A Short-Lived Bank: THE MERCHANTS NATIONAL BANK, *Bismarck, Dakota*

by FORREST W. DANIEL

Can a national bank with an existence of only six months have a career worthy of study? Certainly. There was a hint of scalawaggery and incompetence from an Eastern investor, but it was a disastrous slump in the region's economy that was the major cause for the failure of the Merchants National Bank, Bismarck, Dakota Territory. Basically, a group of small-town businessmen believed they could become bankers and learned the hard way that they could not. This is the story of a very troubled bank. What is known of the non-banking career of its president, however, adds some color to the bank's story; but the bank was such a passing phase in his career it was not even mentioned in his obituary.

John A. McLean, president, Merchants National Bank. (Courtesy State Historical Society of North Dakota.)

JOHN A. McLean, president of the Merchants National Bank, was born in 1849 at Highbank, Prince Edward Island. He attended Prince of Wales College and taught school for a year. In the United States he entered business, and when the Northern Pacific Railroad began construction from Duluth, Minnesota to Puget Sound, McLean was a contractor who supplied railroad ties and other construction material for the westbound track. He arrived along with the railroad in Bismarck, a new town in 1873.

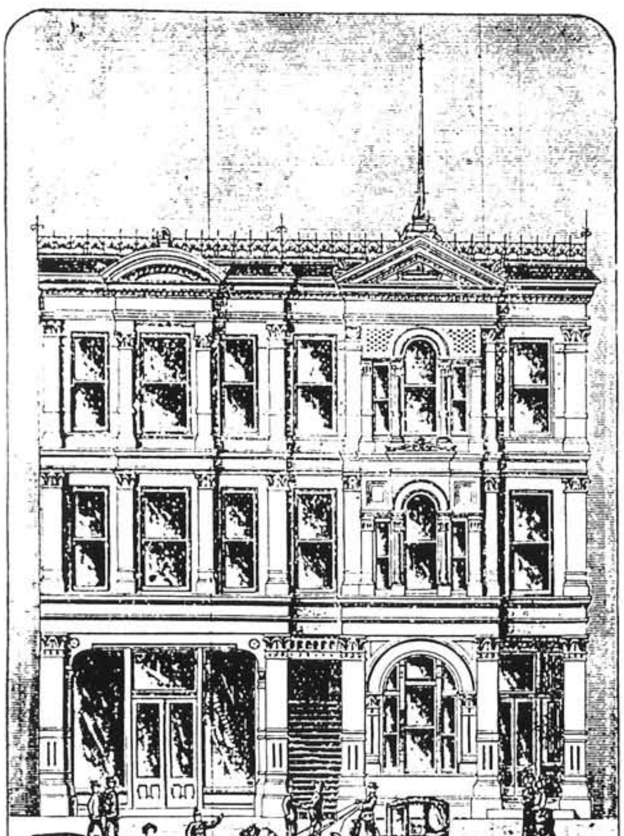
Bankruptcy that year forced the Northern Pacific to discontinue further westward construction until 1879. In Bismarck, McLean entered the mercantile and contracting business with Robert Macnider, a merchant who in 1872, with a train of ten ox teams and wagons loaded with merchandise and intentions to establish a store at Bismarck, stopped at Jamestown where the army had just established Fort Seward to protect the Northern Pacific railroad survey parties. Macnider unloaded his wares and set up a successful store which served the railroad construction crews and the army, as well as the usual mixture of settlers and frontier rowdies, until the track was laid the next year and he could continue on to Bismarck. The McLean & Macnider firm supplied goods to the Missouri River steamboat trade as well as the overland freighters that served the gold miners in the Black Hills. Macnider was a director of the bank.

McLean became active in civic affairs and was the first elected mayor of Bismarck; he successfully negotiated the rights of the squatter occupants on, and several claimants to, the city's original townsite. It is altogether possible that McLean & Macnider were outfitters for the Custer expedition to the Black Hills in 1874 which confirmed that gold was present there. The following year the extent of the gold find was firmly established and in January 1876 John McLean and Colonel Clement A. Lounsberry, editor of the *Bismarck Tribune*, took samples of Black Hills gold to Washington. They displayed the gold to President Grant, Secretary of War Belknap and both houses of Congress. As a result President Grant opened the Black Hills to gold miners and their routes to the hills through Indian lands. On their way to Washington McLean and Lounsberry made arrangements with railroad companies to route freight billed to the Black Hills via Bismarck; and on their return a stage coach and freight line connecting Bismarck and the Black Hills was established.

When Lt. Col. George A. Custer's ill-fated campaign into Montana left Fort Abraham Lincoln in May 1876, McLean & Macnider held the contract to furnish civilian teams and wagons to carry supplies for the expedition; and when forts were established on the Yellowstone River they supplied hay and wood for the posts. In 1883 McLean County was named for John A. McLean.

Bismarck already had three national banks and a Mellon Brothers private bank when, on January 11, 1883, five Bismarck businessmen applied for permission to organinze a national bank with a capitalization of $65,000. Richard F. Pettigrew, territorial delegate, supplied his required Congressional signature. By the time the Articles of Association and Organization Certificate for the Merchants National Bank were filed in June 1883 an infusion of capital credited to investors from Jefferson, Wisconsin raised the proposed capital to $100,000. A new territorial capitol was being built in Bismarck and times were prosperous. The new bank was planned to serve an actively growing economy. It was unknown at the time, but 1883 was the peak of the Great Dakota Boom (1873-1886). Bismarck was doomed eventually to lose five banks; real estate values fell sharply and merchants fought for customers. One of the first victims of the economic stagnation was the Merchants National Bank.

The boom was still apparent, though, on March 24, 1884, when a booster issue of the *Bismarck Tribune* announced the opening of the Merchants National Bank and published a drawing of its elaborate new quarters. The three-floor brick building was steam heated and the interior of the bank was finished in cherry wood. The ceiling was white with frescoed ornaments above the chandeliers. The building was as fire proof as possible and the vault contained a 7,600-pound Diebold safe with a Crane hinge which swung on the center of the hinge. The edifice also held a number of stores, and office suites were for rent. The bank's opening was planned for April 1st, according to the *Tribune*.



Merchants National Bank Building, Bismarck.

There was a delay in the decoration so the Merchants National was to open on the 10th. The anticipated opening date appears to have been hopeful speculation since the date on the bank's specimen notes is April 28, 1884. The bank finally opened its doors May 1 with Cashier Edward McMahon, a major stockholder and former banker in Jefferson, Wisconsin, in charge. Officers in addition to McLean and McMahon were John Mallanney, vice president; W. D. McMahon, bookkeeper; and directors John A. McLean; John Mallanney, real estate and loans; E. McMahon; John E. Carland, lawyer; Robert Macnider, wholesale grocer; Frederick W. Smith, partner in a wholesale grocery, a coffee and spice mill, and secretary-treasurer of Bismarck Artificial Stone Co.; and H. Hersey, physician. In addition to Cashier McMahon there were five other stockholders from Jefferson and two from Watertown, Wisconsin.

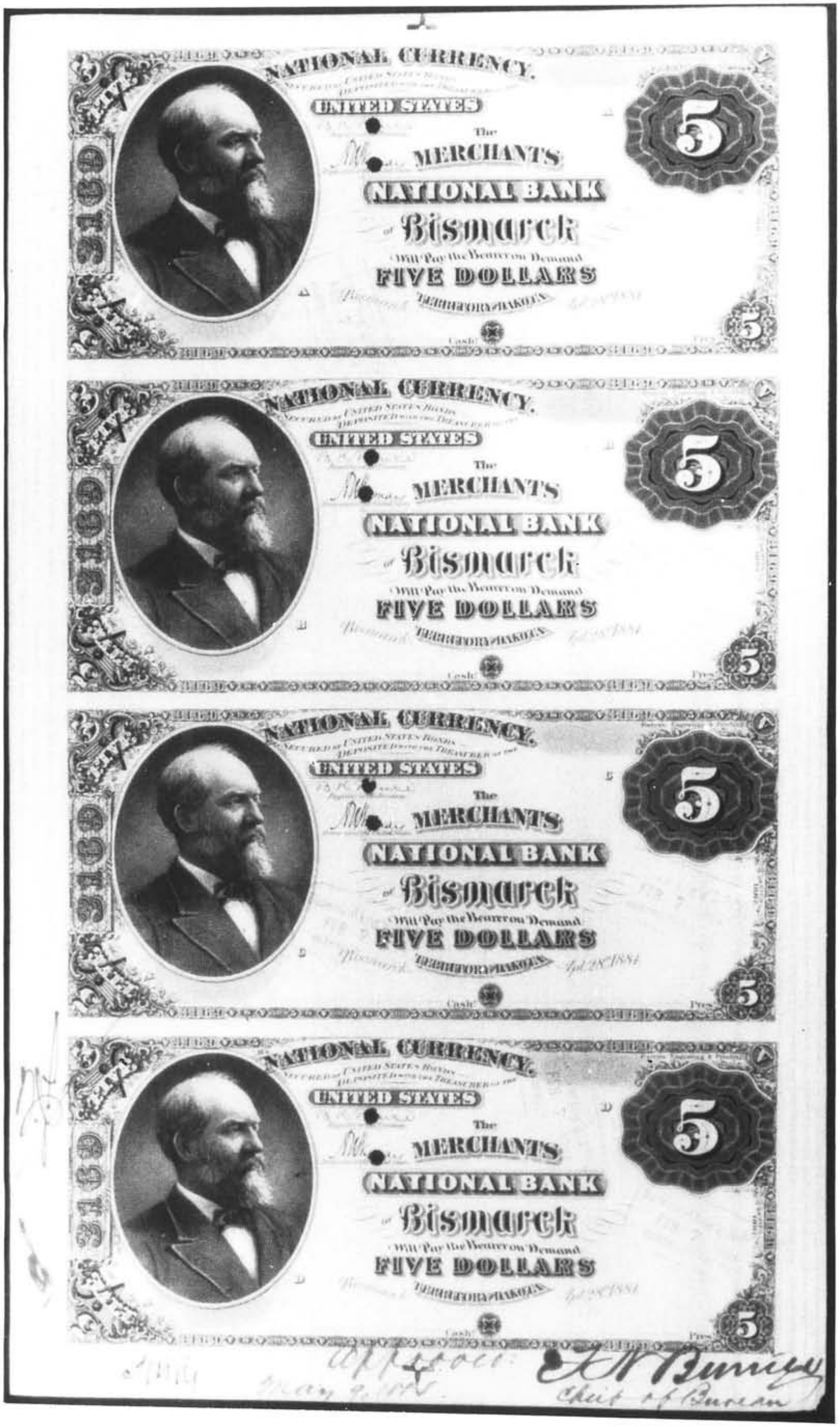
The announced cash capital of $100,000 actually reached only $73,000, and that not until September. In June the board of directors had applied to the comptroller of the currency to reduce its capital to $75,000 because the dull times and scarcity of money made it impossible for subscribers to meet the installments on their stock. The board felt reducing the capital would be less injurious to the bank than a forced sale of delinquent shares. The comptroller replied that the full amount of $100,000 must be paid in full in regular monthly installments.

An examination on June 23 showed the bank had only $61,100 of stock paid and $43,550.19 of its assets was represented by the new building, furniture and fixtures. The comptroller said there was no reason for a bank to invest so much of its initial capital in property; he ordered the building to be sold, suggesting that capitalist stockholders might purchase it and rent it back to the bank. He said in order to complete the organization of the bank the entire $100,000 must be paid up and "the banking house got rid of in some way."

Cashier McMahon replied that notice would be served on delinquent stockholders that all payments must be made current; he expected there would be only two or three who could not produce the cash. He told the comptroller that when the stock was subscribed the investors from Bismarck felt rich but now it was very difficult for them to raise any money. He felt the cost of the building was comparable to others in the territory, office rentals adequate, and that there was no market for the building, times being what they were. McMahon admitted the south half of the building was being built by private parties (with bank money, according to a critic) and said $11,000 would be deducted from the bank's building asset value. A city lot with the part of the building standing thereon was sold to investors in Wisconsin for $8,000. McLean and McMahon gave them a one-year note, intending to redeem the building. They did not; the lot and the debris from the fire that destroyed the building in 1898 were sold to a Bismarck merchant.

On July 14 the board of directors passed a resolution to sell the shares of delinquent stockholders and public notice of the sale was published in August.

Saml. H. Thompson, a major stockholder in Baltimore, (his address was Bismarck on the stockholder list) protested that the sale of delinquent stock would not save the bank, and that it would produce even greater losses when the bank eventually was placed in receivership. He called on the comptroller to demand that the Merchants National Bank be placed in voluntary liquidation. In addition to the delinquency of the leading stockholders, some $6,000 of the original stock had



Specimen Sheet of $5 notes, Merchants National Bank, Bismarck, Territory of Dakota. (Courtesy of Smithsonian Institution.)

not and would not be subscribed; there was no way the bank could be saved, and since there was little money in Bismarck, Thompson predicted the other banks would have to consolidate in order to survive.

Thompson went to Bismarck in September and painted a dismal picture for the comptroller. In an aside he said, "The President is intoxicated most of the time & the Cashier is commonly said to be the meanest drinker in Bismarck."

Thompson admitted he was not hurting for funds, and if the bank was placed in voluntary liquidation some of the stockholders would form a stock company to buy the building for the stated cost. In that way, he said, little injury would be done since each shareholder would receive property for his share of the assets.

Thompson received a telegram from Bismarck Director George P. Flannery; dated September 16, it reported McLean had been forced out of directorship and presidency of the bank. The local newspaper said he resigned and John Mallanny was promoted to president. Thompson wrote the comptroller that if McLean had been forced out because of his drinking, "Cashier McMahon should go likewise."

Director Flannery acknowledged to the comptroller that an order to postpone the sale of delinquent stock would provide some relief and that the stockholders would agree to liquidate. He confirmed all the statements Thompson had made about depressed conditions in Bismarck.

Cashier McMahon still insisted the bank was viable. He visited many of the Eastern investors and said they would take up the sixty unsubscribed shares. In October President Mallaney finally bit the bullet and on the 28th the directors voted to liquidate The Merchants National Bank of Bismarck.

When John A. McLean tendered his resignation as president of the Merchants National Bank he cited private business as taking so much time he could not give proper consideration to the bank. In November he ran as a substitute candidate for county register of deeds; while saying he would make a dandy register of deeds, the *Tribune* added, "By the way, though, this seems quite a let-down from the presidency of a national bank." McLean was defeated.

When the bank surrendered its charter it continued business for an undetermined time as a territorial bank under the style Merchants Bank of Bismarck, as it had been in anticipation of receiving its national charter. The private bank handled outstanding claims against the Merchants National. As a territorial bank there was no need to register, so there is no official record of when the Merchants Bank finally closed. The bank premises were vacant in 1888. It may well have been another one of the five closed banks mentioned earlier.

At the time of liquidation the Merchants National Bank had $22,500 of $5 national currency notes outstanding, $3,250 of which was retired, leaving $19,250 in circulation; $185 was outstanding in 1907 and no examples are known.

The liquidation was not expeditious and a final date for closing of the books has not been found. George W. Bird, one of the Jefferson, Wisconsin investors, wrote to the comptroller in 1887 that the circulation was provided for and redeemed and the U.S. bonds disposed of. The depositors were all paid, most of the paper collected, and the proceeds distributed to the stockholders in two dividends, "both amounting to about 20%." When Bird visited Bismarck in June the bank had $6,000 cash deposited in the First National Bank and was holding $5,000 in paper due. The $33,000 building was being offered at $15,000 with no prospect of a sale. It was agreed with the Bismarck people that all the assets and building be sold on October 1 and the proceeds and $6,000 cash be distributed, but it had not been done by the end of January the next year.

Bird declared the Bismarck directors wanted to prevent distribution of the property, to keep it for their own benefit. He said Cashier McMahon had long since departed Bismarck and the director left in charge had gone into business elsewhere. Bird asked the comptroller if there was any way to force distribution of the assets without resorting to costly receivership. Comptroller of the Currency reports suggest no receiver was ever appointed for the bank, consequently no date for final liquidation appears in his reports.

Although the Merchants National Bank building had not been sold by the end of 1887, a separation had been made. According to tax records, Lots 1 and 2 whereon the building sat were assessed to a group of several owners through 1886. The 1887 assessment lists the Merchants National Bank as owner of Lot 1. Since this was the Bank's first ownership listing of the lot and building, it probably represents the stockholders rather than "McLean, et al," as before. Carlos Waldo of Wisconsin became owner of Lot 2. The same ownership remained on the tax list, with declining assessments, at least through 1896.

A fire which began in a railroad warehouse burned "the handsomest business portion of the city" on August 8, 1898. The Merchants Bank building was among the many businesses destroyed; the list included the First National Bank, the Mellon Bank, the Capital National Bank building and the postoffice among others. The Carlos Lot 2 and debris was sold shortly after the fire. In December 1898, four months after the fire, Lot 1, the bank's lot, was offered for sale by the Burleigh County Auditor for $170.89, the delinquent taxes for 1897. There were no other bidders so Burleigh County bid it in. The county found a buyer for the lot in 1901, and the legal redemption period having passed, an Auditor's Tax Deed was issued on March 12, 1902. The Merchants National Bank, Bismarck, Dakota, was finally out of business.

Handy references reveal nothing on the later career of John A. McLean except the 1900 federal census for Bismarck which has him listed as a day laborer. There is always the possibility something may be found later. He died in Boston August 1, 1916.

SOURCES:

Bismarck Tribune. Local histories, fire maps, atlas.

Burleigh County Deed Registers.

Burleigh County tax assessor's records.

National Archives: Organizational Records, Examiner's Reports and Correspondence of the Merchants National Bank.