M. was born in Honolulu, educated at Punahou School and Amherst Agricultural College. In 1871 he worked as a clerk for Castle & Cooke, moving up to head bookkeeper. In 1877 he partnered with Joshua Dickson and Robert Lewers importing lumber and hardware. After Dickson died in 1880, the firm became Lewers & Cooke.

He wisely invested in several sugar plantations with especially large holdings on Oahu, which became increasingly profitable after the Reciprocity Treaty of 1875 removed tariffs on sugar between Hawaii and the United States.

On January 18, 1893, immediately after the overthrow of the Kingdom of Hawaii, he was appointed to an advisory council for the Provisional Government of Hawaii. In February he was sent as a representative to Washington, DC to lobby for annexation of Hawaii by the United States. This particular early effort was unsuccessful.

He was a founder in 1893 of the Bank of Hawaii with his brother-in-law Joseph Ballard Atherton and Peter Cushman Jones. He moved to California expecting to retire in 1894, but returned to assume the presidency of the bank in September 1898 after Jones death. He went on to assumed the presidency of C. Brewer & Co., one of the Big Five, in 1899 while continuing to serve the Bank of Hawaii.

The Bank of Hawaii was organized during the era of the Provisional Government of Hawaii, but in 1897 received a charter under the laws of the succeeding Republic of Hawaii. It was legal for the bank to loan on land. Land was everything in Hawaii at the time, especially wresting title of it from indigenous holders, so it could be developed. In contrast, national banks were designed to be commercial banks that made short-term loans to businesses and industries except real estate. Thus, the Bank of Hawaii was positioned to quickly become the dominant bank in the territory.

The First American Bank of Hawaii was incorporated under the laws of the Republic of Hawaii with the specific goal to reorganize as a national bank upon annexation. It opened in Honolulu September 5, 1899 with president Cecil Brown. Hawaii was annexed June 14, 1900, so its successor, The First National Bank of Hawaii at Honolulu, was organized July 25, 1900 and received its national charter August 23, 1900. The First American Savings Bank and Trust Co. was split from First American to handle the former bank's real estate business. Brown served as president in both, and they competed with Cooke's Bank of Hawaii.

### Maui

Maui, near the center of the Hawaiian chain of islands, emerged as a major sugar producer once sugar plantations began to be developed around 1850. As revealed on Figure 3, the island is anchored on the west by 5,788-foot Pu'u Kukui, an old rather deeply eroded volcano, and on the east by 10,023-foot Haleakala, a young volcano. Between the two is an expansive virtually flat lowland



Figure 3. Map of Maui, center island in the Hawaiian Island chain.



**Figure 4. Series of 1902 date back, the only reported note from the minimal \$6,250 circulation of the bank. J. L. Irish photo.**

with deep soil and year-round growing season ideal for sugar cane production. The drawback to the lowland is that it is arid. In contrast, the northern flanks of the volcanos receive huge amounts of reliable rainfall.

Two of the oldest towns on the island are Wailuku against the east side of Pu'u Kukui and Lahaina on the southwest end of the island. Wailuku used to be the center of power and most populated region on the island for the pre-contact indigenous population. It was the site of Kamehameha I's conclusive 1790 victory in the Battle of Kepaniwai that united the indigenous population of the Hawaiian Islands into one kingdom under his rule. However, Lahaina assumed primacy after contact.

Lahaina served as a major whaling port in the early 1800s due to its prime location on whale migration routes, calm ocean conditions and endless days of perfect sunshine. With as many as 400 ships at a time docked in the harbor, Lahaina soon became a sailor's dreamland and boasted a bawdy reputation. In 1802, King Kamehameha I designated Lahaina the capital of the Hawaiian Kingdom and Lahaina served as the center of Hawaiian government for over 50 years, until permanently relocating to Honolulu for its harbor.

When King Kamehameha II gave permission for missionaries to settle in the islands, several were quick to find Lahaina and disrupt its previous cultural ambience. Lahaina lost prominence as the sugar economy came to dominate the island.

In contrast, Wailuku was a far more laidback place, serving primarily as a residential town and mercantile center. Soon after the arrival of missionaries, the Wailuku Sugar Company owned by C. Brewer & Co. moved in and developed an irrigation system that collected water from several streams flowing off Pu'u Kukui, thus thrusting sugar production to the forefront of the island economy. By the end of the 1850s, the sugar industry employed thousands of indigenous and immigrant laborers. In 1905, following admission, Wailuku was established as the Maui County seat.

The growers started eyeing Maui's central fertile but desert lowlands after admission, and built vast complexes of canals linked by tunnels to capture the streams flowing off the north side of Haleakala to irrigate it. The first of these engineering marvels was a 17-mile irrigation ditch built by Henry Baldwin and Samuel Alexander after they acquired land in the lowlands in 1850. They were soon in a race with other growers to continue to acquire additional land and build sugar processing mills there. This gave birth in 1850 to Kahului and its favorably located port required for transshipment of the sugar and importation of needed machinery and supplies.

The origins of Paia dates to 1880 when Alexander & Baldwin established a sugar mill there. A company store opened in 1896, but it was not until 1905, with the construction of another mill and the relocation of some of the Spreckelsville sugar operations to the area, that the Paia grew and prospered.

### **National Banking on Maui**

Charles M. Cooke, sitting in his desk at the Bank of Hawaii, and Cecil Brown at his at The First National Bank of Hawaii, both in Honolulu, were salivating at the economic boom taking place on Maui after annexation. The place was overripe for banking. Both decided to move on the opportunity, but not engage in a fight over the potential prize.

Instead, Cooke in league with First National's Brown and H. P. Baldwin of Alexander & Baldwin, sent Charles D. Lufkin, a teller from First National, over to Maui to begin to organize a chain of national banks. The idea was to take advantage of the low capitalization requirement for such banks and to keep the Maui business separated on paper and thus insulated from their Oahu operations. The banks Lufkin organized in order of dates of charter were The First National Banks of Wailuku (October 17, 1901), The Lahaina National Bank (February 19, 1906), and The First National Bank of Paia (September 26, 1913).

Cooke served as president and Lufkin as cashier in them except briefly at Wailuku where W. J. Lowrie, a board member, served as president during its first year. Lowrie left to manage a sugar plantation in Puerto Rico so Cooke took over as president and David Lindsay, an Alexander & Baldwin plantation manager, filled Lowrie's vacated directorship.

On paper the three national banks were standalone institutions; but, in the classic chain banking style of the times, they had interlocking ownership and directors.

#### **Charles Dexter Lufkin (October 28, 1863-Dec 1, 1940)**

Charles D. Lufkin Jr. was born in Shelbyville, Illinois, educated at Illinois Normal University at Normal and graduated from the Shattuck Military Academy at Faribault, Minnesota. He came to Hawaii in 1898 as superintendent of the money order system for the island post offices. He moved on to Brown's First American Bank of Hawaii, the forerunner of the First National Bank of Hawaii, before the First National received its charter in 1900. Cooke and Brown were ready to insert themselves into Maui banking with Lufkin as point man.

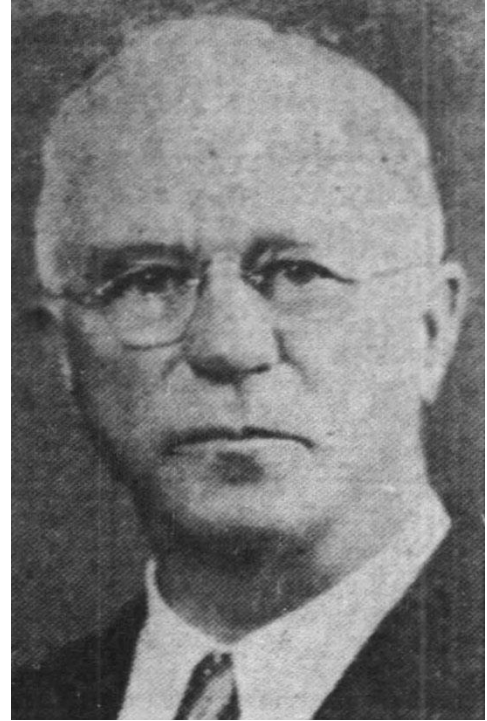
Lufkin was sent to organize the Wailuku bank on October 4, 1901 and had its charter in hand by October 17th with an opening date of November 27th. Clearly, all involved were wasting no time in establishing a foothold on Maui. Notice that their bank was situated at the then hub of sugar activity on the island. Lahaina had been eclipsed as a major force by then. Organization of the Lahaina and Paia banks came along in due course as banking in each became viable; that is, as the Lahaina economy began to mature and Paia developed as an important sugar producing and refining town.

Lufkin served simultaneously as manager and cashier in all three of Cooke's Maui banks. When Lufkin liquidated them in 1917 for Clarence Cooke in order to create the Bank of Maui, he continued on as president and manager of that successor branch banking network. Following the folding of the Bank of Maui into the Bank of Hawaii, he served the latter as vice president and manager with residency in Wailuku.

#### **Liquidation of the Maui Chain of National Banks**

Charles M. Cooke died in 1909 so his son Clarence Hyde Cooke assumed the presidency of the three Maui banks as well as that of the Bank of Hawaii at Honolulu. In 1916, Clarence resigned his presidencies in the three national banks in order to comply with Section 8 of the Clayton Antitrust Act of October 15, 1914 that had been signed into law by President Woodrow Wilson. That act prohibited interlocking monopolistic corporate ownership and its terms went into effect in 1916.

Next, the three Maui national banks were liquidated May 1, 1917 in order to be reorganized under



**Figure 5. Charles Dexter Lufkin, organizer, cashier and manager of the Cooke Maui banks. Honolulu Star photo.**



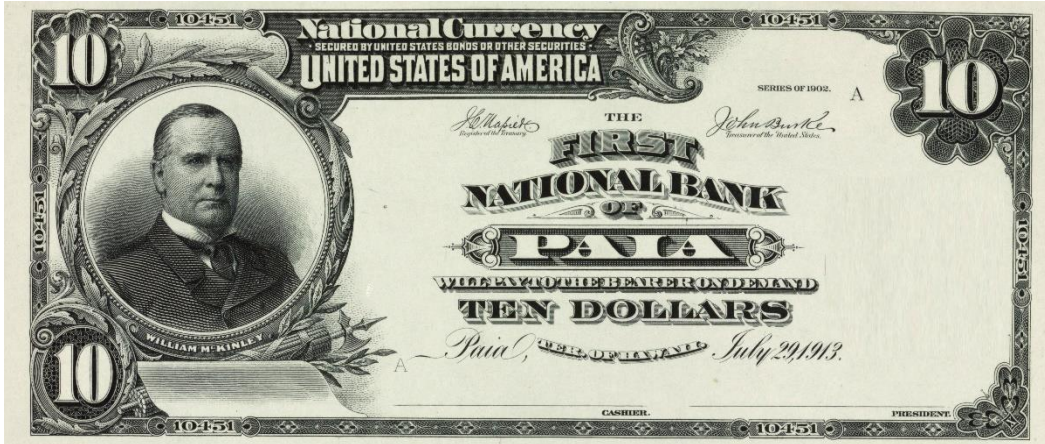


Figure 6. 200 sheets of Series of 1902 10-10-10-20 date backs were sent to the Paia bank to support a circulation of \$10,000; however, the bankers never issued any into circulation so they were returned to the Comptroller of the Currency when the bank was liquidated in 1917 and destroyed. Bureau of Engraving and Printing proof image, National Numismatic Collection.



Figure 7. Clarence Hyde Cooke assumed the presidencies of the Bank of Hawaii on Oahu and the three Cooke national banks on Maui upon the death of his father in 1906. Wikipedia photo.

a territorial charter as the Bank of Maui with Clarence as president. Its main office was at Wailuku and the other two banks became branches. Being territorial banks, Clarence could once again be president of both the banks of Hawaii and Maui, so all was well. The best part was that the Bank of Maui could make loans on land and even seed new branches. It was Maui's million-dollar bank. Clarence remained in Honolulu while Lufkin managed the Maui operation.

The story of the dissolution of the Maui chain was documented from primary sources by Uota (2016, p. 28) as follows:

On October 15, 1916, the Clayton Antitrust Act of 1914 Section 8 became effective, prohibiting interlocking directorships, which prevented bank directors and officers from working for more than one bank at a time (given certain bank threshold qualification). These laws were enacted to prevent business entities from engaging in anticompetitive practices and to facilitate the avoidance of moral dilemmas by mandating bankers to "Serve One Master Only!" as [Supreme Justice] Louis Brandeis put it.

National banks were required to be members of the national Federal Reserve System and undisputedly fell under this federal law. When the law took effect. Clarence H. Cooke retained his position at Bank of Hawaii and quietly resigned from all three Maui banks, and R. A. Wadsworth assumed the position of President of the Maui

banks. In January 1917. R. A. Wadsworth was elected President of the Maui banks, C. D. Lufkin became Vice President and manager of the Maui banks, Joaquin Garcia became Cashier at Wailuku, F. N. Lufkin became Cashier at Lahaina, and Worth O. Atken became Cashier at Paia.

To restore its former management structure, on March 31, 1917, a special shareholders meeting was held and it was agreed that the three Maui national banks formerly managed by C. H. Cooke should denationalize and merge into a single bank. On May 1, 1917 [they] were consolidated into the Bank of Maui, Ltd. under [a] Territory of Hawaii charter. The territorial charter was less restrictive with no mandate for bankers to follow national banking regulations including the Clayton Antitrust Act.

#### **Clarence Hyde Cooke (April 17, 1870-August 23, 1944)**

Clarence was born in Honolulu, the second son of Charles Montague Cooke. As such, he was partial heir to the fortune of Castle & Cooke. He was educated at Punahou School and Yale University, then apprenticed under his father in the Bank of Hawaii serving in various formal capacities including the presidency upon his fathers death. He eventually became chairman of the board in 1937.

He also pursued a political career being elected to the Hawaii territorial House of Representatives in 1913–23 and as a delegate to the 1924 Republican National Convention in Cleveland, Ohio. Following that, he was elected Speaker of the Hawaii territorial House of Representatives in 1927, then elected to the territorial Senate in 1929 and 1931.

**Table 1. Inclusive dates of shipments of national bank note sheets from the Comptroller of the Currency's office in Washington, DC, to the banks.**

| Type   | Sheet Combination | Sheet Numbers | Inclusive Dates of Shipments |
|--|-------------------|---------------|------------------------------|
| <b>5994 The First National Bank of Wailuku</b> |                   |               |                              |
| 1882 brown backs                               | 5-5-5-5           | 1-750         | Nov 18, 1901-Dec 9, 1908     |
| 1882 brown backs                               | 10-10-10-20       | 1-620         | Nov 21, 1901-Dec 9, 1908     |
| 1882 Date Backs                                | 5-5-5-5           | 1-975         | May 25, 1909-Apr 23, 1914    |
| 1882 Date Backs                                | 10-10-10-20       | 1-646         | Dec 28, 1908-Apr 13, 1916    |
| <b>8101 The Lahaina National Bank</b>          |                   |               |                              |
| 1902 Red Seals                                 | 10-10-10-20       | 1-240         | Mar 23, 1906-Jul 30, 1909    |
| 1902 Date Backs                                | 10-10-10-20       | 1-203         | Jul 30, 1909-Mar 10, 1914    |
| <b>10451 The First National Bank of Paia</b>   |                   |               |                              |
| 1902 Date Backs                                | 10-10-10-20       | 1-200         | Oct 30, 1913 all             |

**Table 2. Taxable circulations of national bank notes for the Cooke national banks on Maui, Hawaii.**

| Report Date | Wailuku (5994) | Lahaina (8101) | Paia (10451)          |
|-------------|----------------|----------------|-----------------------|
| 9/15/1902   | \$6,500        |                |                       |
| 9/9/1903    | \$10,150       |                |                       |
| 9/6/1904    | \$15,800       |                |                       |
| 8/25/1905   | \$15,900       |                |                       |
| 9/4/1906    | \$16,500       | \$6,250        |                       |
| 8/22/1907   | \$16,500       | \$6,250        |                       |
| 9/23/1908   | \$16,498       | \$6,250        |                       |
| 9/1/1909    | \$22,797       | \$5,950        |                       |
| 9/1/1910    | \$24,998       | \$6,250        |                       |
| 9/1/1911    | \$24,997       | \$6,250        |                       |
| 9/4/1912    | \$24,997       | \$6,250        |                       |
| 8/9/1913    | \$24,997       | \$6,250        |                       |
| 9/12/1914   | \$24,997       | \$6,250        | \$10,000 <sup>a</sup> |
| 9/2/1915    | \$24,987       | \$6,250        | \$10,000 <sup>a</sup> |
| 9/12/1916   | \$24,998       | \$6,250        | \$10,000 <sup>a</sup> |

a. No Paia notes were put into circulation despite the circulation tax paid. All were returned to the Comptroller of the Currency and destroyed in 1917.

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