THE FREEDMEN'S SAVINGS BANK.

A PAPER BY
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ORGANIZATION OF THE FREEDMEN'S BANK SYSTEM.

THE Freedmen's Savings Bank was one of the few sensible attempts made at the close of the Civil War to assist the recently emancipated negro; it was one of the most promising schemes ever planned to elevate a helpless people, and its failure caused serious injury to the black race, the effects of which are still felt.

The Freedmen's Savings and Trust Company, commonly known as the Freedmen's Savings Bank or the Freedmen's Bank, was an outcome of the efforts of the Northern friends of the negro to find some means of elevating the blacks by fostering habits of thrift and economy, by encouraging them to save their earnings, and thus secure a safe, economic position in society. Before the close of the war several experiments in the way of savings banks had been made among the negro soldiers for the purpose of preventing them from squandering their pay and bounty money, as it is the nature of the race to do. The first military savings bank was established in 1864 by General N. P. Banks in New Orleans, for the benefit of the negro soldiers under his command, and for the negroes generally.[1] In the same year similar banks were established at Norfolk, Virginia, by General B. F. Butler, and at Beaufort, South Carolina, by General Rufus Saxton. The negro soldiers welcomed this provision for their welfare, and many of them placed their pay and bounties in these banks, to remain until the close of the war. It is not known exactly how large the deposits were, but the Beaufort Bank had about $200,000 on hand when the war ended. Large sums were left uncalled for when the negro troops were mustered out of service or transferred to other posts, and the military banks were unable to wind up business at once.[2]

[1] Phelps, Louisiana, p. 330.
[2] Douglas Report, Ho. Rept., No. 502, 44th Cong., 1st Sess. (1876).
Bruce Report, Senate Rept., No. 440, 46th Cong., 2d Sess. (1880).
Douglass, *Life and Times*, p. 487.

Two distinct efforts were being made early in 1865 to organize savings banks for the benefit of the negroes: (1) an attempt by Anson M. Sperry, an army paymaster, and others, to found an institution which would absorb and continue the military savings banks; (2) the effort of John W. Alvord, which resulted finally in the incorporation by Congress of the Freedmen's Savings and Trust Company. Alvord was a Congregational preacher from New York, an attaché of Sherman's army, who had gone to Savannah in 1864 and had there observed the condition of the blacks. Upon his return to the North he worked out a plan for a negro savings bank, and on January 27, 1865, a meeting of business men and philanthropists was held at the National Exchange Bank in New York City to listen to his explanation of the plan.[1] At this meeting measures were adopted to organize the bank, and have it incorporated by Congress. At the request of Alvord and others interested, Senator Wilson of Massachusetts introduced in the Senate on February 13, 1865, a bill to incorporate the Freedmen's Savings and Trust Company. The bill was referred to the Committee on Slavery and Freedmen, of which Charles Sumner was chairman. The latter reported back the bill with some minor changes on February 18, and on March 2d moved its consideration.[2] He stated that it conferred no extraordinary privileges, that it was an ordinary savings bank charter, and that its "object is a simple charity." Buckalew of Pennsylvania, one of the committee that considered and reported the bill, said that the only question was whether "we ought to establish such an institution outside of the District of Columbia," and Powell of Kentucky objected that the bill gave "a roving kind of a commission for these persons to establish a savings bank in any part of the United States. I think the bill

[1] Bruce, Report, p. 246.

Report of J. J. Knox, Comptroller Currency, Feb. 21, 1873, in Sen. Misc. Doc. No. 88, 43d Cong., 2d Sess.

Those present at the meeting were: Peter Cooper, W. C. Bryant, Hiram Barney, Charles Collins, Thomas Denny, Walter S. Griffith, William Allen, Abraham Baldwin, R. S. Barnes, S. B. Caldwell, R. R. Graves, A. S. Hatch, Walter S. Hatch, E. A. Lambert, W. S. Lambert, Roe Lockwood, R. H. Manning, R. W. Ropes, H. H. Wallace, George Whipple, and Albert Woodruff.

[2] Cong. Globe, 38th Cong., 2d Sess., pp. 776, 885, 1311.

Sen. Misc. Doc., No. 88, 43d Cong., 2d Sess.

is wholly unconstitutional. I do not believe that Congress has any right to establish a savings bank outside of the District of Columbia." An amendment was then adopted limiting the location of the bank to the District of Columbia, and the bill passed the Senate. The next day, March 3d, one day before the end of the session, Eliot of Massachusetts introduced in the House a bill which was supposed to be the one passed by the Senate. But on examination it was found that the Senate amendment had not been inserted in the bill. So the House added an amendment to the bill slightly different from the Senate amendment,[1] though believed by Eliot to be identical.

Objection was made that the District of Columbia was not represented on the board of trustees, and Eliot met this objection by inserting the name of Chief Justice Salmon P. Chase. Thus amended, the bill passed the House. Since the bills as passed by the Senate and the House were not identical, a conference committee would under ordinary circumstances be necessary to harmonize them, but it seemed that no one noticed the slight differences. The next heard of the bill is when it was signed by the President on the same day, March 3d. The bill which was presented to the President for his approval was neither the bill passed by the Senate nor the one passed by the House, but the original bill introduced into the Senate with the words "in the City of Washington, in the District of Columbia" inserted by some one in the body of the bill. The name of Salmon P. Chase was omitted. This was the bill that was published as law. In the hurry and confusion incident upon the close of the session the substitution was not noticed. This substitution of bills has never been accounted for; it may have been a mistake, or it may have been intentional. The only important difference was that the name of Chase was omitted.[2]

[1] The Senate amendment was: "in the District of Columbia", and the House amendment was: "in Washington City, District of Columbia."

[2] See Globe, 38th Cong., 2d Sess., pp. 1371, 1391, 1403.

Banker's Magazine, June, 1875.

The Nation, April 15, 1875.

In most of the copies of the law as published at the time the amendment limiting the bank to Washington City is omitted, and both the Nation and the Banker's Magazine assert that both amendments slipped out of the enrolled bill. But in the pamphlet laws as published in the Globe, 38th Cong., 2d Sess., Appendix, p. 143, only the name of Chase is omitted.

The first section of the act named fifty prominent gentlemen as incorporators and trustees,[1] with power to fill vacancies by election, at least ten votes being necessary to the election of a trustee. A successor might be elected to any trustee who neglected for six months to attend the meetings of the board. These meetings were to be held at least once a month. The trustees were to elect from their number a president and two vice presidents; and nine trustees, one of whom must be the president or a vice president, constituted a quorum. At least seven affirmative votes were acquired to authorize any investment, sale, or transfer of securities. The object of the corporation, as stated in the law, was to receive deposits from negroes and invest at least two-thirds of them in securities of the United States, one-third being held on deposit or otherwise as an "available fund" for current expenses. Not more than seven per cent. interest was to be allowed on deposits. The interest on deposits uncalled for within two years after the death of a depositor would be applied to the education of negroes, and the principal was to be so applied if not claimed within seven years. No one connected with the bank as trustee or official was to be allowed, directly or indirectly, to borrow the funds of the bank. None of the trustees, except the president and the vice presidents, was to receive any compensation whatever. The officials were to receive such salaries and give such bonds as might be fixed by the trustees. The books of the bank were at all times to be open to the inspection of the agents of Congress.

Such were the main provisions of the law as published. The act would seem to confine the business of the bank to the District

[1] These were :Peter Cooper, William C. Bryant, A. A. Low, S. B. Chittenden, Charles H. Marshall, William A. Booth, Gerritt Smith, William A. Hall, William Allen, John Jay, Abraham Baldwin, A. S. Barnes, Hiram Barney, Seth B. Hunt, Samuel Holmes, Charles Collins, R. R. Graves, Walter S. Griffith, A. H. Wallis, D. S. Gregory, J. W. Alvord, George Whipple, A. S. Hatch, Walter T. Hatch, E. A. Lambert, W. G. Lambert, Roe Lockwood, R. H. Manning, R. W. Ropes, Albert Woodruff, and Thomas Denny, of New York ; John M. Forbes, William Claflin, S. G. Howe, George L. Stearns, Edward Atkinson, A. A. Lawrence, and John M. S. Williams, of Massachusetts ; Edward Harris and Thomas Davis, of Rhode Island ; Stephen Colwell, J. Wheaton Smith, Francis E. Cope, Thomas Webster, B. S. Hunt, and Henry Samuel, of Pennsylvania ; Edward Harwood, Adam Poe, Levi Coffin, and J. M. Walden, of Ohio.

of Columbia, and so Congress certainly intended. On the other hand, it is certain that the incorporators meant from the beginning to establish headquarters in New York City with branches in the various Southern States. No personal liability of the trustees was provided for, probably because it was recognized that their time was given as to a charity, and because of the high character of most of them. Besides, the law was specific as to the disposition to be made of deposits—they must be invested in United States securities. As Congress could have the books inspected at will, no misuse of the funds seemed possible.

Headquarters were established in New York on April 4, 1865. Wm. A. Booth of New York was elected president, and J. W. Alvord corresponding secretary. The salary of the president was only $1,000, since it was understood that his duties were to be purely nominal. Alvord was to travel through the Southern States organizing branch banks and soliciting deposits. His work as inspector of Freedmen's Bureau Schools under General Howard would enable him to perform the more successfully his duties as bank missionary. Sperry and those who were endeavoring to perpetuate the military banks saw the superior advantages of Alvord's scheme and now joined forces with him, Sperry becoming a soliciting agent for the Freedmen's Savings Bank.[1]

There was nothing in the charter that would sanction the establishment of branch banks outside the District of Columbia, but it is certain that Alvord's original plan involved the extension of the savings bank system into all negro districts, and the incorporators, paid no attention to,—perhaps they were ignorant of,—the will of Congress as expressed in the debates and the amendments, but proceeded to extend the system. As already stated, the New York office was opened on April 4, 1865, and on May 16th the first deposits were received. On June 8th the deposits amounted to $700.00. On June 3d Butler's military savings bank at Norfolk, Virginia, was absorbed with its $7,956.38 of unclaimed deposits of soldiers. The military bank established by General Saxton at Beaufort, South Carolina, became a branch bank on December 14, 1865, and turned over to the New York

[1] Douglas Report, pp. 30, 66. Bruce Report, p. 246.

bank $170,000 of soldiers' deposits that were unclaimed. The New Orleans negro bank was not absorbed until January, 1866. A branch was established in Washington, D. C. on July 11, 1865, and then Alvord and Sperry went South to organize branches in each Southern State.[1] Sperry secured permission from the War Department to accompany the colored troops of the army, and to be present at the pay tables to solicit deposits from the soldiers. He went with the army to the Mexican border and secured $120,000. Alvord's connection with the Freedmen's Bureau Educational Department was of decided advantage to him in his work for the bank. When he went South he carried with him the indorsement of General O. O. Howard, the Commissioner of the Bureau, and Howard's recommendation, which Alvord represented as an order, that negro soldiers should deposit their bounty money in the Freedmen's Bank. In many ways the Bureau was connected with the bank, and the connection was worked for all that it was worth. The negroes, as a rule, believed the bank to be a part of the bureau system. As inspector of Bureau Schools, Alvord traversed the South until 1870 in the interest of the bank. To meetings of negroes he explained its purpose and told of its advantages. He received numerous deposits from individuals and established branches in the larger towns. He, Sperry, and other agents scattered circulars broadcast among the negroes explaining the benefits of the bank, stating that Lincoln had favored the bank, and that General Howard considered it essential to the welfare of the ex-slaves. The negroes were given to understand that the bank was absolutely safe, being under the guarantee of Congress, and having the funds invested in United States securities, which were safe as long as the government should last, and that it was a benevolent scheme solely for the benefit of the blacks. The profits, they were told, would be returned to the depositors as interest, or would be expended for negro education.

George W. Balloch, later a trustee of the bank, then chief disbursing officer of the Freedmen's Bureau, gave material aid to

[1] Ho. Misc. Doc. No. 16, 43d Cong., 2d Sess. p. 91.
Sen. Misc. Doc. No. 88, 43d Cong., 2d Sess. pp. 2, 3.
Bruce Report, p. 246. Douglas Report, p. 66.

the bank by allowing the offices of his agents throughout the South to be used rent-free by the branch banks; and often these agents acted as cashiers without charge. Nearly every bank official wore the uniform of the United States; the bureau offices and the branch banks were often in the same rooms; and the missionaries and agents of the bureau regularly solicited deposits. The plan of the bank was good enough, but the effect of its connection with the bureau was to make the depositors believe that they were dealing with the United States government, and there is no doubt that in order to increase the bank's business and extend the system this belief was intentionally fostered.[1]

Success attended the efforts of the bank missionaries, and before the close of 1865 ten branches, including the military banks, had been established in the South at Beaufort, S. C., Huntsville, Ala., Louisville, Ky., Memphis, Tenn., Nashville, Tenn., Norfolk, Va., Richmond, Va., Vicksburg, Miss., Washington, D. C., and Wilmington, N. C. In 1866 ten more branches were organized, at Augusta, Ga., Baltimore, Md., Charleston, S. C., Jacksonville and Tallahassee, Fla., Mobile, Ala., Newberne, N. C., New York City, and Savannah, Ga. Owing to disturbing political influences among the negroes, no branch banks were organized in 1867, and in 1868 only three were established, at St. Louis, Mo., Raleigh, N. C., and Macon, Ga., and only one in 1869, at Chattanooga. By 1870 the negroes were getting out of politics to some extent, and in that year eight branches were founded, at Atlanta, Ga., Columbus, Miss., Lexington, Ky., Little Rock, Ark., Montgomery, Ala.,

[1] Bruce Report, pp. 180, 246, and appendix, p. 45. Douglas Report, pp. 66, 67.

Ho. Misc. Doc. No. 18, 49th Cong., 1st Sess. and No. 34, 49th Cong., 2d Sess.

Sen. Misc. Doc. No. 10, 47th Cong., 2d Sess.

Report of Alvord, January 1, 1866, in Ho. Ex. Doc. No. 70, 39th Congress, 1st Session.

Cong. Record, April 22, 1876, Bradford's Speech.

Howard Investigation, pp. 51, 53, in Ho. Rept. No. 121, 41st Cong., 2d Sess

Banker's Magazine, June, 1875.

The Nation, April 15, 1875.

Douglass, *Life and Times*, p. 487.

Somers, *Southern States since the War*, p. 54.

Natchez, Miss., Philadelphia, Pa., and Shreveport, La. In 1871-1872 branches were organized at Columbia, Tenn., and Lynchburg, Va., making thirty-four branches in all, thirty-two of them being in the South.[1]

Headquarters remained in New York until March, 1868, when the principal office was removed to Washington and Alvord became president. The home of the bank was in a fine building erected especially for it, opposite the United States treasury. This building was later purchased by the government and used by the Court of Claims.

II. The Good Work of the Bank.

In theory the bank system seemed to be perfect. As an Alabama Democratic Congressman said, "it was the very contrivance that was needed by these people [the negroes] above all others." [2] From the principal office in New York or Washington the business of the whole system was controlled, and daily, weekly, and monthly reports were sent in by the branches. All deposits made at the branches, with the exception of small sums for current expenses, were sent to the central office to be invested in United States bonds. The cashiers and other officials were supposed to be men of the best character, chosen because of their interest in the welfare of the ex-slaves. Most of them were, at first, bureau or army officials, and several of them were ministers—missionaries sent down to help the blacks. Before the amendment of the charter in 1870, no loans could be made by the principal bank or by the branches, for by the law of 1865 all deposits must be invested in United States securities. After 1870, when Congress allowed loans on real estate, the branch banks in some cities were permitted larger privileges; but, as a rule, to the last, the branch banks simply gathered in the money and sent to Washington all that it did not pay out in drafts. An inspector travelled all the time among the branches examining the books and endeavoring to keep the accounts in good order.

[1] Seventh Annual Report of Freedmen's Savings and Trust Company. Ho. Misc. Doc., No 16, 43d Cong., 2d Sess., p. 85.

[2] Speech of Bradford of Ala. in Cong. Record, Apl. 22, 1876, p. 2701.

In the branch banks and at Washington, after 1868, an efficient body of negro business men was being trained. There was a sentiment that, since the bank was for the benefit of the negroes, the latter should be its officers as much as possible, and about one-half the employees were colored. At nearly all of the branches, especially after 1870, when some of the branch banks were allowed to do a regular banking business, there was an advisory board, or board of directors, of responsible colored property holders. These men were very proud of the Freedmen's Bank and of their position in connection with it. They took a deep interest in all that pertained to the institution, advised in regard to loans and investments, and promoted in every way the habit of saving on the part of their people.[1]

The negroes, believing that their deposits would be secure in these banks, which they understood were supported by the government, eagerly availed themselves of the opportunity to lay up small sums for the future. To each depositor a unique pass-book was given. In this book were printed simple rules governing deposits, a list of the branches of the bank, with names of the cashiers, and this statement:

> "This is a benevolent institution. All profits go to the depositors, or to educational purposes for the freedmen and their descendents.
>
> The whole institution is under the charter of Congress, and received the commendation and counsel of the President, Abraham Lincoln. One of the last official acts of his valued life was the signing of the bill which gave legal existence to this bank."

On one cover also was the following commendation from General Howard, which was to the negro sufficient proof of its connection with the Bureau:

> "I consider the Freedmen's Saving and Trust Company to be greatly needed by the colored people, and have welcomed it as an auxiliary to the Freedmen's Bureau."—Maj. Gen. O. O. Howard.

For the encouragement of the depositor a table was printed on the cover to show the possibilities of a small saving each day.

[1] Report of Meigs, National Bank Inspector, in Ho. Misc. Doc., No. 16, 43 Cong., 2d Sess., p. 64.

Bruce Report, pp. 246–247.

A man who saves ten cents a day for ten years, will have, if he puts it at interest at six per cent.—

In 1 year	$ 36.99
In 2 years	76.20
In 3 years	117.81
In 4 years	161.94
In 5 years	208.74
In 6 years	258.42
In 7 years	311.13
In 8 years	367.03
In 9 years	426.37
In 10 years	489.31

The rest of the cover was given up to pictures of Lincoln, Grant, Howard, and the United States flag, and some verses which the negroes believed were written by General Howard.

'Tis little by little the bee fills her cell;
And little by little a man sinks a well;
'Tis little by little a bird builds her nest;
By littles a forest in verdure is drest.
'Tis little by little great volumes are made;
By littles a mountain or levels are made;
'Tis little by little an ocean is filled;
And little by little a city we build;
'Tis little by little an ant gets her store;
Every little we add to a little makes more;
Step by step we walk miles, and we sew stitch by stitch;
Word by word we read books, cent by cent we grow rich.

On the passbook used in New York City was printed in English, French, and German this legend: "The Government of the United States has made this bank perfectly safe."[1]

As a factor in negro education, there was nothing equal to that peculiar bank book with its useful covers, and the good effects of the bank system were observed almost at once. The negroes, who a few months before had been slaves, began to save money and put it into the bank. It became the fashion to have a bank account, no matter how small. Sums were received from five cents up, and on deposits of $1.00 and more interest was paid semi-annually at the rate of six per cent. Of course the deposits of a year were little larger than the drafts, but the money drawn out was often spent intelligently. The negro put money in the

[1] Ho. Misc. Doc., No. 16, 43d Cong., 2d Sess. pp. 83, 85; No. 34, 49th Cong., 2d Sess.
Douglas Report, p. 22.

bank during the summer and fall to be used in the winter and spring, when supplies were scarce. Thrift was encouraged; many negroes saved money to purchase homes, or to purchase farm stock and implements. The drafts, it is said, nearly always went for useful purposes. Less money was spent for liquors and for the worthless finery so dear to the African heart. The negroes who kept bank accounts were less easily swindled by the multitude of sharpers who came to teach the blacks the ways of freemen. On January 1, 1866, six months after the bank had begun business, Alvord reported that it

"has gone into successful operation in nearly all the States south, and promises to do much to instruct and elevate the financial notions of the freedmen. The trustees and friends of the institution believe that the industry of these four millions furnishes a solid basis for its operations. Pauperism can be brought to a close; the freedmen made self-supporting and prosperous, paying for their educational and Christian institutions, and helping to bear the burdens of government by inducing habits of saving in what they earn. That which savings banks have done for the working men of the North it is presumed they are capable of doing for these laborers. I was privately and publicly told that the freedmen welcomed the institution. They understand our explanations of its meaning, and the more intelligent see and appreciate fully its benefits. Calls were made upon me at all large towns for branches of the bank."[1]

He stated several years later that "the banks are doing more for the people than the schools," which was doubtless quite true, since there were more depositors in the bank than there were children in the much over-rated Bureau schools, and the financial education given to the holder of the bank book was much more useful than the kind given to the children in the schools.[2] Robert Somers, an Englishman who in the year 1870-1871 closely investigated economic conditions in the South, was favorably impressed with the good work that the bank was doing. He says:

" Go in any forenoon and the office is found full of negroes depositing little sums of money, drawing little sums, or remitting to distant parts of the country where they have relatives to support or debts to discharge. . . . [The literature of the Bank] contains an amount of general matter very suitable to the negroes and

[1] Ho. Ex. Doc. No. 70, 39th Cong., 1st Sess.
[2] Ho. Ex. Doc., No. 70, 39th Cong., 1st Sess.
Ho. Report, No. 121, 41st Cong. 2d Sess., p. 53.
Bradford's speech in Cong. Record, April 22, 1876.
Ho. Misc. Doc. No. 16, 43d Cong., 2d Sess.
Report of Meigs, National Bank Inspector, February, 1874.

very desirable for them to read . . . the Freedmen's Savings and Trust Companies do for the negroes what our National Savings Banks do for the working classes of England, Scotland and Ireland . . . The negro begins to deposit usually with some special object in view. He wishes to buy a mule or a cow, or a house, or a piece of land, or a shop, or simply to provide a fund against death, sickness or accident, and pursues his object frequently until it has been accomplished."[1]

Only those in the vicinity of the larger cities were directly affected by the bank, but the number of depositors reached within a few years the total of 72,000. About 3,000 of these had large deposits; and about 30,000 deposited sums of about $50 and under. The average total deposit during the life of the bank was $813, the average deposit in the bank at one time being about $50.

The following statistics will serve to illustrate the workings of the bank:

STATEMENT OF TWO ALABAMA BANKS TO MARCH 31, 1870.

	Huntsville Branch.	Mobile Branch.
Total deposits to March 31, 1870	$ 89,445.10	$539,534.33
Total number of depositors	500	3,260
Average amount deposited by each	17.89	165.60
Drawn out to March 31, 1870	70,586.60	474,583.60
Balance to March 31, 1870	18,858.50	64,750.83
Average balance due to each depositor	47.114	39.82
Spent for land (known)	1,900.00	50,000.00
For dwelling houses	800.00	......
For seeds, teams, agricultural implements	5,000.00	15,000.00
For education, books, etc	1,200.00	......

STATEMENT OF THREE ALABAMA BANKS FOR THE MONTH OF AUGUST, 1872.

	Huntsville.	Mobile.	Montgomery.
Deposits for the month	$ 7,343.50	$ 11,136.05	$ 8,522.90
Drafts for the month	10,127.61	18,645.62	8,679.60
Total deposits	416,617.72	1,039,097.05	238,106.08
Total drafts	364,382.51	933,424.30	213,861.71
Total due depositors	52,235.21	105,672.75	24,244.37[2]

The business of the New York City branch to April, 1874, was as follows: Deposits, $3,559,298.02; drafts, $3,236,981.76. There were about 4,000 depositors in New York, of whom 3,000 were negroes.[3]

[1] Somers, *Southern States*, pp. 54, 55.

[2] Fleming, *Civil War and Reconstruction in Alabama*, p. 454.

[3] It is doubtful if, according to the charter, it was legal to receive deposits from whites. The act of incorporation specifically stated that the bank is for African depositors.

The following table, compiled from the various reports of the bank and of the government, shows the entire business of the bank to 1874:

TOTAL BUSINESS OF THE FREEDMEN'S BANK.

Years ending with March.	Total Deposits.	Deposits each year.	Balance due Depositors.	Gain each year.
1866	$ 305,167.00	$ 305,167.00	$ 199,283.42	$ 199,283.42
1867	1,624,853.33	1,319,686.33	366,338.33	167,054.91
1868	3,582,378.36	1,957,535.03	638,299.00	271,960.67
1869	7,257,798.63	3,675,420.27	1,073,465.31	435,166.31
1870	12,605,781.95	5,347,983.32	1,657,006.75	583,541.44
1871	19,592,947.36	7,347,165.41	2,455,836.11	798,829.36
1872	31,260,499.97	11,281,313.06	3,684,739.97	1,227,927.67
1873	....	....	4,200,000.00	....
1874	57,000,000.00	....	3,299,201.00	....

The interest paid on deposits amounted to the sums given in the following table:

INTEREST PAID BY FREEDMEN'S BANK :

To January 1, 1867, ...	$ 1,985.47
For 1867	9,521.60
For 1868, to November 1, ...	24,544.08
November 1, 1868 to November 1, 1869	43,896.98
" 1, 1869 " " 1, 1870	59,376.20
" 1, 1870 " March 1, 1871	20,840.32
March 1, 1871 to Jan. 1, 1873	122,215.17
Total	$262,379.82

The bank, it was believed, had a promising future, and the friends of the blacks relied upon it to assist the ex-slaves to economic freedom. The credit of the institution was rated A1 to June, 1874, a month before it closed its doors.[1] The strongest branches were located at Augusta, Baltimore, Charleston, Louisville, Memphis, Mobile, Nashville, New York, Norfolk, Richmond, Savannah, Vicksburg, and Wilmington.

III. MISMANAGEMENT OF THE BANK.

Notwithstanding the popularity of the institution, the rapid accumulation of deposits, and the good intentions of the founders and some of the later officials, there were grave weaknesses in the system, some existing almost from the beginning. The charter did not bind the trustees to any responsibility; branches

[1] Ho. Misc. Doc. No. 16, 43d Cong., 2d Sess., pp. 61, 91.
Bruce Report, p. 256.
Williams, *History of the Negro Race*, vol. ii, pp. 403–411.
Hoffman, *Race Traits and Tendencies*, pp. 289, 290.

were established that did not pay expenses; some of the officials were corrupt and others were inefficient; the accounts were badly kept and inspections were infrequent; many bad loans were made; the connection of the officials of the notorious District of Columbia government with the bank made people suspect corruption; the best class of the trustees neglected the bank and control fell into the hands of the District of Columbia clique; the rate of interest paid on deposits was too high; and there was a general shrinkage in real estate values after the bank had made heavy investments. All these influences operated to weaken the system. It will be of interest to examine some of these causes of weakness.

Of the 34 branches of the bank only about one half paid expenses, and not until 1872 was the entire institution making more than expenses. The organization was unwieldy, and the central administration was not efficient enough to control the branches. The establishment of branches necessitated the expenditure of funds, and about $170,000 was spent after the Freedmen's Bureau was withdrawn to purchase offices, etc., for the use of the branches. In Washington $260,000 was spent for a banking house. These expenses, added to the usual expenses of administration and heavy payments of interest on deposits, consumed the entire income from the United States securities in which deposits were invested. The branch banks suffered too from the hostility of the negro politician, who was unable to get his hands on the deposits. One of the negro trustees said that "every colored politician down South was the enemy of the bank."[1]

The State governments opposed the operation of the branch banks because they were not under local control; other banks were unfriendly to the objects and methods of the Freedmen's Bank. Many white men disliked the bank because they believed that it was connected with the Bureau, and all who disliked the negro disliked the negro bank. It was a race bank, as Fred Douglass said, and it aroused race opposition.[2]

[1] Douglas Report, p. 78 (statement of Purvis of Philadelphia).

Somers, *Southern States*, p. 55, pointed out the weak points in the system; predicted trouble.

[2] Douglas Reports, pp. 20, 21, 181, 240, 248, and 249. Ho. Ex. Doc. No. 144 44th Cong., 1st Sess., p. 5.

There was a persistent belief that the bank took part in Southern politics, and this belief came to be shared by the depositors. In 1872 a rumor that the funds of the institution were being used to elect Grant and to carry the local elections in North Carolina caused a heavy run on the deposits.[1]

The accounts of the bank were never in good shape. This was due in part to the ignorance and inexperience of the negro clerks. It was difficult for the management to get rid of an inefficient negro employee. Alvord afterward stated that "the colored people seemed to think that they ought to be employed," and so thought the management. But too much pressure was brought to bear to get in and keep in as clerks and cashiers negroes who were not competent to do the work. The cashier at Jacksonville did not post his books for six months; other cashiers paid interest on total deposits, not on deposits in hand; few of them could ever make their books balance, and no pressure was put upon them from the central office. The one inspector employed was unable to get around to all the branches; several bad ones kept him busy and the rest were neglected. The bookkeeping in Washington was no better than elsewhere. One man did all the work and had to work fourteen hours a day to do it. This was too much for any man. For several years there was a discrepancy of more than $40,000 between the accounts of the branches and those of the principal office, and it could not be corrected. Several times entirely new sets of books were opened in the hope of leaving the past behind and keeping straight for the future. An examination of the books in later years showed that deposits were sometimes entered as drafts, and *vice versa;* a draft of $31.60 went down on the books at $3,160; $5,300 as $53.00, etc. One clerk testified that very seldom could the books be balanced at night—it would be from 5 cents to $5,000 one way or the other. When errors could not be found "we always waited for something to turn up;" when the cash balanced, all went out to celebrate the event. The physical condition of the books was something fearful. A committee of experts reported that "we found leaves cut from the original

[1] Ho. Rept. No. 121, 41st Cong., 2d Sess., p. 51.
Douglas Report, p. 78.

ledger, leaves without number pasted together, balances not brought forward—original entries do not conform to the meaning of the transaction when carried to the ledger—credits posted as debits," etc.[1]

The cashiers of the branch banks were not always men with the ability to say *No* to requests for favors made by influential men, and from the beginning there was a custom of allowing overdrafts. Until 1870 loans were forbidden, but this prohibition could be overcome by allowing overdrafts. In the end not a great deal of money was lost in this way, but it was quite difficult in many instances to get the money back. The negro officials were often overpersuaded by a certain strenuous kind of speculator such as Vandenburg, the District of Columbia public works contractor, who usually manged to make "Daddy" Wilson, the negro cashier in Washington, allow his overdrafts even when Wilson had positive instructions not to allow such favors to Vandenburg. After 1870 at the principal branches the cashiers were allowed to do some loan business. This was in order to overcome the many objections to the policy of the bank in gathering deposits all over the South to be loaned or used only in the District of Columbia. As soon as the authority was given to the cashiers to make loans, they were besieged by a dangerous class of borrowers, who would have received scant consideration at the ordinary bank. Often the law of 1870, requiring that loans be made only on property worth double the loan, was violated and the cashiers proceeded to make investments on their own responsibility. Some of them loaned funds on the worthless script issued by the carpet-bag State and local governments; others loaned on cotton; some even made loans on perishable crops. The Jacksonville branch put money on everything that offered, from saw-mills out in the woods to shadowy claims on property. Several branch banks, notably Beaufort and Jacksonville, endeavored to go into a regular banking business, and these

[1] Bruce, Report, pp. 31, 163, 164, 230–233, 242, 243, 244, 246, 250, 256, 269. Testimony of A. M. Sperry, O. O. Howard, Stickney, C. A. Fleetwood, Tomkins, Augusta. Report of Experts, March 7, 1876.

Douglass, *Life and Times*, p. 487.

with several others endeavored to act somewhat independently of the central office.[1]

Not only was there incompetency and a disregard of laws and regulations and of business principles among the cashiers, but several of them were guilty of defrauding the institution or the depositors. Most of the incompetent officials, it seems, were blacks; most of the corrupt ones were white. There was a belief, often expressed after the failure of the bank, that when a white cashier had stolen funds and involved the accounts of a branch, a negro official would be put in his place to serve as a scapegoat. The white clergymen who were cashiers proved to be quite unable to withstand the temptations offered by the presence of the cash in the vaults. One of the trustees (Purvis) afterwards said: "The cashiers at most of the branches were a set of scoundrels and thieves—and made no bones about it—but they were all pious men, and some of them were ministers. The cashier at Jacksonville was a minister and today he has a large Sunday school; almost all of them are ministers." The cashier (Hamilton) at Lexington, Kentucky, a graduate of Oberlin, was also a preacher and a Sunday school superintendent. He did not steal from the bank but stole from the depositors, choosing those who seldom came about the bank and drawing out their money on forged checks. At Mobile the cashier, C. A. Woodward, appropriated to his own use $3,375 which, he stated, the *Freedmen's Bureau* owed to him. At Montgomery, Edwin Beecher, the cashier, made investments, contrary to regulations, of about $20,000 in securities that proved to be worthless, and for several years carried a shortage of $18,000 on his books. Reverend Philip D. Cory, cashier at Atlanta, tried to discourage negro depositors and secure white ones. He wanted a "white man's" bank. On this account the negroes were opposed to him, and the bank did not thrive. Finally, in 1874, he was removed, and a negro put in his place. The latter discovered that Cory had embezzled about $10,000 of the deposits, and had him prosecuted in the State courts of Georgia and sentenced to four years in prison—the only person connected

[1] Bruce Report, p. 28. Douglas Report, pp. 25, 39, 48, 49.
C. A. Meigs, Report in Ho. Misc. Doc., No. 16, 43d Cong., 2d Sess., p. 66.

with the Freedmen's Bank who was ever punished at all. Cory made a compromise: the prosecution was to allow him to be pardoned in order to accept an appointment as Indian agent out West. From the proceeds of this office he promised to repay what he had taken from the bank. Hamilton, the Lexington embezzler, also was allowed to accept an Indian agency.[1]

The Beaufort branch was on a peculiar basis. From the beginning, when Saxton's military bank was absorbed into the Freedmen's Bank, the cashier, Scovel, had tried to run things to suit himself. He became almost independent of the central administration, and proceeded to do a regular banking business. He wanted to make a national bank out of his branch, and the trustees at Washington decided to allow him to do so. There was a great steal at Beaufort of at least $10,000, and bad investments amounting to many thousands more. At one time it was supposed that the loss would reach $100,000.[2]

At the Washington branch "Daddy" Wilson, a negro, was cashier, and Boston, his son-in-law, was assistant cashier. Both lived in style far beyond their means, and repeatedly it was charged that they were using the funds of the depositors. But with one exception there are no instances of embezzlement proved against them. Most of the attacks on their management simply assumed that Wilson and Boston were the dupes of more cunning thieves. The following is an example of the way they were written up:

"Old Daddy Wilson stands about 5 feet 10 inches in his boots, is square built, solemn, the color of polished coal tar, and sports gold spectacles. . . . Brother Boston, young, airy, dressed in the height of fashion, and the color of Java coffee, moves lightly among the dingy and dilapidated customers. . . . Boston is fond of finery and fond of showing it. Finery and high sounding words are Boston's weakness. . . . Daddy Wilson got his wisdom in financial matters by keeping a little nick-nack shop on Fifteenth Street. Daddy Wilson and Brother Boston are mere figureheads kept here in dumb show by cunning fellows who work

[1] Douglas Report, pp. 2, 4, 5 25, 71, 77, 78, 93, 260. Bruce Report, p. 31.
[2] Bruce Report, pp. 247, 248.

the machinery from behind the scenes and are filling their own pockets."[1]

The case of fraud proved against the two was a small one but a very mean one. Boston had been "borrowing" small sums from an ignorant depositor named Watkins and giving no security, Watkins thinking that none was necessary. Also he had been checking out Watkins' money unknown to the latter, who could not read his passbook. Wilson, the cashier, allowed this and paid the money to Boston. In this way about $1,000 was stolen from Watkins before he discovered it. His losses were far greater than the losses of the average sufferer, but the experience was hardly more bitter. The following account from Watkins' deposition may be taken as typical of the feelings of thousands of ignorant negroes who lost money in the bank.

About a week after the bank closed I carried my passbook up there, and also my little boy's. My little boy had $60 in the bank, I think, and I had nine hundred odd. I wanted to find out how I stood. I saw Boston fifteen or sixteen times after the bank closed, and I waited and waited and waited, till at last I went to the bank to see about my book. I could not find Boston in, but I said to the clerk there, "Do you know how Watkins's account is?" He looked at the book and said, "Yes, you have 40 cents." I said, "Forty hells." He said, "Yes." Said I, "What will I do?" Said he, "I don't know." I said I never had the money and asked him to tell me where I could find Boston. He told me where to find Boston, somewhere on "E" Street, below the Patent Office, and there I found Boston. I went in and commenced pulling off my coat to fight him right away. I said, "Boston, what is the meaning of this, that I have only 40 cents in the bank?" His face got white and said he, "Mr. Watkins, I drew it out." "Hell," said I, "you drew it out and told me nothing of it?" "Well," said he, "I will fix that all right." The bank was to pay a dividend in two or three weeks' time, and he said, ' 'I will pay you a dividend on the 15th of next month." Said I, "Jesus Christ, I do not know what to do with you." The clerk at the bank showed me the checks on which the money was drawn, but, of course, I did not know one check from the other. . . . I could not get anything out of Boston. . .

I said, "Mr. Wilson, I don't want to get closed up in this concern. (This was before the bank closed.) A man in this town, unless he has money, is not worth more than a dog. I have worked hard, night and day, for this money, and so has my wife, and it should not be closed up in this way." He said, "You see that Treasury over there, don't you?" I said, "Yes." "Well," said he, "there is no more chance of this bank closing or bursting than there is of that Treasury." I said, "If that is so, it is all right." He said, "It is just prejudice that white people have got against us." I then made myself contented. My heart went down and I went to work. There the matter stood, and

[1] Savannah Morning News, Dec. 9, 1871; in Washington Patriot, Dec. 13, 1871.

only 40 cents on my passbook to my credit. They did not rob my boy's book. When I was loaning money to Boston I supposed that it was all right as he was cashier of the bank. I supposed he owned it all himself. I did not know. . . . . *Question.* I understood you to say that this money was the joint earnings of yourself and wife. *Answer.* Yes; she took in washing, and worked day and night, and I worked day and night, every day for the whole year. I have never been to a picnic or a ball since I have been in town.[1]

The table below gives the list of branches where shortages were discovered by the inspector before the failure of the bank.[2]

SHORTAGES AT THE BRANCH BANKS.

Branch.	Cashier.	Shortage.
Atlanta	Philip D. Cory	$ 8,000+
Beaufort	Scovel	100,000?
Mobile	C. A. Woodward	3,375
Newberne	Nelson	1,250
Wilmington	McCumber	3,000
Natchez	Jordan	1,125
Jacksonville	Coon	{ 100,000? / 10,000+
Nashville	Cary	1,000
Vicksburg	Lee	11,000+
Lynchburg	Bronough	900
Lexington, Ky	Hamilton	5,000
Montgomery	Beecher	{ 29,000? / 18,000+

It is not possible to ascertain from the records exactly how large the shortages were at Beaufort, Jacksonville, and Montgomery; in the table the smallest and largest estimates are given. There were shortages at other branches than those named above, but they were adjusted.

Another cause of weakness was the progressive deterioration of the character of the trustees. The original board was composed principally of men of the highest character, several of them noted for business ability, and as long as the central office was in New York the trustees attended meetings and kept the business going well. But after the removal to Washington many of the original body of trustees found it impossible to attend and through non-service the best members were gradually eliminated. The places on the board were somewhat difficult to fill, and it came about that most of those who were put in were incompetent persons elected simply to fill up the lists. They had little business capacity, no business connections, no property. The main

[1] Ho. Report No. 502, 44th Cong. 1st Sess. p. 29.

[2] Douglas Report, p. 5.

qualification was to have some kind of a record as an abolitionist or as a friend of the freedmen. Too many of them took little interest in the bank.

The incapable ones were controlled by the few capables, who, after 1869-1870, were the District of Columbia members. These latter formed a kind of a "ring" for their mutual benefit. They were involved in other schemes that made their connection with the bank of great use to them. They were at once officials of the bank, and officers of the Bureau or of the army or of the government of the District of Columbia. Howard, Balloch, Alvord, and Smith were bureau officials and were connected with Howard University, and extensive borrowers from the bank; Cooke and Huntington were officials in another bank that put its bad loans off on the Freedmen's Bank; Cooke, Eaton, Huntington, Balloch, and Richards were officials of the notorious District government; Howard, Alvord, Eaton, Stickney, Kilbourn, Latta, Clephane, Huntington, Cooke, and Richards were connected with firms that borrowed large sums from the bank, notwithstanding the fact that officials were prohibited by law from using the funds of the bank, directly or indirectly. The trustees were under no penalties for the proper execution of their trust. They were not required to make any deposits in the bank. The law fixed as a quorum nine out of fifty trustees, and further required the affirmative vote of at least five on money matters. The trustees provided in the by-laws for a finance committee of five, of whom three should be a quorum. Thus three could and did habitually dispose of the financial business of the bank when the law required at least five. Often two trustees, or one, or even the actuary (cashier), negotiated important loans without reference to the trustees. Sometimes the actuary made a loan and then hunted up three members of the finance committee to sign the proper papers. Clephane testified that the actuary sometimes came to him and said, "I am going to count you present," when Clephane had not been at a finance meeting. As he said, "We left that [making loans] very much to the actuary to examine into. We were apt to take his representation of things." The honest and efficient trustees, like Ketchum of New York and Stewart of Baltimore, were opposed to the management of the bank after it came to Washington, but were unable to reform it and resigned in disgust. At last when the rank and file of the trustees awoke to the fact that they were being used as dummies, then the sharpers who had been managing them resigned and left them to flounder about in their own confusion. Alvord, the president after 1868, was probably honest throughout, but he was weak and old and at one time was demented so that he had to be sent to a sanatorium. The finance committee managed him by refusing to allow him to vote on measures that came before them. He could only preside. The actuary, Eaton, and later Stickney, the nephew of Eaton, ran things as they pleased, and as the speculators on the board wanted them to do. The former possessed, as a token of the regard in which he was held by the speculators who borrowed money from the bank, a number of shares, which cost him nothing, in one of the various public works companies of the District.[1]

The worst features of the bank management were exhibited in connection with the loans made under the amendment of 1870. After the removal of the central office to Washington, the control of the business fell into the hands of the District of Columbia members, who were directly or indirectly connected with various speculative enterprises then being conducted in Washington. The hoarded deposits of the Freedmen's Bank drew the attention of the speculators in Washington, and in 1870 an amendment to the charter was secured by the speculating element of the trustees. The amendment provided simply that one half of that portion of the deposits formerly invested in United States securities might be invested in notes and bonds secured by mortgage on real estate of at least twice the value of the loan. It also provided that the bank might improve the real estate that it already held, provided that none of the principal of the deposits was used. This means that the bank was already holding property in violation of the original charter, which allowed no investments in real estate. The $260,000 spent in improving it and the $170,000 paid for property at branches was illegally taken from the principal of the deposits, for only

[1] Bruce Report, pp. 51, 58, 109, 110, 119, 178, 222. Douglas Report, pp. 36, 89, 91, 95.

in 1872 was the yearly income sufficient to pay interest on deposits. The amendment was secured through the efforts of one of the finance committee, W. S. Huntington, who belonged to the District of Columbia ring. The reasons given for the changes were: (1) that there was danger that the United States debt would be refunded at a lower rate of interest, and the bank could not then get a sufficient income from bonds; (2) that money was worth more than 5 per cent., and that unless the bank paid 6 per cent. or 7 per cent. interest on deposits the freedmen would place their funds elsewhere. Cooke of Ohio introduced the amendment in the House, where it passed without comment. In the Senate, Cameron of Pennsylvania strongly objected to the amendment on the ground that it would endanger the funds, which were in the hands of irresponsible persons, speculation and loss would certainly result, and the bank would be destroyed. The bank people stirred up the negroes to remonstrate with Cameron, and he ceased his objection, and the bill became law.[1] Cameron's predictions were fulfilled within three years. Every cent that the bank could command was loaned as soon as possible to private individuals. The law requiring that the real estate be twice the value of the loan was never regarded. Kilbourne and Latta, borrowers from the bank and agents of a real estate combine, were appointed appraisers for the bank. Loans were made where there was no security at all, as on bills against the District government and on District securities issued without warrant of law. Vandenburg, a contractor, secured a loan of $30,000 without any security, except the verbal endorsement of A. R. Shepherd, the District "Boss." Vandenburg failed to pay, and Shepherd after delay made good the loan, but took occasion to remind Stickney, the actuary, that "if you do business in that kind of a loose way you are a damned fool."[2] Jay Cooke & Co., the financiers, through their control of the finance committee of the Freedmen's Bank, were able to borrow at one time $500,000

[1] Cong. Globe, March 21, April 15, 28, and May 2, 1870, pp. 2095, 2726, 2732, 2738, 3064, 3147, 3344.
Douglas Report, pp. 37, 38.
The Nation, April 5, 1875.

[2] Douglas Report, pp. 76, 77, 91. Bruce Report, *passim*.

of the freedmen's deposits, paying 5 per cent. interest, while the Freedmen's Bank was paying 6 per cent, to depositors.[1] H. D. Cooke and W. S. Huntington, president and cashier respectively of the First National Bank of Washington, were trustees of the Freedmen's Bank and members of its finance committee. When Cooke's bank made a bad transaction, they used their position and influence to transfer the poor securities from Cooke's bank to the Freedmen's Bank. They also used the Freedmen's Bank as a dumping ground for the bad private claims of themselves and friends. Huntington lived in a house belonging to one R. P. Dodge, and in order to get his rent reduced negotiated for Dodge a $13,000 loan from his (First National) bank. This bank held Dodge's notes until they were due and then through Huntington's influence with the actuary, Eaton, they were transferred to the Freedmen's Bank. After Huntington died Dodge was asked to pay but objected on the ground that the money from the loan went to Huntington, not to himself. Of Huntington, Stickney, the actuary who succeeded Eaton, said, "if he wanted to have anything done, it was done." Trustees and finance committee could not check him.[2]

The charter required a reserve of one third of the deposits as an "available fund" for immediate use. This was to be kept in the bank or on deposit. But after 1870[3] the actuary, counselled by the finance committee, began to use this fund for general banking purposes, and soon had the whole of it tied up in miscellaneous loans and investments of the worst character. No paper was so worthless that it would not pass at the Freedmen's Bank provided it had some trustee or friend of a trustee behind it. Loans were made on individual notes indorsed by trustees who had no deposits in the bank and no property in sight. Zalmon Richards, a trustee, had an accommodating custom of endorsing the notes of borrowers, and was finally ruined because of this practice. After the failure of the bank a committee of Congress was investigating, and Richards came before

[1] Douglas Report, pp. 8, 11, 12. Bruce Report, p. 179.

[2] Bruce Report, p. 161. Douglas Report, p. 77.

[3] Before 1870, $84,340.67 had been loaned on real estate, contrary to law.—Bruce Report, p. 288.

it. The following extract from his testimony will serve to illustrate his comfortable lack of any sense of responsibility and also his notions of business:

Mr. Richards: I know that judgment was taken against me as an indorser, and I am free to say that if the Lord ever puts money enough into my pocket I will pay it.

The Chairman [Senator Bruce]: The Lord will not do it for you. You must do it yourself in some way.

Mr. Richards: Well, the Lord may help me to do it. I have got a good deal of confidence in the Lord yet.

The Chairman: The Lord, Mr. Richards, doubtless is engaged in more profitable business than putting money in your pockets.

Richards did not know anything about the business of the bank or the requirements of its charter, yet he had been a prominent trustee.[1] Sometimes no collateral of any kind was put up. Eaton, the first actuary, formed the habit of making loans and investments without consulting the finance committee. These he reported as "cash" or as "available."[2]

It was often the case that, contrary to law, those who borrowed and those who negotiated the loans were identical persons. The trustees and the officials formed the companies that borrowed from the bank, or sold to it worthless securities. Cooke, Huntington, Clephane, Eaton, O. O. Howard, and Balloch were prominent among those who borrowed from the bank in which they were officials.[3]

Balloch, a trustee and member of the finance committee, made a bad private loan in 1870, and in 1872 transferred his claim to the bank.[4] Huntington borrowed $3,000 for one day and never repaid it.[5] Eaton, the actuary, was given by Vandenburg one-half interest in a $100,000 sewer-pipe contract to reward him for his kindness in pushing loans for Vandenburg.[6] Balloch borrowed $2,000 in 1872, giving as collateral $2,000 in United States five per cent. bonds. Later these bonds were removed and $1,800 in less valuable railroad bonds were substituted.[7]

[1] Bruce Report, pp. 129–136.

[2] Douglas Report, pp. 67, 91, 149. Bruce Report, pp. 27, 140, 282.

[3] Douglas Report, pp. 8, 9, 76, 77, 91, 93. Bruce Report, pp. 110, 111. Savannah News, Dec. 9, 1871.

[4] Bruce Report, p. 176.

[5] Douglas Report, p. 176.

[6] Douglas Report, p. 12.

[7] Bruce Report, p. 153.

As examples to show the character of loans made after 1870 and to illustrate the business methods of the bank may be mentioned the loans made to Evan Lyons and to the Seneca Stone Company. Lyons owned real estate in Washington County, Maryland, and repeatedly applied for small loans. Four times was he refused by the finance committee, because it was suspected that his titles were not clear. Finally he secured a $34,000 loan,—more than the property was worth. The facts that came out upon investigation were as follows: Lyons' land was covered with mortgages which he could not raise. His creditors wanted the money, so it was agreed that they should give up their first mortgages on the property, take second mortgages, and allow Lyons to secure a large loan from the Freedmen's Bank under a first mortgage. This was done; the creditors and Lyons divided the proceeds and left the bank with the land, on which it lost $25,000.[1]

The Seneca Sandstone transaction was never fully cleared up, but the facts that were ascertained upon investigation were as follows: The Maryland Freestone, Mining and Manufacturing Company, commonly called the Seneca Sandstone Company, was a promising enterprise incorporated in 1867 with such men as General Grant, Secretary Seward, and Caleb Cushing as stockholders. In 1868 Cooke and Huntington of the First National Bank, who were trustees of the Freedmen's Bank, got control, over-capitalized the stock, declared a stock dividend to the original incorporators, and issued a lot of first and second mortgage bonds, which were placed on sale, and speculation began. A loan of $51,000 was secured from the Freedmen's Bank in 1871, and $49,000 in second mortgage bonds and $20,000 in first mortgage bonds given as collateral. The second mortgage bonds were known to be worthless, and, the fact of the loan becoming public, attacks were made by newspapers upon the management. Thereupon Eaton the actuary went to Kilbourn and Evans, real estate brokers, and made an agreement with them and the Seneca Sandstone Company to change the form of the loan and thus protect the bank from unfriendly attacks. The account of the Seneca

[1] Bruce Report, report of Committee, and pp. 124, 154.

Company was then closed, the loan being transferred on the books to Kilbourn and Evans, who gave their joint note, payable in six months, supported by good collateral. This seemed well, but at the same time a curious secret agreement was made with Kilbourn and Evans, securing them against loss. This agreement was signed for the finance committee, by Huntington (of the Seneca Company), Clephane, and Tuttle, and by Eaton, the actuary. It recited the list of the securities (including $75,000 in second mortgage Seneca bonds) purporting to have been deposited by Kilbourn and Evans, and stated that in case Kilbourn and Evans did not pay the note at maturity, their note and all collateral securities were to be returned to them except the $75,000 second mortgage Seneca bonds. It was understood that the transaction was not to make Kilbourn and Evans responsible in any way; they were simply allowing the bank to use their names as an accommodation. Two years later, in 1873, the note and securities were surrendered according to agreement and only the $75,000 in worthless second mortgage bonds were left to secure the bank against loss. The actuary early in 1874 closed the Kilbourn and Evans account and charged the Seneca Company with the $51,000 and accrued interest. The $20,000 first mortgage bonds held from the Seneca Company had disappeared in 1872 in a transaction in which Kidwell, president of the Seneca Company, purchased them for $20,580, but this money was never placed in the bank.[1]

Such was the management that resulted in the ruin of the Freedmen's Bank. In 1873 the "available" fund was no longer

[1] The report of the Bruce Committee gives a full account of the Seneca business. See also Bruce Report, testimony, pp. 52, 55, 91–97, 141–144, 178, 201–210, 283.

Douglas Report, pp. 31, 74–76, 104. For details in regard to other loans see Bruce Report, pp. 147 *et passim*. (Kennedy, Fleming, First Baptist Church, Howard University, Y. M. C. A., etc.) Tuttle, who was a United States treasury official, said that he did not read the Kilbourn and Evans agreement before signing it, that he never read the papers presented for his signature. He thus explained: "I said that I wanted at least two names to precede mine and that I wanted the actuary's name so as to know that it was all right. . . . . I always told them that they must not depend on me, that I must depend on them and that they must not deceive me."—This to Cooke and Huntington!—Douglas Report, p. 104.

available, the depositors had become alarmed, and three serious runs were made on the bank, taking out $1,800,000 in eighteen months. Business depression came, real estate declined in value, the bank could realize on few of its securities, and the bad loans could not be called in. Jay Cooke and Company and the First National Bank failed, and, in order to pass the crisis, the Freedmen's Bank had to sacrifice its best securities.[1] As a result of the runs the bank was forced to require the depositors to give sixty days or more notice before drawing out deposits. This, though legal and provided for in the regulations, destroyed the confidence of the negroes, and few deposits were made during the latter part of 1873 and in 1874.[2] Just as the deposits became large enough to pay the expenses of the bank the runs came. The Comptroller of the Currency reported in 1873 that there was serious mismanagement in the affairs of the bank, and in February, 1874, his report showed that the bank had been insolvent for a year.[3]

When the bank began to show signs of failure the few trustees and the officials who had deposits drew them out, while at the same time the management tried to delude the negroes into putting more money in the bank and to evade investigation by Congress. During the runs the trustees neglected the affairs of the banks; only one of them—Purvis, a negro,—came to advise and assist the actuary, who during the runs had to act on his own responsibility. The clique of speculators resigned in good time and left affairs to the incompetents and the negroes. A faction of the trustees, dissatisfied with Alvord's mismanagement, determined to bring about a change by electing Fred Douglass to the presidency in the hope that he would restore confidence and reform abuses.[4] The rest of the story of the bank will be told in the next number of the YALE REVIEW.

[1] Bruce Report, pp. 78, 181.
[2] I have been unable to ascertain how much was deposited after March, 1873.
[3] Douglas Report, p. 180.
Meigs' Reports in Report of Comptroller of the Currency 1873, 1874.
[4] Bruce Report, pp. 163–165, 181, 183. Douglas Report, pp. 17, 76, 180.
Douglass, *Life and Times*, pp, 488, *et seq*.

THE FREEDMAN'S SAVINGS BANK.

II.

IV. The Administration of Douglass and the Collapse of the Bank.

Douglass was elected president in March, 1874, and assumed office in April. He stated afterward that he accepted the presidency, not because he had any experience in banking, but because he thought that his influence with his race would strengthen the bank and enable it to weather the storm. Both Alvord, the outgoing president, and Stickney, the actuary, assured him that the bank was sound. Douglass knew nothing of the management of the bank, and the officials took care to keep him ignorant. He issued circulars assuring the blacks that the bank was safe. But his suspicions were aroused by the evident effort made by the actuary and others to keep him in ignorance of what was going on. He found that the correspondence was carried on in a cipher to which he was given no key. The report of the Comptroller of the Currency, which showed that the bank had liabilities of $3,338,896.15, with resources amounting to $3,121,-010, a deficit of $217,886.15, finally convinced him that the bank was beyond redemption.[1] He noticed also that the trustees and officials had withdrawn their deposits; that $10,000, borrowed from him in an emergency, was not repaid. So he turned to Congress for relief. Several months before this the reform element in the bank administration, headed by A. M. Sperry, the inspector, had tried to get Congress to investigate the affairs of the bank, but the trustees denied Sperry's allegations and suc-

[1] Bruce Report, pp. 236 *et seq.*
Ho. Misc. Doc., No. 16, 43d Cong., 2d Sess.
New York Herald, May 1, 1874.
Bruce Report, Appendix, p. 44. Douglas Report, p. 178.
Douglass, *Life and Times*, pp. 488–490.

ceeded in preventing any action by Congress.[1] Douglass went to Senator Sherman, Chairman of the Senate Committee on Finance, and told him that the bank was insolvent and needed investigation by Congress. As he says; "I began to discredit the bank in the eyes of the Banking Committee of the Senate. . . I spent my time mostly in doing that sort of business."[2] The trustees (some of whom had given information to Douglass to prove the unsoundness of the bank) and Stickney, the actuary, went before the Committee and denied that the bank was unsafe. Douglass, however, convinced the Committee and secured the passage of the Act of June 20, 1874, which in effect placed the old bank in liquidation and began a new one. The business of the past was to be separated from that of the future, loans were to be called in, non-paying branches closed, and all accounts of the old bank settled. The new bank was to invest one half of the deposits in United States securities and could make loans out of the remainder on real estate not only in the District of Columbia, but also in the vicinity of the branches. The rate of interest paid on deposits was limited to 5 per cent., and no loans of over $10,000 could be made to one person. The above provisions were to save appearances and to give the trustees an opportunity to get the bank out of its difficulties if it was possible to do so. But the real significance of the act was in the section which provided that, if the trustees thought it proper, they might nominate three commissioners to be appointed by the Secretary of the Treasury to close up the bank and its branches, collect its loans, realize on its investments, and pay the proceeds to the depositors.[3]

After the passage of this act there was a faint pretense at reorganization. Douglass seems to have been somewhat optimistic, and issued a circular stating that the bank was now on a firm basis, that the $217,000 deficit, caused by non-paying branches, too high interest rate, "senseless" runs, hostility to the

[1] Douglas Report, pp. 254–256. Bruce Report, pp. 178, 179, 238.

[2] Bruce Report, p. 237.
Douglass, *Life and Times*, p. 491.

[3] Bruce Report, pp. 238, 239, and Appendix.
Douglass, *Life and Times*, p. 491.

negro race and hence to the negro bank, and general hard times, could soon be diminished under careful management. He promised economy and prudence in future management, showed that new depositors were protected from old debts, while the best possible arrangements had been made for the old depositors. Hereafter, he stated, the constant drain of deposits to Washington from all over the country would cease, and investments would be made in the vicinity of the branches.[1] The trustees tried to begin reformation by making Stickney, the actuary, give bond as required by law. He had held his position for two years and had never made bond. At first he was not asked to make bond, and later, when asked to do so, refused on the ground that the business of the bank was so involved that it was not safe for him to do so. Now when called before the trustees, who suspected him of crooked practices, he again refused to give bond, and as Purvis, one of the trustees, said: "Then Stickney commenced to cry. That was pretty good evidence of his guilt, for we were not in a prayer meeting." [2]

After a few days it was decided to close the bank on June 29, 1874, and nominate commissioners to wind up its business. On June 30, 1874, the day after closing, we find that one Juan Boyle borrowed from Stickney on slender security $33,366.66.[3] As near as can be ascertained there was due to depositors at the date of closing the sum of $2,993,790.68, on 61,144 accounts. In the bank was found only $400 in United States securities. The latest statement that can be obtained from the branches is that of January 24, 1874, which is given below. It will show approximately how the losses were distributed.

[1] Bruce Report, Appendix.

[2] Bruce Report, p. 139, and the report of the committee. Douglas Report, p. 76.

[3] Stickney explained this by saying that Boyle had the money already and that the bank had no evidence of the debt. Consequently on June 30th he had accepted Boyle's note and any security that he was willing to give. This was better than nothing. Later the commissioners found that Boyle had been employed by Alvord to sell securities for the bank and that out of each transaction he had kept back some money until he was due the bank $33,366.66.—Bruce Report, pp. 140, 157, 181.

AMOUNT OF DEPOSITS AT THE BRANCHES, JANUARY 24, 1874.

Branches.	Deposits.	Branches.	Deposits.
Alexandria, Va.	$21,584	Natchez, Miss.	$22,195
Atlanta, Ga.	28,404	Nashville, Tenn.	78,525
Augusta, Ga.	96,882	New Berne, N. C.	40,621
Baltimore, Md.	303,947	New Orleans, La.	240,006
Beaufort, S. C.	55,592	New York, N. Y.	344,071
Charleston, S. C.	255,345	Norfolk, Va.	126,337
Columbus, Miss.	18,857	Philadelphia, Pa.	84,657
Columbia, Tenn.	19,823	Raleigh, N. C.	26,703
Huntsville, Ala.	35,963	Richmond, Va.	166,000
Jacksonville, Fla.	22,022	Savannah, Ga.	153,425
Lexington, Ky.	34,193	Shreveport, La.	30,312
Little Rock, Ark.	17,728	Saint Louis, Mo.	58,397
Louisville, Ky.	137,094	Tallahassee, Fla.	40,207
Lynchburg, Va.	19,967	Vicksburg, Miss.	104,348
Macon, Ga.	54,342	Washington, D. C.	384,789
Memphis, Tenn.	96,755	Wilmington, N. C.	45,223
Mobile, Ala.	95,144		
Montgomery, Ala.	29,743	Total	[1]$3,299,201

Thus ended in failure a most promising plan to aid the negro race. The causes which led to this failure, as has been known, were various: bad business management; neglect of duty by the honest trustees; the failure of Congress to investigate in time; the general depression of business in 1873; hostility to the bank as a race institution and as a connection of the Freedmen's Bureau; dishonesty in the branches; and finally and fundamentally the corrupt use of its funds by the "ring" of District of Columbia trustees and officials. The bank had a splendid field and according to expert opinion could have survived all other bad influences had it not been for the lack of honesty on the part of those intrusted with its management at Washington. Like so many other enterprises in Washington and the South during that period it fell a prey to the general corruption that prevailed during Reconstruction.[2]

V. THE WORK OF THE COMMISSIONERS.

Douglass had wanted the commissioners who were to close up the bank to have no connection with the trustees; those who

[1] Ho. Misc. Doc. 16, 43d Cong., 2d Sess. p. 61. Meigs Report, Feb., 1874.
Bruce Report, Appendix, p. 22.
Bankers' Magazine, June, 1875; July, 1881.
The Nation, April 15, 1875.

[2] Bruce Report, pp. 248, 249, 273, 274. Douglas Report, p. 17.
Cong. Record, April 22 (1876), p. 2707.

ruined the bank ought to have nothing to do with winding up its affairs, he said. But the act of June 20, 1874, allowed the trustees to nominate the commissioners, and forthwith three relatives of trustees were named—just what Douglass had feared. But the Secretary of the Treasury refused to appoint them, and other nominations were made: John A. J. Cresswell,[1] formerly Postmaster General; R. H. T. Leipold, a Treasury accountant; and Robert Purvis, a Philadelphia negro, the father of Dr. Purvis, the negro trustee. These were then appointed by the Secretary of the Treasury. Leipold was chosen by the trustees because he was an expert accountant; Cresswell, "because he was a cabinet officer, the most practical Republican we ever had," and because he had a reputation for appointing negroes to office; Purvis was chosen because of his color, a negro being needed to represent the race.

On July 11, 1874, the commissioners made a bond and took charge. Cresswell and Purvis did practically nothing but sign the checks for dividends (which however was quite a task), and it was soon clear that they intended to do little work, but to leave all the business for Leipold to attend to. Cresswell seemed to think that his part was done by allowing the use of his name and his reputation as a friend of the blacks; and Purvis seemed to feel that his part was only to be a negro member on the board of commissioners. Leipold was an exceedingly unpleasant though very efficient person, and he was soon at loggerheads with the other commissioners because they would not work, and for other reasons. He was advised from the Treasury Department (neither Sherman nor Boutwell liked Cresswell), and he was very suspicious of crookedness among the trustees of the bank and wanted to prosecute some of them. Purvis, whose son was a trustee, stoutly defended them, and Cresswell advised against prosecution. Purvis wanted to employ negro lawyers, but Leipold would have none of them. When Leipold protested against doing all the work, Cresswell and Purvis proposed to pay

[1] Cresswell was a native of Maryland, and in politics had been a Whig, a Democrat, and finally a Radical Republican. He served as congressman and senator from Maryland during the war, and in 1869 he became Postmaster General, resigning on July 3, 1874.

him $500 a year each (the salary being $3,000 each), and for one year this was done. Purvis then objected and the payments stopped. To the last Purvis drew his salary for being a negro member and Cresswell drew his for being a friend of the negroes. Leipold was certainly not a friend of the negroes, and treated rudely all of them who had business with the bank. Purvis, who had all the American negro's dislike of foreigners, complained that Leipold was a low born, bad-mannered, foreign, fortune hunter, whose eccentricities almost amounted to craziness,[1] but both Purvis and Cresswell testified that Leipold was very efficient.

It was well-known that there were troubles among the commissioners and that only one was giving any service. All of them would have resigned, but they were informed by the Attorney General that only Congress could relieve them from their duties. Between 1875 and 1881 several bills were introduced into Congress to abolish the offices of these commissioners and turn the business over to one. Senator Sherman and Representatives Douglas of Virginia and Durham of Kentucky introduced such bills, but they were always defeated by the friends of Purvis and Cresswell, who were to be legislated out of office.[2]

While the commissioners were wrangling, and the friends of the blacks were trying to induce Congress to settle the affairs of the bank, two Congressional investigations into the affairs of the institution were made—one in 1876 called the Douglas investigation, and one in 1880 by the Bruce committee. Both investigations were made at the instance of the Southern Democrats and the negro Republican members from the Southern States. The Northern Republicans and some of the Northern Democrats objected to any more time and trouble being wasted

[1] Bruce Report, pp. 73–89, 127, 128, 187, 239, and report of committee. Douglas Report, pp. 77. Leipold was related to Senator Sherman.

[2] Cong. Record, Jan. 1875, pp. 751, 752; March 3, 1875, pp. 2261, 2262; Dec. 14, 1875, p. 207; Jan. 5, 1876, p. 262; Apr. 22, 1876, p. 2700–2708; Feb. 22, 1877, p. 1273.

Report of Commissioners, 1878, in Ho. Misc. Doc., No. 43, 45th Cong., 2d Sess.

Bruce Report, pp. 191–194, 239, and appendix, pp. 2–4.

on the Freedmen's Bank.[1] These two investigations laid bare the fraudulent methods and corrupt practices by which the bank had been ruined.[2] The debate that followed the introduction of each measure aimed at settling the bank shows the members of Congress felt that they as a body were partly responsible for the failure of the bank. Bradford of Alabama declared that the government was to some extent responsible for the negro's faith in the bank, and maintained that Congress ought not to shirk its duty to the depositors. He said further, though, that the corrupt administration of the bank was only a phase of the general misgovernment all over the South after 1868, a logical outcome of the policy of the administration at Washington, and he showed that the bank officials were closely connected with the administration. Naturally this way of proving the responsibility of Congress did not appeal to the Republicans.[3] When in 1875 Durham of Kentucky was trying to have a bill passed to relieve the depositors, he was opposed by Republicans such as Hawley of Connecticut, who objected, on the ground of "sympathy for the negro," to any measure that would legislate out of office Purvis, the negro commissioner. Durham answered him thus: "These 72,000 depositors. . . do not care very much about sympathy provided only they can get their money. They have been sympathized with by their friends until they have been literally robbed. These friends of the colored people have hugged them around the neck with one hand while they have stolen the money out of their pockets with the other."[4] Senator Morrill said: "We certainly gave this institution of the Freedmen's Bank some sort of credit throughout the country" and are largely responsible. He thought the original trustees should

[1] The Douglas committee from the House consisted of Douglas of Virginia, chairman; Bradford, of Ala.; Stenger, of Pa.; Riddle, of Tenn.; Hooker, Bliss, of N. Y.; Frost, of Mass.; Rainey (negro), of S. C.

The Bruce committee of the Senate was composed of B. K. Bruce (negro), of Miss., chairman; Angus Cameron, of Wis.; John B. Gordon, of Ga.; Robt. E. Withers, of Va.; and A. H. Garland, of Ark.

[2] The Douglas report is Ho. Report No. 502, 44th Cong., 2d Sess. The Bruce report is Sen. Report No. 440, 46th Cong., 2d Sess.

[3] See his speech in the Cong. Record, Apl. 22, 1876, pp. 2701–2708.

[4] Cong. Record, March 3, 1875, p. 2262.

have been prosecuted.[1] Cameron of Pennsylvania contented himself with reminding the Senate that he had predicted the failure of the bank as a result of the amendment of 1870. Senator Sherman, who all along had tried to have Congress keep the bank straight, declared that "the original management of the Freedmen's Bank grossly and scandalously abused its trust; and all the powers conferred by Congress on that corporation were in my judgment abused." [2] But until 1881 all the debate amounted to nothing but talk, and the commissioners were forced to proceed with their work.

The task of the commissioners was (1) to close up the branch banks and transfer all accounts to Washington; (2) to bring some order into the chaotic book-keeping of the institution; (3) to manage the property belonging to the bank; (4) to turn assets into cash; and (5) to pay dividends to the depositors as soon as possible. It was found that the negroes were so averse to seeing the branches closed that for several years it was necessary to keep agents at the old branches to explain the situation to the depositors and persuade them to send in their pass books. Far and wide the commissioners advertised for the pass books to be sent in, but the negroes for a while held them, their suspicions having been excited by that faction of the trustees who had opposed the closing of the bank, and by the speculators who wanted to buy up pass books for a small fraction of their value. To protect the depositors the commissioners ruled that no assignment of pass books would be allowed, and they began to flow in.[3] When all the accounts of the branch banks that could be obtained were collected it was found impossible to get them into order. Pass books were found to be more correct than the ledgers, and by them the depositors were paid. Each loan had to be investigated to see how much had been paid and how much was due. Nothing could be collected without a lawsuit. Between 1874 and 1879 over three hundred cases were carried to court by the

[1] Record, Dec. 8, 1878, p. 36.

[2] Record, Feb. 5, 1877, pp. 1273, 1274.

[3] Report of Commissioners, Dec. 14, 1874, in Ho. Misc. Doc., No. 16, 43d Cong., 2d Sess.

Bruce Report, p. 17.

commissioners. Often the lawyers' fees took the whole of the collections. Every obstacle was put in the way of the commissioners. The courts in the States and in the District of Columbia were easily prevailed upon to issue injunctions to prevent the sale of property for the bank. Property belonging to the branches was found to be almost worthless.[1]

In order to prevent absolute sacrifice the commissioners were obliged to buy in all good property offered for sale, and this was held for years before it could be disposed of. The expenses of caring for the property took up most of the rents.[2]

At first the trustees tried to control the policy of the commissioners. Cresswell and Purvis seem to have been on friendly terms with the trustees, but Leipold, inspired by the Treasury Department and by a natural distrust of the men who had assisted to bring on the ruin, refused to allow them to have anything to do with the winding up of the bank. He was intensely disliked by the negroes, who said that he "did not treat us politely, but would go on writing when we would speak to him." Colored attorneys were pressed upon Leipold to do his legal work. He wanted to do some of the work himself for the fees and remarked that he was "not here to make sacrifices for the colored race." [3] When the depositors would worry him with questions he would say, "What are you pestering me for?" He told them that they had no business trusting such a bank—"Whoever knew of a Freedmen's Bank?. . . If I had not taken up this bank you would not have a dollar. We brought you out of slavery. You had nothing then and you need not think anything of these little losses." [4] He was accused by his enemies of speculating in the property under his control and of trying to purchase claims against the bank, but no proof was ever adduced, and there is little likelihood of his having done so. He did not like negroes, but he managed their accounts with honesty and efficiency.[5]

As money was collected by the commissioners it was placed in

[1] Reports of Commissioners, 1874–1879.

[2] Bruce Report, p. 38.

[3] Douglas Report, pp. 77, 165, 166.

[4] Report No. 502, 44th Cong., 2d Sess. p. 117.

[5] Douglas Report, pp. 16, 77, 106, 117, 159. Bruce Report, pp. 29, 196. Leipold's letter in National Republican, April 22, 1876.

the United States Treasury to await division among the depositors. Although large sums were kept in the Treasury no interest was allowed by Congress, nor could the commissioners invest the funds in interest-bearing United States securities. There were numerous preferred claims against the bank which had to be settled first, and this took all of the ready money in 1874. Then, as soon as there were enough funds, a dividend was declared, and the money distributed among the depositors. In this connection Purvis and Cresswell performed most of their work—at signing checks. A proposition to have the government depositories distribute the money was objected to, and the checks were written and sent through the mails. Under the commissioners three dividends were declared: 20 per cent. on November 1, 1875; 10 per cent. on March 20, 1878; and 10 per cent. on September 1, 1880. A 20 per cent. dividend amounted to $593,239.30.[1]

When dividends were to be made the depositors were notified through the press, especially through the negro papers, from the negro pulpit, and by posters in the large cities. Every means of finding the depositors was taken, but many of them could never be found. After the average depositor found that he could not draw out his money when he wanted to, he decided that it was forever lost, and numbers went away from their old homes leaving no address. In 1881, after three dividends had been declared, it was found that of the 1875 dividend $39,248.24, due to 31,967 depositors, had not been claimed, an average of $1.20 each; of the 1878 dividend $30,927.26, due to 36,078 depositors, remained unclaimed, an average of 85 cents each; of the 1880 dividend $54,539.59 was not claimed, 40,000 depositors failing to appear. The average amounts due to and not claimed by the 40,000 depositors was $3.40. In other words, the small deposits were not claimed but were given up as lost, only the larger ones being called for.[2] These small claims were barred by an act of Congress in 1881, but later all claims were again admitted.

[1] Sen. Ex. Doc. No. 10, 45th Cong., 3d Sess.
Bankers' Magazine, July, 1881.
Report of Commissioners, December 14, 1874.

[2] Bankers' Magazine, July, 1861.
Bruce Report, op. p. 6.
Reports of Commissioners, 1874–1880.

VI. The Business of the Bank Under the Comptroller of the Currency.

The excessive cost of the administration of the three commissioners,—$355,994.77 to 1879; their lack of authority to dispose of property; their personal squabbles—all convinced Congress at last that a change was necessary, and in 1881 it abolished the board of commissioners and made the Comptroller of the Currency commissioner to wind up the bank. The funds collected by him were to be placed in the United States Treasury and were to draw interest. When dividends were declared he was to pay the depositors through United States depositories with government checks. He was given full authority to wind up the institution.[1]

The Comptroller disposed at once of all property that could be sold and paid a dividend of 15 per cent. on June 1, 1882, and one of 7 per cent. on May 12, 1883, making 62 per cent. in all. To December 1, 1904, $1,727,398.80 had been repaid to depositors and $1,212,526.42 was still due. The government now has about $14,071.91 belonging to the bank, but it is not likely that this balance will increase.[2]

When it was seen that the depositors had been defrauded, a widespread demand arose that the government reimburse them. From every Southern State, from all the cities where branches were located, from negro church congregations, from Southern State legislatures, Radical and Democratic—came memorials praying that Congress make good the loss. The petitions asserted that the government was responsible, because it had chartered the bank, had provided for Federal inspection, and had secured its funds by investment in United States bonds, and because the bank officials were usually government officials. All the advertising done by the bank had made it appear as an institution of the government, and the negroes had generally understood that they were giving their money to the government for safe keeping.[3]

[1] Sen. Misc. Doc. No. 17, 47th Cong., 1st Sess.
Ho. Misc. Doc. No. 10, 48th Cong., 1st Sess.

[2] Hoffman, *Race Traits*, p. 290. Reports of the Commissioners, 1881–1904.

[3] Ho. Misc. Doc. No. 29, 43d Cong., 2d Sess.
Ho. Report, No. 58, 43d Cong., 2d Sess.
Cong. Globe, 1874–1876.
Shaler, *The Neighbor*, p. 170, makes a statement which shows that others than negroes believed that the bank was connected with the government.

Frederick Douglass maintained that the government should make good the loss because it had allowed the bank to be considered a government institution, a part of the Freedmen's Bureau, and had through neglect of supervision allowed it to fail.[1]

General Howard, trustee of the bank, formerly commissioner of the Freedmen's Bureau, who had allowed and encouraged the close connection of the bank and bureau, declared that the work of the bank was done under the guarantee of the United States, and that on that account the government should hold itself responsible.[2]

The several Comptrollers of the Treasury who after 1881 wound up the affairs of the bank repeatedly recommended legislation in favor of the depositors. Comptroller John J. Knox declared in 1882 that the United States government had "assumed a *quasi* responsibility" by its negligence in incorporating and failing to inspect the bank, as well as by allowing a close connection with the Bureau. He recommended that the losses be paid out of the "overflowing Treasury" of the United States.[3] In 1884 and 1885, H. W. Cannon, the next Comptroller, renewed his predecessor's recommendations and said, "It seems impossible for these people to realize that they are to be deprived [of]. . . a portion of their earnings, which years ago they labored so hard to acquire and save. Thousands of them to this day believe that the dividends paid to them by the commissioners are but the interest on their deposits, and that sooner or later their original deposits will be returned to them. No explanation seems to convince them to the contrary, and calls are made daily both orally and in writing for their money." [4]

W. L. Trenholm, Southern Democrat, Comptroller during Cleveland's first administration, renewed the recommendations for the relief of the negroes, and put their case more strongly than it had ever been stated before. And so it continued under Republican and Democrat until the 90's.[5]

[1] Bruce Report, Appendix, p. 45.

[2] Bruce Report, p. 273.

[3] Sen. Misc. Doc. No. 10, 47th Cong., 2d Sess.; Ho. Misc. Doc., No. 10, 48th Cong., 1st Sess.

[4] Ho. Misc. Doc. No. 7, 48th Cong., 2d Sess.
Ho. Misc. Doc. No. 18, 49th Cong., 1st Sess.

[5] Ho. Misc. Doc. No. 34, 49th Cong., 2d Sess.; No. 33, 51st Cong., 1st Sess.

At various times the matter of compensating the depositors came before Congress. In 1875 a committee reported that the government was in no way responsible for the debts of the Freedmen's Bank.[1] After the Bruce investigation in 1880 the question of assuming the losses of the depositors again came before Congress, and in 1883 John R. Lynch, a negro congressman from Mississippi, reported from the Committee on Education and Labor a bill to appropriate $969,000 to pay the losses of the depositors. The report stated that the government was not legally bound to reimburse the losses, but that "the circumstances that were connected with the inauguration and management of the bank were of such a character as to make the government morally and equitably responsible to its creditors, and it should, therefore, reimburse them for any losses they have sustained in its failure." A minority report by Money of Mississippi maintained that there was no warrant in law for paying such a claim, and that such a precedent would be extremely embarrassing to the government.[2] President Cleveland, in his message of 1886, reviewed the history of the bank and declared that to assume the losses was "a plain duty which the government owes to the depositors, and that the latter should be paid by the government upon principles of equity and fairness."[3]

In pursuance of the President's suggestion a bill was introduced in 1888 appropriating money to pay the losses of the depositors. It passed the Senate but failed in the House.[4] Since then there has been no serious discussion of paying the depositors. Those who were in favor of paying the losses of the negroes in 1875 no longer urged it for various reasons; the depositors were dead, or scattered, and difficult to find, especially those who had most needed aid; if appropriations were to be made most claims would fall into the hands of speculators; and to most members of Congress it seemed a bad precedent to set, even if color of law could be found for it.

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[1] Ho. Report, No. 58, 43d Cong., 2d Sess.
[2] Ho. Report, No. 1991, 47th Cong., 2d Sess.
[3] Messages and Papers of the Presidents, Vol. VIII, p. 525.
[4] Ho. Report, No. 3199, 50th Cong., 1st Sess.