

NATIONAL CURRENCY

From



by DAVE GRANT

The National Bank of Commerce (NBC) in St. Louis was one of the most prolific issuers of large-size national bank notes. From the receipt of its charter in 1889 until it merged with the Mercantile Trust Company some 40 years later, the bank issued over 15 million notes with a total face value of \$112 million. Not surprisingly, notes are very common today. Pity the poor St. Louis currency collector, who, hoping to get a "sleeper" at a local show far from St. Louis, is almost ensured of being offered one or more well worn NBC notes.

BACKGROUND

THE bank actually traces its lineage to the St. Louis Building and Savings Association, which was granted a state charter on February 14, 1857. The initial authorized capital stock totalled \$500,000, divided into 1,000 shares. The stock was taken up by 605 subscribers, none of whom took more than six shares. An incentive, common at the time, permitted subscribers to make monthly installment payments of \$2.50; by the end of the first year the Association's paid-up capital totalled only \$36,500.

The Association opening could have been better timed. The doors opened on July 8, 1857, just a month before the "Panic of '57" took grip of the country. Firm management permitted the fledgling company to survive the panic only to face a greater challenge a few years later. A southern oriented town in a border state, St. Louis was treated almost as an occupied city by the Union. Banks were expected to make several "contributions" to the war effort, and the general climate was not promising for banking generally. Nevertheless, the bank had amassed a capital stock of \$300,000 by 1864 and two years later set up a surplus fund by reserving the profits of the bank for the next five years.

Despite its name, the Association focussed primarily on doing a general banking business and this was reflected by the change of name to the "Bank of Commerce" on January 1, 1869. Although much of the mid-1870s were trying times for ante-

bellum St. Louis, the bank continued to prosper. On July 1, 1878, shareholders voted to resume dividend payments since the bank's capital and surplus exceeded \$1.1 Million.

In the fall of 1889, the bank's directors proposed to convert the bank to a "National Association." Nationally chartered banks had several advantages at the time, including the issuance of national bank notes. The change was authorized "by an almost unanimous vote of the shareholders" and on December 14, 1889 the bank was authorized to transfer its business to the National Bank of Commerce in St. Louis. The initial capital of \$500 thousand was almost immediately increased to \$3 million.

In 1890, there were eight national banks in St. Louis with total assets of about \$45 million and NBC was the by far the largest. The National Bank of Commerce accounted for 30%, or \$14 million, of the city's national bank assets and was nearly equal in size to the next two largest banks combined.

Although national banks in theory enjoyed the circulation privilege, issuance of currency was a losing proposition at the time. Nationally, the outstanding currency had decreased from a high of \$361 million in 1883 to just \$172 million in late 1891. Many banks had deposited lawful money to redeem their circulation and to release the bonds required to secure the currency. The reason was simple: bonds were selling at significant premiums over par and this premium, together with a relatively high federal tax on currency, eliminated most of the profit of this exercise. For example, in 1890 four percent bonds, which secured 75 percent of the national bank notes issued and made up over 80% of the outstanding government bonds, sold at 124, or 24 percent over par. It was more profitable to deposit the necessary lawful money, and to realize the substantial gain on the bonds.

A good example is provided by the situation in St. Louis. Each of the eight national banks in St. Louis in 1890 were required to purchase a minimum of \$50,000 of United States bonds as a requirement of the national charter and circulation was limited to 90 percent of the bonds actually owned by the bank. Given the economics involved, it is understandable that none of the banks had purchased more than this minimum and, consequently, none had more than \$45,000 in currency outstanding.

Nevertheless, the bank's business prospered. By the end of the century, assets exceeded \$36 million and on March 21, 1899 capitalization was increased again to \$5 million. In 1902, the bank's assets had again nearly doubled to \$69 million and capitalization had been increased to \$7 million. Acquisitions had also helped the bank grow. In 1898 the St. Louis National Bank (charter 1112) was absorbed by NBC as was Continental National Bank (charter 4048) in 1902. In 1906, the Fourth National Bank (charter 283) was taken through, what would today be described as, a hostile takeover. In 1908, it was the turn of the Commonwealth Trust Company.

The outstanding currency of the bank also grew during this period. Nationally, the contraction of the national bank note circulation was a serious concern to policy makers and significant changes in the rules governing circulation had been proposed by the Comptroller of Currency as early as 1890. By the end of the century, many of these changes had been enacted, including: a reduction in the tax on circulation; an increase of allowable circulation from 90 percent to 100 percent of the U.S. bonds held by a national bank; and a large issue of United

States debt carrying the circulation privilege and having a two percent or three percent coupon rate. These bonds would trade closer to par in the open market and would avoid the high premiums associated with earlier, high coupon issues. Consequently, interest in issuing currency and the amount of currency outstanding exploded. At the National Bank of Commerce, outstanding currency had been held at just \$45,000 through 1896. Circulation began to expand in the late '90s, and by 1900, \$1.4 million of the bank's currency was outstanding. With the expansion of the bank's capital in 1899 and 1902, the bank's outstanding circulation continued to grow, exceeding \$6 million in 1903 and reaching \$9 million in 1908.

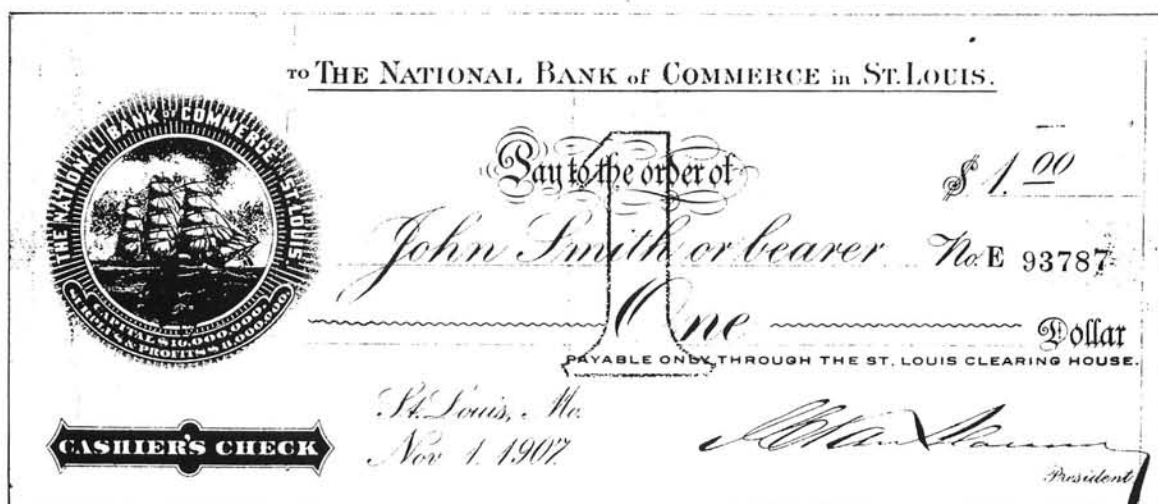
Throughout most of this period, the National Bank of Commerce was led by William H. Thompson. Thompson was born in Pennsylvania in 1830 and established himself in the plumbing business in St. Louis in 1851, subsequently opening a very successful factory for the manufacture of lead pipe. He organized and was elected president of the Missouri Lead and Oil Company in 1871. Thompson was elected president of the Bank of Commerce in 1883, and thereafter devoted most of his



Examples of the five signature combinations used on "Second Charter" notes. The bottom two notes also illustrate the rapid expansion of the bank's circulation after 1896. The \$10 note carries sheet number 8642 and was printed in 1896. Since the bank only issued \$10-\$10-\$10-\$20 sheets up to this time, this indicates that the amount of currency issued by the bank during its first six years of operation had a total face value of no more than \$432,100 and circulation outstanding at the beginning of 1896 totalled \$45,000. The \$20 has sheet number 132501 and was printed about six years later in 1902. That is, over \$5 million of \$10s and \$20s had been produced during the second six years of operation, and the \$5s were probably printed on a similar scale. Outstanding circulation at the end of 1902 totalled \$6.5 million.



Notice the different dates on the notes! The date on the \$10 and \$20—Dec 14, 1889—is six years earlier than that used on the \$5s—January 13, 1896.



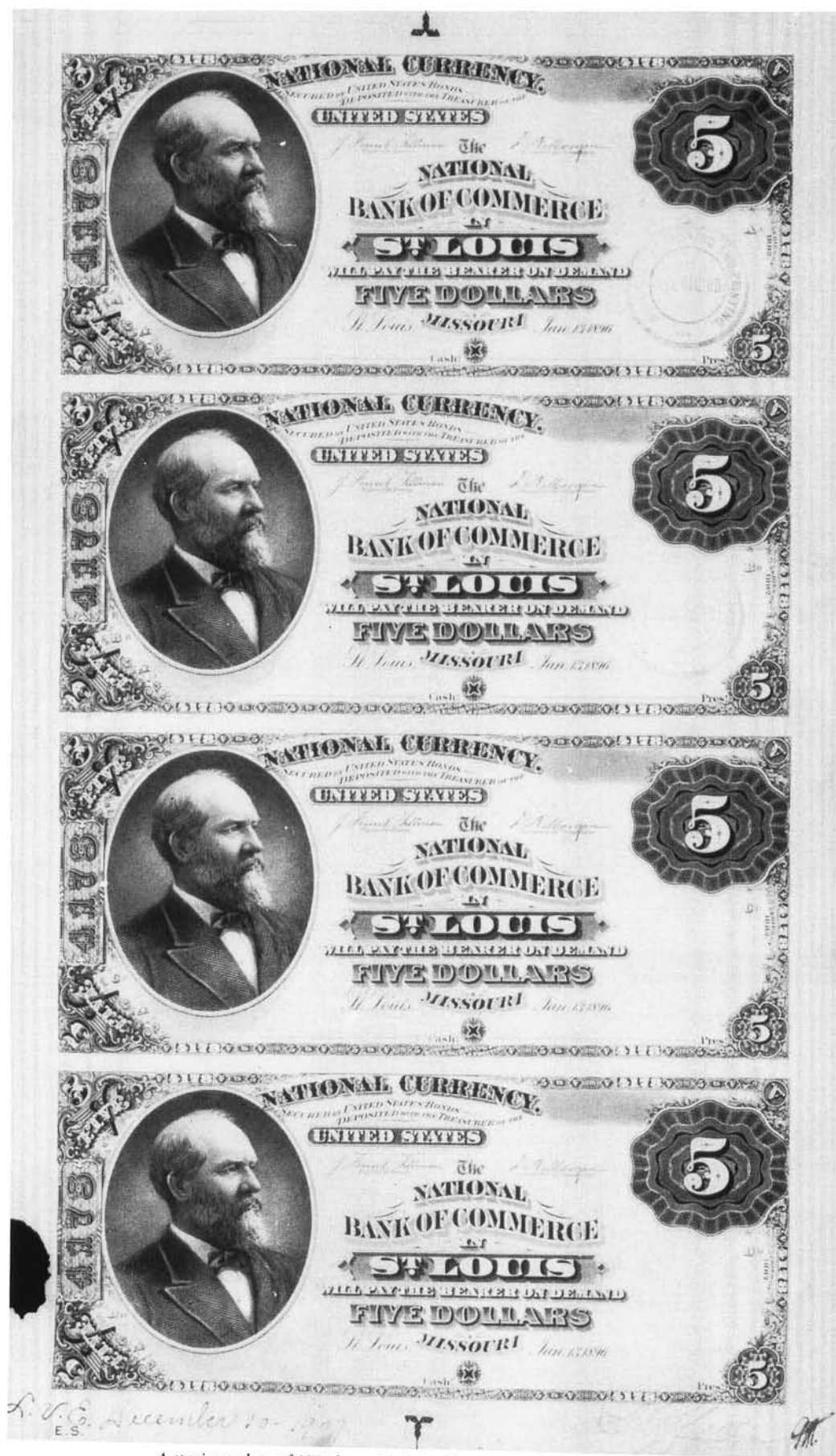
"John Smith" check issued during the Panic of 1907.

efforts to the bank. The burdens of the rapidly growing bank were heavy and this was compounded by Thompson's workaholic habits. In 1888, the Board ordered Thompson to take a five month leave of absence to tour Europe, and to return "fat, rugged and sassy." The next year, Thompson and his cashier, Jacob C. van Blarcom, were each rewarded with a \$25,000 bonus along with the thanks of the Board for making the Bank of Commerce "one of the most popular and prosperous banks in the country."

Thompson applied the same energy as Treasurer of the Louisiana Purchase Exposition. With the possible exception of David Francis, the Louisiana Purchase Exposition's president, Thompson was probably the person most responsible for the success of the fair. Advancing age combined with unyielding work habits were probably responsible for Thompson's death in December 1905. He was replaced by Vice President, and long time colleague, J.C. van Blarcom. Van Blarcom oversaw a final

increase in the bank's capital to \$10 million in 1906. St. Louis and the bank easily weathered the crisis of 1907, although "John Smith" cashier checks were resorted to as a temporary measure.

Van Blarcom continued as president until his death in September 1908 and was succeeded by Benjamin Franklin Edwards. At first, Edwards' tenure looked promising. Profits were stable and strong dividends were paid to shareholders. In 1909, the bank's assets exceeded \$90 million. Thompson's efforts had placed the bank on a solid foundation, and it was not until 1912 that the bank received a significant check. The *St. Louis Republic* reported on July 21, 1912 that the bank "has just completed a thorough house cleaning." At the insistence of examiners, some \$5.7 million of uncollectible loans were charged off, reducing the capital resources of the bank by nearly a third, to \$12 million. Many of these loans had been made before the "Panic of 1907" and were now hopelessly un-



A specimen sheet of 1882 brown back \$5s from the Smithsonian Institution.



A set of \$10s featuring all five of the signature combinations known for "Third Charter Period" notes. The serial number on the top note has the "A" prefix, indicating that it was the 1,133,655th sheet of notes of this type printed for the bank.

collectible. Assets, which had continued at the \$90 million level for several years, dropped to the mid-60s.

The amount of \$5.7 million was an incredibly large sum at the time, and commentators noted that the ability to charge off so much reflected the underlying strength of the bank. Nevertheless, many efforts at retrenchment were made to restore the capital base. These included cutting the dividend from 12 percent to eight percent and then to four percent, and a variety of expense savings including the closing of the officer's dining room and a reduction of Edwards' salary from \$40,000 to \$25,000.

However, the losses had effectively divided the board. On one side were friends of the officers, especially the president, and on the other were shareholders and their advocates who believed that the loss reflected incompetent management. Despite surviving a tough proxy fight in late 1912, Edwards was requested to resign in April of 1913 by a nearly unanimous resolution of the board. In announcing his resignation, Edwards indicated that he had finally felt compelled to resign because he had been unable to "secure the harmonious cooperation of the board."

Thomas Randolph, the bank's vice president was selected as president, with the hope that he could patch up the divisions

at the bank. Randolph proved to be only an interim replacement, however. He suffered from chronic poor health and was moved to chairman in 1915, with the presidency filled by John Lonsdale. Lonsdale was a well known and successful New York stockbroker and had a sufficient reputation to resolve the dissension among the bank's Board of Directors. The bank recovered much lost ground. Profits were sound and dividends were restored, especially following World War I, but the bank's assets seemed stuck in the \$85 to \$100 million range. Under Lonsdale, the bank continued its focus on the commercial side of the business, with a special emphasis on the developing southwestern United States.

The circulation of the bank remained at about \$9 million until the outbreak of World War I. Currency became scarce and National Currency Associations, which had been originally authorized in response to the Panic of 1907, finally began to issue currency. NBC was a member of the St. Louis Association, and the bank's circulation, which had been limited by the capital base of \$10 million, was temporarily permitted to exceed this limit. From September 1914 until the end of the year, the circulation of the bank ranged from \$11 million to \$12.5 million.

This was only intended as a temporary issue, and the circulation soon returned to \$9 million. In 1917, the bank dropped its circulation to \$4.9 million. Outstanding circulation remained at this level until the very end of the bank.

The late 1920s was a period of change and bank mergers in St. Louis. Several combinations were rumored as early as 1928, but it was not until January 15, 1929 that the board agreed to the merger with the Mercantile Trust Company, a successful firm founded just 30 years before. The transaction was consummated on May 20, 1929, and the survivor was known as the Mercantile Commerce Trust Company.

This organization was a trust company which, under Missouri law, was permitted to own one bank. Consequently, a subsidiary was formed, the Mercantile Commerce National Bank, which opened for business on August 15, 1930 at Grand and Delmar, one of the busiest intersections of midtown St. Louis. Lonsdale was president and Guy Alexander became cashier. This institution issued small size notes under charter 4178.

Lonsdale remained as president until January 9, 1933 when he was elected as Chairman of the Board. The prior autumn he had been named as co-receiver of the St. Louis and San Francisco Railroad and this move permitted him to devote more time to its activities. Lonsdale was succeeded by W.L. Hemingsway, who remained at the head of both institutions until well after the note issuing period ended in 1935.

The Trust Company continued to own the national bank until June 1934. The Emergency Banking Act of 1933 closed the state loophole and required divestiture. A trusteeship was set up which ultimately transferred ownership of the bank directly to shareholders of the Trust Company.

CURRENCY ISSUES

In June 1946, someone associated with the bank's successor pulled together a number of recollections of "old timers" from the bank. It was noted that:

National Bank printed its own money—cut it—Boys sharpe(n) knives and cut.

President signed it. Excellent Paper.

It is interesting to note that only 17 years after the end of the issuance of large size nationals, such recollections had become so blurred. Obviously the bank did not print its own money, but at most overprinted signatures on notes were received from the Currency Bureau. From the end of 1889 to 1929 the bank issued some 15.1 million notes. Evenly divided over the entire period, which they were not, this translates into about 380 thousand notes per year or 1,200 notes a day (based on a 6 day, 52 week year). Even hard working Bill Thompson would have had little time for anything else if he had signed so many notes each day. In fact, with only one exception, all of the signatures encountered by the author appear to be printed.

In any case, all of the potential officer combinations, their dates of office and types of notes issued are presented in the attached table. An "X" indicates that a specific combination of type, denomination and signature is known to the author. An "L" indicates that a signature combination is known on a \$10 note and should also exist for the associated \$20 from a \$10-\$10-\$10-\$20 sheet. A blank does not necessarily mean that a specific type does not exist, but rather that it has not been encountered. Notes may also exist with either VP or Assistant

Cashier signatures, but this author is not aware of such items.

With the vast number of notes issued each year, none of the signatures can be considered as scarce, except in comparison with other NBC notes. High grade \$5 and \$10 Brown Back notes are frequently encountered, usually with the Lewis—van Blarcom signature combinations, and are often sold as type notes. Of the entire series, high grade 1882 Date Back notes seem to be the most challenging to obtain since they were issued for just two years.

Except for the \$50 and \$100 notes, which have their own following, the 1902 Date and Plain Back notes can be readily found in very nice conditions. To this author, only examples of notes with Randolph's signature have been somewhat elusive in higher grades. Despite encountering half a dozen or more notes with the Randolph signature during the past four years, none graded better than "Fine." Several nice Randolph notes are known, and, rather than indicating a "rarity," this probably just reflects a short term supply and demand situation.

For a variety collector, NBC's third charter notes offer especially fertile ground. In addition to the signature and denomination combinations, notes can be found with and without the regional letter (removed in 1924) and with and without the treasury serial number. Further, 1902 Plain Back \$5 and \$10 notes are known with an "A" prefix on the sheet serial numbers indicating an issue in excess of 1,000,000 notes.

The \$5 1882 Brown and Date Backs offer an additional puzzle. The \$10 and \$20 Brown Back notes carry dates of December 14, 1889, the date the charter was issued to the organizers of the bank. By contrast, the \$5 notes carry a date of January 13, 1896. One of the earliest known \$5 notes on this bank carries a U.S. Treasury serial number with a "W" prefix indicating a printing in 1896. Thus, the most likely explanation is that the date on the \$5 notes reflects the bank's first order of printing plates for the \$5 notes. For the prior six years, the bank presumably only issued \$10 and \$20 notes.



The three-signature combinations known for small-size notes.

The small-size notes of the successor bank are somewhat more limited, but nevertheless contain some interesting items as well. In general, nice \$5 notes seem to be a bit harder to find than the \$10 or \$20s. The \$5 notes saw more use, experienced more wear, and consequently left circulation more quickly. All known Type I notes carry the Lonsdale-Alexander signature combination. At least one small hoard of uncirculated Type II

NATIONAL BANK OF COMMERCE IN ST LOUIS
KNOWN SIGNATURE COMBINATIONS ON NATIONAL BANK NOTES

		1882 BB					1882 DB			1902 DB				1902 PB	
		\$5	\$10	\$20	\$50	\$100	\$5	\$10	\$20	\$5	\$10	\$50	\$100	\$5	\$10
Cashier – President	Approx Dates														
van Blarcom – Thompson	12/89 – 12/98	X	X	L											
Edwards – Thompson	1/99 – 1/04	X	X	X											
Lewis – Thompson	1/04 – 12/05	X	X	L											
Lewis – van Blarcom	12/05 – 9/08	X	X	X											
Lewis – Edwards	9/08 – 4/13		X				X	X		X	X				
Lewis – Randolph	4/13 – 8/15									X	X	L	X		
Lewis – Lonsdale	9/15 – 11/18									X	X	L	L	X	X
McNally – Lonsdale	11/18 – 12/26											X	L	X	X
Mudd – Lonsdale	1/27 – Merger													X	X

MERCANTILE COMMERCE NATIONAL BANK
KNOWN SIGNATURE COMBINATIONS ON NATIONAL BANK NOTES

	1929 Type I			1929 Type II		
	\$5	\$10	\$20	\$5	\$10	\$20
Alexander – Lonsdale	X	X	X			
Hanser – Lonsdale				X	X	X
Hanser – Hemingsway						X

X = Known to Exist

L = Likely to Exist

\$20s with the Lonsdale-Hanser combination has been dispersed since this seems to be the most commonly encountered uncirculated small size note.

The most scarce signature on small-size notes is that of Hemingsway-Hanser. While others certainly exist, the illustrated example is a \$20 with serial number 4121, just nine notes from the end of the run!



The Seal of the National Bank of Commerce



The National Bank of Commerce Building, home of the Bank from 1902 to 1929.

COLLATERAL COLLECTIBLES

A wide variety of collateral material is also available to add spice for the collector. Such items include savings banks, barrel banks, postcards, passbooks, booklets, checks, paperweights, and all sorts of promotional items. One of the most interesting items is a small premium bank in the shape of a suitcase; perhaps this was a tie-in to the bank's business for travelers. Most items carry the bank's logo—a sailing ship running with the wind. Most items can be roughly dated as the bank's capital and surplus is proudly displayed around the main scene.

So, show a little respect the next time you see one of those low grade NBC notes offered for a few dollars over face. That humble banknote is a tangible link with one of the most interesting, important and prolific of St. Louis' note issuing banks.

BIBLIOGRAPHY

- Childs, C. F. (1947). *Concerning U.S. government securities*. Chicago, IL: R.R. Donnelley & Sons.
- Comptroller of the Currency (various dates 1890 to 1922). *Annual report of the comptroller of the currency*. Washington, D.C.
- Correspondence and Examination files of the Comptroller of the Currency (various dates, 1889 to 1929). National Archives, Washington, D.C.
- A. G. Edwards (various dates, 1892 to 1911). *Comparative statistics of St. Louis banks*.
- Hepburn, A.B. (1915). *A history of currency in the United States*. The Macmillan Co.: New York.
- Hickman, J. and D. Oakes. (1990). *The standard catalog of national bank notes*. Iola, WI: Krause Pub.
- Huntoon, P. (1989). Treasury serial numbers by year for the early large-size national bank notes. *PAPER MONEY*, Number 144.
- National Bank of Commerce (various dates 1905 to 1929). *Statement of Condition*.
- Owens, E. (1948) *A history of Mercantile Commerce Bank and Trust Company 1857-1948*. Unpublished Thesis for University of Wisconsin.
- St. Louis Globe Democrat* (various dates, April 1913).
- St. Louis Post Despatch* (various dates, April 1913).

Acknowledgments:

Special thanks to Lynn Vosloh for providing the fine photograph of the Specimen sheet in the Smithsonian Collection and William Sherman for his assistance with the Comptroller files in the National Archives. Thanks also to Ron Horstman for providing a photocopy of one of the bank's 1907 John Smith checks. ■

Money Tales

Stamp Currency

THE American Bank Note Company [is printing] \$100,000 in this currency per day. This at the rate of nearly one-half cent each daily for the whole loyal population, and at this rate would take one whole year to provide each individual with \$1.75 of the currency and would require an issue of \$38,500,000. So that it will readily be perceived that it is impossible in this way to fill the place of small silver change in less time than twelve months, as there is estimated to be over \$40,000,000 of small specie change in the country.—*The Dakotian*, Yankton, Dak., Dec. 23, 1862.