

THIS COULD START OUT WITH “ONCE UPON A TIME,” but would probably not be believed. It’s true, never-the-less. Once the city of Mechanicville, NY enjoyed two National Banks, both well established having appearance of strength and respectability. That was before events of Summer 1931 unfolded like a poorly executed practical joke played upon the population of this small city.

Act I

It was a simple sign, the kind of sign you would expect a bank to author: short, concise, to the point, and unfortunately maybe a bit lacking in detail. Perhaps brevity and ambiguity were the ingredients the bank officials had sought, but they certainly got much more than they bargained for before it was all over.

The sign that festooned the wall opposite the bank’s front door announced that the First National Bank was divesting itself at public auction of a piece of urban property it had acquired through foreclosure. It was 1931,

But Then There Were None **Once There Were Two**

BY TOM MINERLEY

after all, and signs like this were nothing new. They barely solicited a second glance.

Unfortunately for the bank, at least one person read it who did not really grasp completely what the bank intended.

Within the Mechanicville community, even during these Depression days, were ample employment opportunities, most stemming from the city’s location on key rail and canal lines. Available employment attracted some of

The First National Bank in 1917. The building has subsequently been demolished.





Third Charter Plain Back notes are, to the author's knowledge, all that survived of the large size notes issued by the First National Bank. Hugh B. Dugan, President; Robert G. Moore, Cashier.

the newest immigrants to the United States, including many exiles from Italy.

This piece of information is important to remember as this story unfolds. When local newspapers, in that age of "political incorrectness," referred to "foreigners" or the "foreign influence," their references in this region were most likely veiled synonyms for "Italians."

On Monday, February 22, 1931, one of the city's residents of that nationality read the posting, and having limited command of English unfortunately misinterpreted it. Instead of understanding that the bank was divesting itself of property on which it had foreclosed, it was mis-read that the bank itself was the victim of foreclosure action.

This unfortunate mistake became the catalyst of calamity that followed. One person's error became several, several became many, and soon a large crowd showed up at the tellers' cages demanding immediate withdrawal of their funds. The local newspaper reported:

Hugh Dugan, president, was reluctant to give any definite information concerning the amount withdrawn. It was he who finally discovered the cause of the panic. One of the depositors among the screaming mob which rushed the bank in an effort to obtain their money as speedily as possible was taken to the president's office and questioned. He pointed out the foreclosure sign which reported the forced sale at the bank of a structure on North Main Street, Mechanicville. An Italian resident had seen the sign while passing the bank early yesterday and had rushed to the foreign sections to inform friends and relatives that the bank was being sold.

Several days later, on the 26th it added:

The rumor spread like wildfire and the run on the bank started at 10:30 a.m. and was not halted until yesterday afternoon. . . Several prominent merchants were summoned to the bank when the amazed employees realized the seriousness of the situation. They circulated among the more influential of the foreign element and explained the situation.

Few Series of 1929 small size notes survived the bank's collapse. Hugh B. Dugan, President; Robert G. Moore, Cashier.



Later estimates put the total mob at 125, and the amount withdrawn during the “run” at \$150,000.

Confidence in the bank had been severely shaken, and was never to be restored. The bank continued to operate until June 20. Then its Board of Directors, in consultation with National Bank examiner Andrew Douglas, determined it was in the best interest of the depositors to close the bank and conserve what capital remained. “Although no official information could be obtained as why the bank was closed, one of the directors, who refused to divulge his name, said that the bonds which the bank held had depreciated so low the bank could not continue any longer.”

Reorganization plans seemed to lead nowhere during that summer of 1931. Plans to have depositors take 20% of their deposits in a reorganized institution or to encourage business and community leaders to lend support in capitalizing an entirely new bank never got off the ground. Like General Douglas MacArthur’s proverbial Old Soldier, the bank “just faded away.”

In time, depositors were paid off and time healed most wounds. But, what started that fateful Monday at one bank had a chilling effect on the city’s other bank as well.

Act II

Sometimes it’s true: One can be in the wrong place at the wrong time and everything goes, you guessed it, wrong.

The summer of 1931 provided the time and the Manufacturers National Bank of Mechanicville provided the venue for the disaster.

The scene had already been set: the First National Bank had been forced to close its doors. On June 20 it was determined that the bond market had wreaked havoc with the bank’s holdings bringing it down in flames. The community was financially edgy, but there was no apparent reason to assume a failure of one institution would adversely affect the other.

Manufacturers’ handled more than \$3,000,000 in deposits. What could possibly go wrong? Unfortunately Andrew Douglas, the National Bank examiner charged by the Comptroller of the Currency with winding up affairs of the First National Bank, proved the catalyst.



The Manufacturers National Bank in 1919. This edifice survived the calamity of summer 1931, and now serves the city as a branch of Fleet Bank.



Second Charter Date Back. William L. Howland, President; Newton T. Bryan, Cashier.

Douglas is the pivotal figure in this melodrama. Friday, August 7 is the pivotal date when all the pieces in Act II of this black comedy came together. Only six weeks after the FNB had closed its doors, the local press reported:

Douglas and his assistants have been at the bank (Manufacturers) examining accounts. Friday afternoon presence of the examiners was noted and because they had been seen at the First National Bank before that institution closed, a group, composed largely of a foreign element, began to withdraw deposits.

Saturday morning shortly before 10 o'clock the bank was jammed with persons withdrawing deposits. The run continued despite announcements that the bank was fully capable of meeting demands. At noon, in accordance with summer custom, the doors were closed. Saturday night at 7 o'clock the bank reopened, as is also customary, to receive deposits. When another run started, this action was reversed and demands for withdrawals were honored until 9 o'clock, the regular closing hour.

An announcement was publicized about the city the following afternoon that the bank had determined to suspend business. On Tuesday, a reason was finally put on paper. "... A.M. Douglas, representative of the Comptroller of the Currency, Washington, who has taken charge of the Manufacturer's (sic) Bank as he assumed charge of the First National Bank recently, announced yesterday that the Manufacturer's (sic) Bank had been closed to 'conserve the assets and to protect interests of the depositors and other creditors'"

Public interest focused on the dilemma that within weeks a city of some 8,500 persons was without banking facilities of any kind. Municipal and public monies for Mechanicville and communities for miles around were now tied up in the jumble that followed both banks' collapse.

Third Charter Plain Back. Howland and Bryan remained at their posts.

In shades of *It's a Wonderful Life*, but with a dark twist, the local Co-operative Savings and Loan Associations advised their members after receiving



requests for withdrawals that they would strictly impose the 60-day clause in the members' contract, thus forestalling any immediate outlays.

In early August, both banks were wrapped up by a single receiver, Pardon C. Rickey. For a while, Rickey operated as a one-man bank. He accepted cash in exchange for his personal checks for like amounts. He took steps to see that these checks would be honored by out of town banks, but it was a sorry state of affairs for the community.

All attempts to revive the bank failed for one reason or another. There was a lack of enthusiasm to let the same people run things, and also a lack of capital to start all over again. A plan to use a percentage of the total deposits of the two banks to form the capitalization of a new bank was proposed. However, there was not enough support to carry that plan off and no influx of outside capital.

Diminutive survival rate of Series of 1929 notes make the small size issues of the Manufacturers NB much scarcer than their large sized counterparts. Again, officers remain Howland and Bryan.



Act III

Assets were liquidated and debts paid off. Another bank assumed the old Manufacturers National Bank building. The age of hometown banking for this community had ended. Mechanicville had to accept its status as being just a branch of another city's financial institution. ❖

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