

The Northampton Bank

A History of the Pennsylvania Bank

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A SMALL VILLAGE IN THE LEHIGH VALLEY OF EASTERN Pennsylvania was founded by William Allen in 1762. The son of William Allen (Sr.?), a wealthy shipping merchant, William Allen was born in Philadelphia on August 5, 1704, and in later life, became the mayor of the city of Philadelphia and Chief Justice of the Province of Pennsylvania. His youth was spent in England but upon completion of his education, he returned to Philadelphia and entered his father's business. In 1725, upon the death of his father, William inherited the mercantile business and, through astute business practices and real estate purchases, increased his wealth substantially. In the year 1735, Allen purchased 5,000 acres in the Lehigh Valley near the Lehigh River.

During the period of 1735 and 1762, immigrants (largely Germans) populated this area due to the excellent farm land. Being farmers in Germany, they cleared and cultivated large tracts (150 to 300 acres) and lived in isolation from one another with no community attachment. As the farms developed and became more than self-sufficient, a problem arose relative to disposal or sale of surplus crops. As there were small villages and townships in the surrounding countryside, several days travel was necessary to bring products to these markets as the roads in this largely unstructured area were almost non-existent.

William Allen, the astute businessman, envisioned the need for an area market town and proceeded to establish a small village on 700 acres of his holdings. The area was surveyed in 1761 and by 1762 streets and lots were identified. A large area at the crossroads of the main streets (Hamilton Road and Allen Road -- present day Allentown's Hamilton Street and Seventh Street) was designated as the market square. New immigrants and carpenters, blacksmiths and other skilled tradesmen from the outlying areas began to move into the village. As the farmers brought their products to this central location, the "farmers market" thrived, bringing the residents from the outlying area into the village. The land lay in the confines of Northampton County and the village was officially named Northampton Town. Although it was platted and registered by its official name, its earliest inhabitants referred to it as "Mr. Allen's town."

From 1762 through the Revolutionary War and into the 19th century, the village grew in residents and importance. On March 18, 1811, by an act of the Legislature, it was given Borough status. The following year, by an act of the Pennsylvania Assembly, the western part of Northampton County was established as Lehigh County with Northampton Town being designated the county seat. With the county seat designation, the name Northampton was more widely used. With this growth and status, financial institutions were needed.

Banking in Northampton

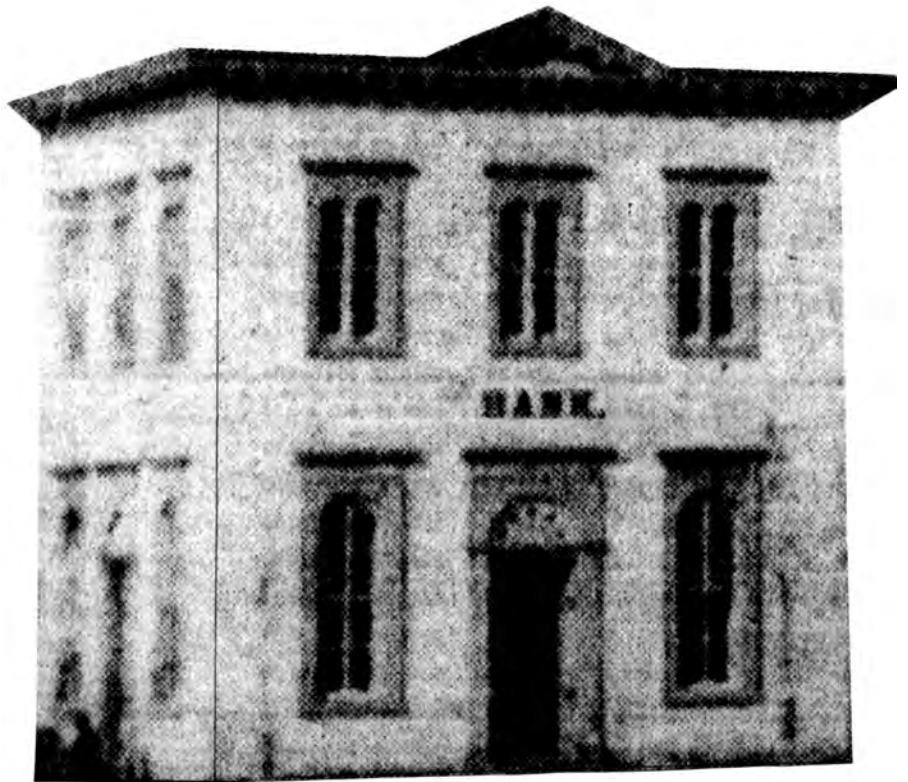
The first financial institution, The Northampton Bank, was established in the newly-formed county. By an act of the Legislature, a charter was granted on July 11, 1814, and an election of directors followed on August 12th. Twelve prominent citizens from the area comprised the board of directors with Peter Rhoads, Jr. and James A. Linton elected president and cashier respectively. Mr. Rhoads served in this capacity until his death on July 8, 1836. George Keck, a future cashier and president of the bank, was among the original board members. John Rice, also destined to be president, joined the bank in 1820 as cashier, replacing James Linton.

The Northampton Bank began business almost immediately after its organization. Its capitalization was \$123,365. The building in which it was opened and remained throughout its entire existence was an existing two-story stone structure on the northeast corner of the market square. With the continued growth of the village, its proximity to the trade centers of Philadelphia, Reading and Easton, and through solid and conservative management the bank was prosperous, surviving both depressions of 1819 and 1837. During its existence, bank notes of \$1, \$5, \$10, \$20, \$50 and \$100 were issued. The notes issued from 1814 to 1838 noted the bank's location as "Northampton." In 1838, after many years of popular usage, the town was officially renamed Allentown and bank notes issued during and after 1838 referred to this town name as its location.

The bank was one of the few in the whole country to issue notes printed in a language other than English. Notes printed in German by Draper, Underwood, Bald & Spencer were issued in the mid-1830s in the \$5 and \$10 denominations. As with their English language counterparts, these notes (pre- and post-1838) refer to the bank's location as Northampton and Allentown respectively. To my knowledge, the \$5 denomination note is only known with the Northampton reference (pre-1838).

Of the source accounts that mention the succession of presidents of the Northampton Bank, it is stated that John Eckert, Sr. ascended to the position upon the death of Peter Rhoads, Jr. (July 1836). There may have been a period of time that the bank was without a president or a temporary appointment was made as I have in my collection, three notes (\$5, Hooper(H) 282-4, \$10, H-282-8 and \$50, H-282-12) issued subsequent to Mr. Rhoads' demise. These notes are dated October 29, 1836, January 5, 1837, and March 14, 1837, respectively and are signed by George Keck as president.

It is conjecture but Mr. Keck's tenure as "president" may not have been official, if in fact, he was ever appointed to this office. These were the middle 1830s, a wild time in the financial business. In 1832, President Andrew Jackson vetoed the re-charter of the Bank of the United States (the charter was due to expire in 1836). In 1833, angered by the Bank's effort to lobby Congress to over-



Northampton Bank, 1814-1843. This building was later occupied by The Allentown Bank from 1855 until 1871 at which time it was razed for the construction of a new bank building. The Allentown Bank became the Allentown National Bank, charter #1322, in 1865.

ride the veto, he removed all federal funds from the Bank, in effect, putting it out of business. It also removed all controls the Bank had over state bank operations, especially the requirement that compelled state banks to pay in specie the value of their notes. Speculative opportunities abounded and the primary stock in trade of American banks at this time was to issue bank notes to provide capital. As an original and senior member of the board of directors of the bank, Mr. Keck may have been authorized to sign new issues as president just to expedite their disposition into circulation.

I have not been able to ascertain a date for Mr. Eckert's appointment or election to the presidency of the Northampton Bank. Of the two notes I have signed by John Eckert as president, the earliest is dated January 16, 1838. John



Hoover unlisted -- Haxby PA 370-G18 Original 1814-1820s \$5 note design.



Hoover unlisted -- Haxby PA 370-G30 Original 1814-1820s \$10 note design. Vignette depicts the chain bridge over the Lehigh River destroyed in the 1841 flood.



Hoover 282-2 Early 1830s \$5 note design.

Rice was cashier. Mr. Eckert was president until his death on November 3, 1840. John Rice succeeded him and was president until the bank failed in 1843; George Keck was the cashier during the Rice presidency.

The failure of the bank was laid squarely on the shoulders of the president, John Rice. Starting in the middle-1830s when cashier, and unknown to the Board, he, with his brother Owen, made “off the books” speculative, uninsured investments in the lumber trade, management of lines of mail stages, large advances to the Lehigh Navigation and Coal Company of Mauch Chunk, Pa. (owners of the Lehigh Canal and business partner in the coal trade with John Rice’s father-in-law), and unsecured loans to other corporations and individuals, including family members. The brothers thought they had high profit, low risk investments but, unfortunately, Mother Nature intervened in a devastating way as



Hoover 282-3 Mid-1830s \$5 note design; German language.



Hoover 282-4 Mid-1830s \$5 note design. Vignette depicts the Lehigh Canal at Mauch Chunk, the home of the Lehigh Coal & Navigation Co.



Hoover 282-9 Early 1830s \$10 note design.

reported in the *Lehigh Bulletin* of January 1841:

After the intense cold weather we had the beginning of last week – on Wednesday and Thursday we had rain, with a warm southern wind, that brought on a sudden thaw. The rivers and streams, in those parts, rose rapidly – rose to unprecedented heights.

The freshet, in the Big Lehigh, was tremendous. The water was about twenty feet above low-water mark. . . . Our excellent bridge of the Big Lehigh, and toll house, are gone. . . . A large quantity of lumber and a number of boats and scows were lost. . . . About two thousand tons of coal is gone. . . . The canal has sustained some injury.



Hoover 282-9a Early 1830s issued \$10 note.



Hoover 282-8 Mid-1830s \$10 note design; German language.



Hoover 282-11 Mid-1830s \$20 note design.

With "The Great Flood of 1841" disaster, the Rice brothers' investments were wiped out. To cover the losses and recoup some money for the bank, John Rice sold or made assignments of bank assets to companies and investors from Boston, New York and Philadelphia. .

The credit of the bank began to fail in 1842 and strenuous efforts were made to sustain the institution - but to no avail. On March 23, 1843, after a special meeting of its board of directors, it was decided the Northampton Bank would temporarily close until a full report of its affairs could be made. It was scheduled to resume business on April 25. The Northampton Bank never opened its doors again. The end came as a result of the investigation committee report on July 10, 1843, which stated:

The deficiency, admitting the assets in value as they appeared upon the books of the bank, amounted to \$263,059.11. Add to this amount such assets as are considered worth nothing (but taken in the foregoing as good), \$68,990.34, and the loss amounts to \$322,049.45. Should to this amount the probable loss of the mortgage loan be added, . . \$66,500 it would swell the deficiency to \$398,549.45. To this amount is to be added the items of dividends unpaid \$6414.85, contingent fund \$2419.60, discount and interest \$1750.72 and profit and loss \$847.89, amounting together to the enormous deficiency of \$409,982.51.

When they noted the cash assets of the bank, the investigators listed \$2.19 in negotiable assets (\$1.50 worth of state relief notes and 69 cents in coins) and securities backed by stocks in Pennsylvania canals.



Hoover 282-12 Mid-1830s \$50 note design.



Hoover 282-13 Mid-1830s \$100 note design.

An appendix to the report stated the obituary for the Northampton Bank:

The committee under these circumstances would respectfully recommend to such of the assignees as have been approved by the stockholders to pursue such a course as will speedily bring the fallen institution to a close

A subsequent July 15th meeting of the Board of Directors identified the misdemeanors, misappropriation of funds and assets and the lack of fiduciary responsibility against John Rice as cashier and president and:



Hoover 9-18 Post 1838 \$5 note design.



Hoover 9-20 Post 1838 \$10 note design; German language.



Hoover 9-19 Post 1838 \$10 note design.



Hoover 9-21 Post 1838 \$20 note design.



Hoover unlisted -- Haxby PA 370-G74 1841 \$1 note design. Pennsylvania Relief Act note; required redemption in specie.

Resolve; That John Rice, president of said institution, be and he is hereby expelled from the Board, and that his official function as president of this bank immediately cease.

Thus, the life of The Northampton Bank ended. The bank's shares, held by many Allentonians, became worthless. People lost their savings deposits and the value of the bank's notes in circulation disappeared. The bank's failure, a severe blow to the community, had an impact which was long felt. A tidal wave of litigation followed that was to last for the next thirty years.

Sources

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