



the Brotherhood of Locomotive Engineers Co-operative National Bank of Cleveland

by Harry M. Corrigan

The notes of the Brotherhood of Locomotive Engineers Co-operative National Bank of Cleveland have long been among those most sought after and discussed by collectors of national bank notes. Barney Bluestone, in his Grinnell sale catalog (lots 1475 and 1476), notes that it was the bank with the longest name, and that it was abruptly shortened to Engineers National Bank. He guesses that the reason for the shortening was that the long name was "too cumbersome." Bill Donlon highlights his example of the note in his personal collection sale (lot 327), and characterizes it as "a note every collector seeks." And, in an article as recent as the January issue of *Paper Money*, Howard W. Parshall carefully examines the notes and surmises that perhaps the name change resulted from a maturing in the personnel and policies of the bank.

Nor had I escaped the fascination of the name — not so much for the length, but for the fact that it used the word “co-operative.” No one really expects the “Security” bank to be any more secure than the next bank, or the “Farmers” bank to serve only farmers, but the word “Co-operative” creates a more precise expectation. To slightly rephrase the Random House Dictionary, a co-operative is a business owned and managed by the customers who provide the capital and share in the profits by patronage dividends. Now, if the customers don’t share in the profits, wouldn’t it be false advertising to use the word “co-operative” in the name of a bank? I knew that customers of credit unions are returned a share of the profits by bonus interest payments on their deposits, but I had never heard of a full service commercial bank doing that. Was there really a true co-operative commercial bank in the United States in the twenties? Freidberg revealed five other banks with the word in their titles. Was there a chain of them? And Van Belkum said that they all eventually dropped the word “co-operative” from their name. Why? I continued to wonder, but never really expected to get the answers.

Most of us have a favorite story about discovering this or that very interesting bank note. Here is my favorite story about discovering a book about a bank.

One day a few years ago I was browsing through the economics section of the stacks at the University of Washington library in Seattle. I was thumbing through such classics as *Early European Banking in India* and *Monetary and Banking Policy of Chile*, when my eyes hit on the title *The Labor Banking Movement in the United States*. (Published in 1929, call number 332.1 P93L; authors identified as the Industrial Relations Section of the Department of Economics and Social Institutions of Princeton University.) Was this about my co-operative banks? Was I about to have all my questions answered? To make a short story even shorter: yes, and yes.

Then, early this year, Parshall’s article jogged me into getting out the notes I had made on that occasion. Unfortunately, I do not now have the book at my disposal, and my notes were sketchy and even somewhat illegible; so what follows cannot be guaranteed, but I think it is reasonably accurate.

The Brotherhood of Locomotive Engineers Co-operative National Bank (BLE Co-op NB) was not the first labor owned bank in the United States, but it was the first labor National bank, the first labor commercial bank of substantial size, and provided the impetus for the labor banking movement of the 1920s. Its seed was planted at the 1915 national convention of the Brotherhood of Locomotive Engineers (BLE), when the idea of a union owned bank to serve the interests of the union members was first discussed.

The convention authorized a study, but it was not until 1919 (perhaps due to war delays) that a committee was

appointed to draft plans for the bank. Thereafter, things moved faster. By January, 1920, the plans were complete and the final decision to seek a national charter had been made. The charter was obtained, capital set at one million dollars, and subscriptions to the stock sought from BLE members. The BLE itself held 51 per cent of the stock, and the remainder was soon oversubscribed.

But what are the essential factors that qualify a bank as co-operative? The books authors and I agree on three: Profit sharing with depositors; limitation on dividends to stockholders, and a limit on number of shares an individual can own.

The authors also list limitation on market price of stock, but since none of the banks had an explicit limit on the price of their stock, and because the limit on dividends would necessarily limit the value of the stock, I don’t think it is really a distinct type of limitation. However, many of the banks did have limitations on who could own their stock (along with limitations on who stockholders could resell their stock to), and since in many cases it was the failure of these very limitations which led to the end of the bank as a co-operative institution, I think limitation of stock ownership to members of some pre-existing affinity group might be included as a fourth requirement for a co-operative bank. In the absence of such affinity (labor, religious, fraternal, etc.), solidarity with the cause and devotion to co-operative ideals tends to break down.

I am a little surprised that the unions apparently had no difficulty in obtaining their charters. It may be because most of their extraordinary restrictions were in the subscription agreement or the bylaws, not in the charters themselves. This would also explain why it was so easy to eliminate the restrictions when it was decided to do so.

Anyway, the BLE co-op NB of Cleveland was clearly a true co-operative bank. Provision was made for profit sharing with depositors via bonus interest payments on deposits (called depositors dividends). Stockholder dividends were limited to 10 per cent (presumably 10 per cent of par value, as a limit of 10 per cent of cost or market value wouldn’t be very effective). Individual stockholders were limited to three shares. Only BLE members were allowed to own shares (except for qualifying shares for officers and directors who were not BLE members), and the subscription agreement provided that the bank would have first option to repurchase any shares offered for resale.

The bank appeared to get off to a roaring start. Deposits climbed to \$26 million by 1924; depositor dividends of up to one per cent were paid from 1921 to 1925, and between 1922 and 1926, fifteen more labor national banks opened in the United States.

But trouble was brewing below the surface. One major problem of the Cleveland and other labor banks was union interference in the running of the bank. The proletarian

union officials apparently had the bourgeois desire to wear the title of "bank president" or "vice-president," and the fact that they were not qualified for the position did not always keep them from getting it. Loans that should have been denied on fiscal grounds were occasionally approved because they furthered union interests. It was difficult to get experienced outside directors. Locations were often poor, and in overbanked areas. As union member customers improved their lot, they often moved out of the banks area and moved their accounts. Deposits were unusually highly concentrated in interest-bearing saving accounts, and unusually low in interest-free checking deposits. Employee morale was low because they were poorly paid and not allowed to unionize. And, general economic conditions were deteriorating.

By 1927, the Cleveland bank was in trouble. The president of the BLE was accused of using the bank as a source of position and power for himself and his cronies, at great cost to the union. There ensued something of a scandal and cleanup. Limitations on stock resale were removed and the name changed in 1928 (indicating a possible disappearance of other co-op features also). The bank was liquidated in 1930. Van Belkum reports it had the largest circulation of any labor bank — \$800,000 in 1929.

The stories of the other labor banks are similar. Some became normal, conservative banks that just happened to have a la labor ownership; others were sold outright to non-labor interests. Some of the worst failed. And one — Spokane — succumbed to a run on the bank. It appears that by the end of 1930 none were still true co-operative organizations.

Listed below are the 13 other labor banks that issued currency and the two that did not. Unless otherwise stated, dividends to stockholders were limited to 10 per cent, and provision was made for depositor dividends. (Although it will be noted that in only one case other than Cleveland was the bank ever prosperous enough to pay such a depositor dividend.)

#12282 — The Transportation Brotherhoods NB of Minneapolis. Opened Dec. 18, 1922. Fifty one per cent owned by a BLE affiliate. Stock ownership limited to members of four transportation brotherhoods. Bank had right to repurchase shares. Liquidated in 1930, absorbed by the Marquette NB of Minneapolis. Van Belkum reports 1928 circulation of \$75,000.

#12389 — The Telegraphers NB of St. Louis. Opened June 9, 1923. Seventy-two per cent owned by the Order of Railroad Telegraphers. Ownership limited to ORT members and directors qualifying shares. Limit of 10 shares per person (out of a total 5,000 shares). Still in business in 1934 with a circulation of \$491,800. Second largest labor bank, but peak assets (before 1929) of \$7 million were still less than one third of the Cleveland Bank.

#12418 — The Brotherhood Co-operative NB of Spokane. Opened Aug. 1, 1923. Owned 25 per cent by Brotherhood Investment Company (apparently a union owned corporation), 35 per cent by members of the BLE, 25 per cent by members of other unions, and 15 per cent by the general public. No restrictions on resale. Depositors dividends actually paid until 1927 (only bank to do so other than Cleveland). In 1928, disaffection with the BLE caused other stockholders to kick them out, and decision was made to go after the business of the general public. Hence the name change in 1928 to City NB — much to the disgust of hardline unionists. Although absorbed by the Old NB in 1928, #12418 nonetheless went into receivership in 1930. In 1928 the circulation was \$200,000.

#12446 — The Brotherhood of Railway Clerks NB of Cincinnati. Opened Dec. 15, 1923. The BRC owned 51 per cent of the stock, but their were no other ownership limitations. In 1925, their union convention ruled that no union officers could be officers of the bank. It went into receivership in 1930, but was restored to solvency and liquidated later the same year. Its circulation in 1930 was \$200,000.

#10357 — The First NB of Bakersfield, Calif. Although chartered in 1913 and the lowest charter number of any labor bank, it was not a labor bank when first organized as the NB of Bakersfield. On Feb. 2, 1924, labor interests bought control and, on May 3, changed the name, but for some reason not to one indicating labor ownership. At its peak, labor owned 70 per cent of the stock, but by 1929 this was down to 20 per cent. Proxy voting and repurchase agreements that proved ineffective were the reason control was lost. The bank was near bankruptcy when bought in 1924, and never was successful; stockholders were assessed a total of \$223 per share over its lifetime. In 1935 it was absorbed by the Angle California NB; circulation then was \$500,000.

#12755 — The Peoples NB of Los Angeles. My notes say opened Apr. 26, 1924, but the charter number indicated that it was not opened until 1925. Fifty one per cent owned by local AFL groups. Repurchase agreements were ineffective, so gradually the union interests lost control. After an assessment of \$24 per share in 1928, labor interests lost control and the name was changed to NB of Commerce. Bank liquidated in 1932. Circulation in 1929 was \$500,000.

#12540 — The Brotherhood of Locomotive Engineers NB of Boston. Opened May 24, 1924. Controlling interest owned jointly by the BLE national organization and the New England BLE Securities Corp. Stock restricted to BLE members, officers and directors of the bank. In 1927, bylaws were amended to remove stock restrictions, and name changed to Engineers NB. In 1930, changed again to Continental NB. Liquidated later that year and consolidated with the Boston NB. Circulation in 1929 was \$275,000.

#12560 — The Labor Co-operative NB of Paterson, N.J. Opened July 26, 1924. Shareholding limited to 40 for a labor organization, ten for an individual (these limits later raised to 60 and 20, respectively.) There was a resale restriction in the subscription agreement, and management manipulated the stock price to keep it down. Name changed to Labor NB in 1928, when most co-operative features were dropped. Liquidated in 1925, succeeded by N. Union B. Circulation in 1927 was \$42,800.

#12613 — The Brotherhood Co-operative NB of Portland, Ore. Opened Jan. 3, 1925. By 1929, union and union member ownership had fallen under 25 per cent. At this time the name was changed first to Brotherhood NB, then to Columbia NB, hinting an end to co-operative features. Liquidated in 1931, absorbed by the American NB of Portland. Circulation in 1930 was \$200,000.

#12771 — Labor Co-operative NB of Newark. Opened June 27, 1925. Stock ownership limited to ten shares for an individual, 50 for a union. Subscription agreement had a repurchase provision and said that a majority of the new board must be unionists. It is not stated whether there were stock dividend limitations or provisions for depositor profit sharing, but name change in 1927 to Labor NB and then to Union NB indicates that there was some kind of change in organization. Still in business in 1934 with a circulation of \$175,000.

#12667 — Brotherhood Co-operative NB of Tacoma, Wash. Opened July 1, 1925. Title changed to Washington NB in 1930; went into receivership in 1930. Circulation \$191,960.

#12939 — Labor NB of Jersey City. Opened June 28, 1926. Voting stock limited to trade union organizations; most other stock not union held. Otherwise, no co-operative features. Liquidated in 1931; circulation in 1930 was \$100,000.

#13016 — Brotherhood NB, San Francisco. Opened Dec. 18, 1926. Owned 51 per cent by Pacific Brotherhood Investment Co. (a group related to the Brotherhood Investment Co. that owned the Spokane bank), 25 per cent by union members, the remainder by the general public. In 1929 the unions sold their interests and the name was changed to City NB. It was liquidated in 1932 and absorbed by the Pacific NB of San Francisco. The circulation in 1929 was \$200,000.

There were also two labor banks in Montana: The Labor NB of Great Falls (#11429) and the Labor NB of Montana of Three Forks (#12361), but they never issued any notes.

I trust that this article will clear up many of the mysteries about the notes of the labor national banks. I am sure that it leaves many good questions unanswered, and probably presents even new inexplicable facts for speculation. Which is nice, because speculating about our notes has always been one of the major pleasures of collecting them.

WILLIAM P. DONLON PASSES AWAY

William P. Donlon, 86, of Utica, N.Y. died suddenly April 15 at his home.

Born in Amsterdam, N.Y., he came to Utica after high school graduation. One of his first jobs was at the Old Majestic Theater, where he quickly advanced to secretary, treasurer and finally assistant manager. He remained active in the amusement business in Utica and Sylvan Beach until his retirement in 1958.



After retirement, Donlon became actively engaged in a long-time hobby — paper money of the United States — and was considered one of the foremost authorities on the subject. He developed and copyrighted a catalog numbering system for U.S. paper currency which is used in leading publications. He wrote two books on U.S. paper money which brought him national awards for his outstanding contributions to collectors and for the advancement of paper money collecting. His literary contributions to numismatic publications were numerous.

Donlon helped organize and was first president of the Mohawk Valley Coin Club and was named "Man of the Year" by the Club in 1967. He served in offices of many national numismatic organizations, and was a past president of the Empire State Numismatic Association. On March 31, Mr. Donlon closed his 12th mail bid sale with a record number of bidders. He remained active in his business, putting in a full day at the office each day.

Mr. Donlon was the sole surviving charter member of the Kiwanis Club of Utica, and was honored by the club in 1976 for his 60 years membership. Utica proclaimed "Bill Donlon Day" in honor of the occasion.

Mr. Donlon is survived by his widow, the former Stella Whittaker; two sons, James K. and William P. Jr.; six grandchildren and two great-grandchildren. (The Donlons observed their 64th wedding anniversary last September 24).