Joseph Ellicott and the Holland Land Company

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When Joseph Ellicott had become Resident-Agent of the Holland Land Company in 1800, his task seemed easy to define and simple to delimit. He was to manage the Company lands in western New York, reside on the purchase, and make "regular and fair entries" of all sales. In February of each year, he would submit a full report of land sold, money received, debts due, and lots still owned by the Company. For his services, he was to receive an annual salary of $1,500, a commission of 5 percent of all sales, and fringe benefits of free residence, an office, and two bonuses at his retirement. Over the years, some minor details had been added, but the agreement otherwise had remained the same.

Between 1800 and 1815, however, the peripheral aspects of his job had broadened considerably. During those years, Ellicott had been pushed into a number of tangential tasks. Road construction, higher taxes, wider suffrage, new counties and county seats, state and local politics, and the War of 1812—all of these had affected land sales and were, therefore, important to the Resident-Agent. Although these chores had not been included in his contract with the Company, he had been compelled to deal with them. Yet, it was his handling of these very problems that lifted Joseph Ellicott above the clerical level of recorder of sales, expenses, profits, and losses.

In the category of "related" tasks, there was another serious one that confronted Ellicott: the need for a bank in western New York. By 1816, the purchase, with a population approaching 100,000, had reached a level in its growth where some local controls over bank deposits and loans were essential. Until now, not a single community west of the Genesee had a bank. But banking, as Americans had learned from costly experience, was not a simple operation. It was an intricate business that called for confidence, integrity, good sense, and especially experience. In the 1780's, banking was a "novelty," wrote Thomas Willing, president of the Bank of North America, "a pathless wilderness, ground but little known to this side of the Atlantick." In contrast to America's inexperience, the Dutch had developed a high financial sophistication by a century of seasoning. As cited in the Introduction of this book, the Netherlands had fallen from their peak

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during the seventeenth century, but their banks still had sufficient sta-
ility and reserves to be recognized as late as 1796 as the Wall Street of
western Europe. Dutch bankers had blended daring with caution. In
the early years, they had favored taking risks, but as the years re-
ceded, circumspection outweighed speculation.

This conservative change reflected Holland's shifting position on
the continent. During much of the eighteenth century, the Netherlands
were in peril of being annexed by a powerful, expansion-minded neigh-
bor, France. In self-protection, Holland reluctantly allied herself with
France's enemy, England, and as a result became a British satellite.
During the American Revolution, however, the Netherlands switched
sides. Angered by the British seizure of Dutch ships on the high seas
and encouraged by Russia to stand firm, the Netherlands embarked
on the fourth Anglo-Dutch War (1780-84) and were beaten deci-
sively.

But worse lay ahead. During the Napoleonic era, Holland experi-
enced its first foreign occupation since the defeat of Spain in the
seventeenth century. Between 1795 and 1810, the Netherlands became
a dependency of France, then a Gallic province from 1810 to 1813.
During the closing years of the Napoleonic period, she was at war
against England who seized all the Dutch colonies. The period of
Napoleon, then, was a catastrophe for the Dutch. The wars had
broken her spirit, removed her colonial resources, and reduced her to
hand-to-mouth poverty.

The nation that emerged from the Napoleonic wars with heightened
international prestige and power was Great Britain. Coal, iron, and
cotton had become more valuable than linen, spices, and herrings.
The new machinery—for example, Watt's engine, the spinning jenny,
and the power loom—profoundly restructured England from an agri-
cultural society into the industrial workshop of the world. Her growing
needs for food and raw materials, and her export of coal and manu-
facturing made England the largest trader in the world. With in-
comparable sea power and great wealth, commerce and industry
elevated Great Britain into the richest nation in the world. By 1815,
London had displaced Amsterdam as the Wall Street of western
Europe.

For America, London had assumed this character somewhat earlier.
Prior to the Revolution, the American colonies had been wholly de-
pendent on the financial resources of England. It was during the
American Revolution that banking in America had started. Because
of the war, the new nation had been driven to create its own banking
system. The Second Continental Congress granted a charter in 1781 to the Bank of North America. Proposed and supported by Robert Morris, the Bank of North America aided the war effort by purchasing supplies, paying the army, and loaning money to the shaky government. By modern standards, the Bank of North America was the first real bank in the United States, and for that matter in all North America. Located in Philadelphia, it prospered and expanded.

Rival cities noted the advantages of having a bank and followed the Philadelphia example. Led by Alexander Hamilton, the Bank of New York started business in 1784 and got a state charter in 1791. Less than one month after the Bank of New York had opened its doors, a group of Boston merchants organized the Massachusetts Bank. Some Baltimore businessmen, who had been trying for several years, finally received a charter from Maryland in 1790 and formed the Bank of Maryland. By 1790, eight years after the organization of the Bank of North America, the four leading cities of Philadelphia, New York, Boston, and Baltimore each had a bank. Of these four banks, the Bank of New York alone is still in business.

While Alexander Hamilton supported banks chartered by individual states, he was equally concerned with some financial arrangement to serve the needs of the federal government. It was Hamilton who had drawn up the constitution for the Bank of New York, and it was his plan to establish the First Bank of the United States that was approved by Congress in 1791. The First Bank of the United States did more than conduct commercial business. It aided the new national government in collecting taxes, storing federal funds, administering public finances, and granting loans to the Treasury. Despite an excellent record, the First Bank of the United States was doomed politically by the implacable opposition of the Jeffersonians; when the twenty-year bank charter expired in 1811, it was not renewed.

Meantime, the number of banks throughout the nation had increased sharply. There were 8 in 1790, 90 by 1811, and 246 in 1816. The large cities continued to seek banks as another instrument to forge ahead of their competitors. Banking had helped Philadelphia maintain its leadership over New York. The City of Brotherly Love had been the center of the national government throughout the American Revolution and also during the first ten years of the Washington and Adams administrations. With such political ties, it was not surprising that the Bank of North America was founded in Philadelphia and that the First Bank of the United States also had its main office there. During the 1790’s, it was the undisputed banking center of the nation.
But New York City had assets that would help sweep it ahead of Philadelphia. New York's natural advantages could not be matched: it had a magnificent harbor, an ideal position at the mouth of the Hudson, and a convenient location near New England and the West. Moreover, it had the foremost business community in vitality and originality. Spurred by the Yankee invasion from New England, New York became the nation's biggest importer by 1796, its greatest exporter in 1797, and its most populous city by 1810.

Once New York had outstripped Philadelphia in commerce, it challenged that city's position as the financial center of the United States. The Bank of New York had flourished, paying stock dividends of 7 percent by 1791 and lending money to the federal government, to the State of New York, and to the city itself. The First Bank of the United States had established a branch office in New York City in 1791 and had cooperated with the Bank of New York; together, the two banks held a monopoly of the city's banking. New York's mercantile growth, however, brought a need for additional banks, but the two established ones opposed the creation of a third bank, and in the struggle the issue became political. Federalist-oriented directors controlled the two New York banks while the Republican-minded businessmen sought a third one. A delaying action for several years followed before a third bank, the Bank of Manhattan, came into existence.

The traditional story of the founding of the Bank of Manhattan has pictured Aaron Burr, its sponsor, as a cunning rascal who had resorted to Machiavellian tactics in outwitting the Federalist opposition. According to this conventional version, Burr had deliberately concealed his venal motives behind a reasonable-sounding bill. The measure sought to create the Manhattan Company, a corporation that would supply "the city of New-York with pure and wholesome water." After only four days of rather perfunctory discussion in both houses of the legislature, the Manhattan Company received a charter on April 2, 1799. One month later, the Manhattan Company set up the Bank of Manhattan as a holding company, and in September of the same year, the bank opened for business. Burr's critics concluded that his request to charter the Manhattan Company was an immoral stratagem for the creation of the Bank of Manhattan.

More recent researchers have challenged this version and have tried to vindicate that aspect of Burr's life. Certain facts in the narrative have been generally accepted by all authorities. In its daily necessities and in the event of fire, New York City had a genuine and long-pressing need for a dependable water supply. The question was not the need but whether the water would be provided by a publicly or a
privately operated company. The historians agreed also that Burr had proposed the creation of a privately operated company, the city council had supported his plan, and a charter was requested from and granted by the state legislature.

The nub of the controversy was Section Eight. Placed inconspicuously toward the end of Burr's proposal, it read: "That it shall and may be lawful for the said company to employ all such surplus capital as may belong or accrue to the said company in the purchase of public or other stock, or in any other monied transactions or operations not inconsistent with the constitution and laws of this state or of the United States, for the sole benefit of the said company." A member of the assembly, Burr was queried by a senatorial committee about Section Eight. He admitted candidly that under the clause the Manhattan Company might start a bank, organize an East India Company, or do whatever the company deemed profitable. Although Burr's testimony was not known to the entire senate, this could not be blamed on him.

The debate has hinged on Burr's ulterior motive in seeking a charter for the Manhattan Company. Burr's censors claimed that the water works was a blind, to be dropped once the charter had been obtained. In reality, within one year after receiving the charter, the Manhattan Company had laid out a principal main of bored logs with lateral pipes and was distributing water to customers. It never earned as much money on water sales as the Bank of Manhattan profited from loans, but the Manhattan Company was a going concern that honored its obligations.

Burr's partisans have moved from defending him to attacking the Federalists. The Federalists, they said, had a majority in the city council and the state legislature. It was their job to scrutinize Burr's proposals more carefully before approving them. Moreover, the Federalists had singled out Burr as a scapegoat. To win the election of 1799, they had accused him of deceit, fraud, and misrepresentation in the creation of the Manhattan Bank. The tactic succeeded, and the Federalists defeated Burr and the Republican state ticket. Germane to this interpretation, the stigma against Burr stuck. Most historians, concluded Burr's defenders, have since accepted uncritically the Federalist version of Aaron Burr as the arch villain in the formation of the Bank of Manhattan.

In retrospect, neither the Federalists nor the Republicans had behaved with integrity. Key members of both parties had long records of seeking special privilege and private advantage. Blaming the op-
posing party for offenses they themselves had previously committed was like the proverbial pot calling the kettle black.

Burr can be faulted for his devious course. From the start, his primary goal had been to organize the Bank of Manhattan, not to create the Manhattan Company. His course appeared all the more devious because it flaunted the traditions of that period. Banks usually got their charters after considerable wrangling and the payment of graft. The Manhattan Company, however, was chartered with unseemly haste and apparently without the customary bribery. The charter also lacked certain safeguards normally imposed on banks. Most banks had a set number of years of operation before renewal was necessary; they had to submit periodic reports of their conditions to public officials; and, many of them paid a bonus to the state for getting the charter. But the Manhattan Company had a perpetual charter of almost uncontrolled latitude. In supporting Burr's conduct, the Republican party, too, shared some of the guilt. By 1800, Burr's main objective in getting the charter of the Manhattan Company had become all too clear. Yet Aaron Burr, instead of being chastised, was nominated by the Republicans for the vice-president of the United States.

The Federalists were not blameless. Ignorance of Burr's bill and especially of Section Eight was a weak excuse. More damaging was the fact that the Federalist majority in the legislature had voted for the chartering of the Manhattan Company. It was Alexander Hamilton who had originally helped to influence the city council to accept Burr's project, and John B. Church, Hamilton's brother-in-law, had accepted a directorship in the Manhattan Company. Although no evidence has yet been found that Hamilton knew about the plans for a bank, Church was named in the bill seeking the charter and probably had an inkling about Burr's objectives. In attacking Burr, the Federalists were guilty, too, of a calculated act of character assassination. Another factor in this indictment was the intransigence of the two Federalist-controlled banks against the creation of a third one. Whatever the conclusions, the Federalists and the Republicans came out with soiled hands in what one author aptly called, "The Strange Birth of the Manhattan Company." 5

While New York was using dubious methods to strengthen its financial sinews, the area west of the Genesee was feeling the disadvantages of not having a bank of its own. Prior to 1812, using the post for the transmission of funds in western New York involved serious dangers. Company remittances included much paper money, which, when
stuffed in bulky letters, attracted attention. As Agent-General Busti himself explained it, such packets excited “the covetousness of the many sharks lurking for prey in the post offices” between the Genesee and Philadelphia. To lessen the dangers, he instructed Ellicott to send bills of larger denomination and, adding a penny-pinching thought, pointed out that lighter letters also saved money on “heavier postage.” Despite the less conspicuous parcels, Ellicott worried over each shipment until he received confirmation that the money he had sent had arrived safely. What is more, he resorted to various devices to insure greater safety for his remittances. Ellicott tore the bank bills in half and shipped each separately; or, when he did not tear the bills, he frequently sent a description of the serial numbers of the bank notes that he had already mailed. By these methods, if any theft occurred, Paul Busti had the information necessary to advertise promptly the loss of the stolen bank notes.

All the trouble that Ellicott had over the safe shipment of remittances to Philadelphia added to his appreciation of modern banking facilities, yet did not blind him to their hazards. For one thing, as Resident-Agent he valued the conveniences of the banks’ paper money, for remittances of gold and silver increased the bulk of the Company parcels. At the same time, he was suspicious of the soundness of the “bushels of banks” that had sprung up during 1812. What he needed was a bank that was in strong financial condition, that would redeem paper money and transfer Company funds to other banks, and that was located near Batavia.

Meantime, to protect the Company money and its many legal papers, Ellicott had taken the additional precaution of erecting a fireproof building. Located on West Main Street in Batavia, the Holland Land Office was diagonal to Ellicott’s own mansion, just across the road. As a safeguard against fire from nearby dwellings, the Land Office was set on a large lot 455 feet long and between 100 and 160 feet wide.

The stone building was a handsome structure. It had a broad porch which, supported by four stately pillars, ran the full width of the building. Inside was a nine-foot-wide hall from which radiated four square, identically sized rooms. Each one measured fifteen feet long, had ceilings twelve feet high, and was warmed by its own fireplace. The outside walls were one foot thick, and inside and adjacent to them were vaults sixteen inches wide. The vaults were fitted on the east and west wings of the building and were secured by half-inch thick, nine-foot tall metal doors, with hinges that were set in stone. A stairway
led to the upstairs where there were four more rooms shaped similarly to those below. Under the main floor was a cellar type area with a room some thirty-six feet square.

From a wall in one of the main floor rooms hangs a bust-length portrait of Joseph Ellicott, painted by A. G. D. Tuthill about 1820. The picture reveals Ellicott dressed in the fashionable style of that day with linen ruffles on the front of his well-fitted black coat. It is an excellent likeness, for Ellicott at age sixty had wispy hair, a good-sized forehead, expressive and direct-looking eyes, and compressed lips. It is reproduced as the frontispiece for this volume.

The Resident-Agent was proud of the Land Office but defensive about its expense. The building, reported Ellicott with his characteristic passion for accuracy, cost $6,201.65. After the Land Office was occupied in 1815, there were other related expenditures. The low grounds adjacent to the building were filled, and a stone wall was needed to prevent further erosion of the bank of the creek nearby. This additional amount, explained Ellicott in almost apologetic detail, came to $2,751.17. The total spent for the project amounted to nearly $9,000, a sizeable sum in those days. All told, however, the Holland Land Office was functional, commodious, and a credit to Ellicott's security-conscious objectives. The Batavia Office had thus evolved in three stages: the log cabin on the corner of Thomas and West Main Street, first occupied in 1802; the east wing of Ellicott's mansion; and the fire-proof building that is today the Holland Land Office Museum.

Joseph Ellicott's quest for a bank continued, however, and this search seemed to end when the Ontario Bank in Canandaigua was established in 1813. He reported this event to Busti and added that the "knowing ones" felt that this bank should be a "profitable institution." He was particularly pleased that the directors of the Ontario Bank agreed to arrange with the Union Bank in the city of New York to redeem paper money and assured him that they would transfer Company money to any bank in New York City which he designated. On the strength of these promises, Ellicott deposited the Company receipts in the Ontario Bank of Canandaigua. The Ontario Bank recognized Ellicott's importance, for three years later the directors of the bank elected his nephew, David E. Evans, a member of the board.

For a time this bank solved Ellicott's problems of deposit and discount, but the establishment of a branch of the Utica Bank in Canandaigua threatened the stability of the Ontario Bank. The Utica branch competed with the Ontario institution by discriminating against its bank notes, and made it extremely difficult for the Ontario Bank
to discount the many notes that Ellicott deposited there. From the start, Chauncey Loomis had opposed the Utica branch as a "foreign Bank" and preferred that the local people create their own financial institution, if another be needed. Ellicott, however, felt confident that the Ontario Bank was strong enough to withstand the competition of the Utica branch. In fact, he was convinced that the Ontario Bank was stronger than the city banks. To support his views, he cited the questionable policy of the city banks which accepted as collateral personal property and "the credit the shopkeepers may possess," and compared it with the Ontario Bank's sounder program which stressed freehold estates as security.

The policy of the Utica branch in regard to the Ontario Bank notes accentuated Ellicott's wariness of the kind of notes that he himself would take in payment for the land. In truth, it was a problem to keep up with the latest reliable information as to which banks and currency were sound. Bank failures occurred frequently. In addition, the state legislatures granted numerous charters for the formation of new banks; thus, new institutions came into existence with insufficient backing and further complicated the situation. Ellicott recognized this and did not feel great pressure to accept all bank notes. His customers themselves did not "generally consider that the Company's agents [were obliged] to receive notes of any Banks" unless the banks in New York and Philadelphia accepted these same notes. Thus, Ellicott flatly refused to accept the notes of the "litter of Banks" that the Pennsylvania legislature had incorporated in the winter of 1813-14. Generally, he did not take notes from banks south of Pennsylvania. By the end of 1814, Ellicott recognized only the notes of banks in New York State and Philadelphia, and, on occasion, those banks of New Jersey. He violated this practice only when "a sale could not be effected without such accommodation to the purchaser."

In addition to the uneven value of the various bank notes, the currency situation worsened when a shortage of specie occurred shortly after the War of 1812. The inhabitants of western New York, lacking sufficient American specie, were forced to use a bewildering variety of currency: six pence, shilling, Spanish dollar, copper cent, English crown and half crown, English guinea, Louis D' Or, and Napoleon. Traders, fortunately, accepted these foreign coins. Ellicott blamed the scarcity of hard money on two main factors: the recently chartered New York State banks had issued notes of questionable value that drove specie further out of circulation; and British merchants had flooded the United States with merchandise for which they accepted
mainly specie in payment. Those living on the purchase who owned specie also aggravated the shortage by clinging to rather than circulating the specie. Toward the end of 1815, specie had nearly gone out of circulation.

With this almost total disappearance of specie, the settlers in western New York experienced economic hardships. To make matters worse, the cold summer of 1816, with frost and snow in June, greatly reduced the crops. What food provisions remained brought high prices because of their scarcity; pork sold at twenty-eight dollars a barrel, and flour retailed at fifteen dollars a barrel. To compensate for the high cost of living, both skilled and unskilled labor needed high wages, and this in turn discouraged the construction of buildings.

This economic recession, marked by the variety of paper currency and insufficient specie, precipitated demands for a bank in the Buffalo area. The advocates of such an institution hoped that trade would be stimulated by loans and better currency circulation. Before the sponsors of a bank in Buffalo asked the legislature for a charter, however, they consulted Ellicott.

Ellicott approved the establishment of a bank in Buffalo, for he believed that it was “much wanted” there. However, Ellicott specified the conditions that such a bank would have to meet before he would use his political influence in Albany to obtain a charter or give his support as a depositor. He objected mainly to “the principle of forfeiting the charter in case of nonpayment of specie, while all other Banks are at liberty at their discretion to refuse specie payments” on the ground that no new institution could survive with such a handicap. Ellicott wanted the charter of the bank at Buffalo to be similar basically to other bank charters and to have their freedom of choice in the exchange of specie and paper notes. Otherwise, Ellicott concluded with finality, “I shall never subscribe any of my funds to such a tramelled institution.” He explained his ideas to Senator Chauncey Loomis and urged that the Senate “see this subject as I do and grant a charter upon the principle of other banks untramelled with specie until other banks pay specie.”

Although Ellicott seemingly altered his stand when he now insisted on a “non-specie” bank, he was merely taking a practical approach to an extremely complicated problem. It is true that he had complained for several years prior to this about inadequately backed paper notes and the “bushels of banks” that lacked sufficient security. Yet, as a capable businessman, he realized that since so many were “non-specie” banks, it would not be possible for a new specie bank at
Buffalo to survive against such competition. He was not reversing his original position; he merely wished to permit the new institution to survive its formative years, and hoped that it would later establish itself on a sound, hard-money basis. The decision on the character of the banks, nevertheless, depended on the legislature.

In 1816, the legislature voted to authorize a bank in Buffalo called the Bank of Niagara. The charter approved a capital of $500,000 and limited the period of operation to sixteen years; despite Ellicott's opposition, the legislature designated the Bank of Niagara as a specie institution. The many bank failures due to inadequate hard-money backing had persuaded the state legislature to insist on a specie bank for Buffalo.

Even though Ellicott had resisted a specie bank, once the legislature chartered the Bank of Niagara, he felt it desirable to support it. He agreed "to attend and superintend the subscription" of the Niagara Bank stock when it went on sale. He urged Busti to invest a minimum of twenty thousand dollars of the Company's money in the shares of this bank and optimistically pointed out that a fifty thousand dollar investment would be safe. Such a bank, maintained Ellicott, would raise the value of the Buffalo land, as well as pay good dividends.

Even before the legislature authorized a charter, Ellicott had considered who some of the directors of the new bank might be. He made clear that neither he nor his nephew, David E. Evans, could accept the positions of directors; both of them simply had "no time to devote to that service." Nevertheless Ellicott believed that two of the bank directors should come from Batavia and suggested the names of his friends, James Brisbane and Trumbull Cary. As additional members of the board, he preferred William Peacock to Zattu Cushing and hoped that Chauncey Loomis, too, would be chosen a director. In this way, the Big Family would have representation on the board of directors and share in whatever power the bank would eventually have.

Power in terms of what it could do was important to Ellicott. Before the Bank of Niagara was chartered, he had been at the core of the power structure of western New York. For fifteen years, he had dominated the political scene. His towering authority was succinctly stated by a settler who discussed the jail being built in Buffalo in 1810: "Mr. Ellicott's advice in all of these matters was the next thing to law." Joseph Ellicott could almost "play God" with the purchase. Because of the nearly unlimited confidence that Busti had in him, Ellicott as Resident-Agent had been making decisions that had affected the area,
individual communities, and many, many people. In large measure, he had determined the location of counties, county seats, towns, and villages. The same could be said about his role in deciding where roads were built, bridges erected, and even courthouses and jails constructed. He, more than anyone else, had handled the multitudinous sales of Company lands to the settlers.

Land sales had given Ellicott a special authority. As Resident-Agent, he had set the price of lots and the down payment needed. This was more complicated than it appeared, for he had periodically changed the prices. In areas that had been heavily settled, the price of the remaining Company property increased; conversely, in places that had not been occupied, the figure was reduced. Because the down payment was a percentage of the total cost, the two figures were related.

The handling of down payments had also added to Ellicott's predominance. Originally, the Company had established a figure of 25 percent down. After making the down payment, the settler had not been required to remit more money during his first two years when he was so busy clearing the property. The balance was then to be amortized in six equal annual installments. The down payment of 25 percent had been too large, and under Ellicott's prodding it had been dropped to as low as 5 percent, depending on where the lot was located. The down payment, like the total cost, was flexible, and Ellicott had decided both figures for each settler. On the lookout for hard-working men who would prepare the land for cultivation, farm it, and pay their debts, Ellicott "adjusted" the down payments. In one instance, an early settler of Chautauqua County had left his watch at the land office until he could get the money to make the down payment.

The decision of what to do with delinquents added another dimension to Ellicott's controls. He had Busti's approval to resort to court action to collect debts and if necessary dispossess the defaulters. Beyond an occasional browbeating of a debtor, the Resident-Agent had rarely carried the matter into court or had sought eviction. The residents, however, were aware that Ellicott could use force if need be.

The power structure that Joseph Ellicott had so carefully built might be jeopardized by the creation of the Bank of Niagara. His experiences with different financial institutions had taught him the potential might that a bank could wield. In a bank's authority to make or deny a loan lay a powerful weapon to advance or retard certain people or particular interest groups. For fifteen years, the Holland Land Company had in a real sense served some of the functions of a bank in
accepting down payments and holding mortgages on property. In this way, Ellicott had gained and retained his power. The Bank of Niagara could possibly become the new power structure and displace the Resident-Agent and the Holland Land Company.

By 1815, the economy west of the Genesee was changing, and the need for a bank could not be ignored. Agriculture had been the basic economy, but now commerce and trade were spreading from the big cities into the interior. In a mercantile system, credit was vital. Here-tofore, the Holland Land Company had extended credit to the farmers, but it was not equipped to do so with businesses. The Bank of Niagara was chartered to serve the entire community, both farming and business. Aware yet apprehensive of the economic changes, Joseph Ellicott was determined to have a voice in the decisions made by the Buffalo bank.

Like Ellicott, the Porter brothers had their eyes on the stock as well as the directorships of the Bank of Niagara. Peter suggested to his brother Augustus that they and their business friends should buy enough stock in this bank to gain influence there. The Porters also thought in terms of specific people on the board. “I think on the whole,” wrote Peter Porter to his brother, “That ourselves, Barton, Townsend, Bronson, Thompson & Sill ought to take so much as to give us a respectable influence, and if we do patronize it, we shall I presume get at least two [directorships].”

The stockholders of the Bank of Niagara met in July, 1816, and elected thirteen directors: Augustus Porter, Ebenezer Norton, Isaac Kibbe, Chauncey Loomis, James Brisbane, Archibald S. Clarke, Jonas Williams, Benjamin Caryl, Jonas Harrison, Ebenezer Walden, John G. Camp, Samuel Russell, and Martin Prendergast. Ellicott managed to get four dependable friends on this board—Loomis, Brisbane, Clarke, and Harrison. The directors came not only from Buffalo but also from many places outside that village. By distributing the directorships geographically, the bank planned to serve western New York rather than Buffalo alone.

Two weeks after the stockholders elected the board, the Niagara Bank directors chose Isaac Kibbe to be president and Isaac Leake as cashier. Originally, Ellicott wanted Augustus Porter as president but then he switched his preference to Kibbe. Three years after the board elected Kibbe president, Ellicott revealed the reasons for his change: first, he was impressed that DeWitt Clinton had recommended Kibbe; second, he was encouraged by Kibbe’s claims that he possessed some eighty thousand dollars, mainly in liquid capital; finally, he was in-
fluenced by Kibbe's assertion that if he moved to Buffalo, his wealthy friends would settle there too. Ellicott thus admitted to Busti: "I used my influence when the Niagara Bank went into operation to procure him [Kibbe] to be elected president thereof." 17

With the sale of Niagara stock and the election of the first officers, the Bank of Niagara opened its doors in October, 1816, and experienced considerable success in its initial operations. Because of the caliber of the men who supported the bank, many people were anxious to buy stock and, as a result, shares sold for 10 percent above par. Upon Ellicott's urgings, even the circumspect Busti purchased fifty shares. Many Canadians also bought Niagara stock, and at Canada's Fort Erie the commanding officer proposed to exchange British guineas valued at ten thousand dollars for a like sum in notes of the Bank of Niagara. The investors in this bank expected the Niagara notes to become the circulating media not only in western New York, but also in the Michigan territory. In servicing such a large area, the bank would circulate more money than it possessed in actual capital and, at the same time, could give its stockholders large dividends. These hopes seemed to be coming true, for in January, 1817, the directors declared a 9 percent dividend.

For a time, Ellicott and the Bank of Niagara found each other mutually helpful. Ellicott gave the prestige of his name in support of the bank, thus attracting stockholders as well as depositors. He entrusted foreign notes and specie to the bank and accepted Niagara notes in exchange. The bank, in turn, by loaning money to the farmers, made it possible for the Company to collect its debts. Thus, Ellicott confided to Busti, "had not this Bank been chartered I am impressed in opinion that we should have found it difficult to have obtained sufficient Amount of circulating medium to have paid the Taxes of the year." 18 Ellicott never forgot the banking inconveniences that he had suffered during the first dozen years as Resident-Agent, and he appreciated the proximity of the Bank of Niagara.

While many signs pointed to a prosperous future for the Niagara Bank, portents of trouble appeared early. Many of the bank loans of the first three months had been made to farmers on the security of their grain crops. When the summer of 1816 proved to be unusually cold, the farmers had such a small harvest that they were unable to meet their obligations. In addition to these poorly secured loans, the directors disagreed on the credit relationships to be established with the New York City banks. The board sought Ellicott's opinions on this matter. He promptly advised the institution not to issue excessive
paper credit that would eventually find its way to the New York City banks on the ground that it might be impossible for the Bank of Niagara later to redeem this paper in specie. For a short time, the bank followed Ellicott’s advice, but it soon ignored this sensible policy. As a result, the Niagara Bank permitted so many paper notes to circulate in New York City that when it was forced to redeem them in specie, it practically stripped itself of hard-money assets. Thus, the Bank of Niagara notes, rather than specie, became “almost the only medium [of exchange] in western New York.”

This condition and some of the operations of the Bank of Niagara disturbed Ellicott. He worried, for example, because the New York banks took Niagara notes only at a discount, and forced the Company to suffer a loss in this exchange. He was annoyed, too, that the bank did not maintain a stable credit arrangement in New York City as he had recommended. The Bank of Niagara, in short, had become a “nuisance” to Ellicott. Therefore, in March, 1817, he instructed Peacock not to accept Niagara notes unless they could be exchanged for those of an accredited bank. To protect the Holland Company, Ellicott also extracted the promise that the institution would handle the transfer of Company funds to other banks, when so needed.

In addition to Ellicott’s reduced support, many other factors by the summer of 1818 weakened the Bank of Niagara. Business decreased in part because postwar immigration had dropped sharply, thus lessening the buying power in the western sector of the state. More important, most of the bank directors, including President Kibbe, had “drawn out large sums of money, [or] indorsed for others to a frightful amount.” Greatly concerned, Peacock continued in his report to Ellicott that “J. B. [James Brisbane] is in for 14 or 15 thousand, Camp for 8 or 10, Carryl for 15 or 20 and god knows how many others for the Like sums.” Ellicott believed that some of the directors had deliberately discredited the bank so that the bank notes depreciated in value; in this way, these directors, as debtors, repaid their loans more easily by using Niagara notes as tender. The local newspaper, the Niagara Journal, weakened the people’s confidence in the bank still more when it attacked the institution and especially singled out director Archibald S. Clarke, Ellicott’s nominee, as a target.

Not only were many of the directors exploiting the bank, but the political aspects of the situation were equally disturbing. Since it was necessary for the state legislature to grant permission for the bank to begin its operations, those who sought the charter were compelled to bargain with key legislators. As a result, some of the legislators ex-
changed their votes for gifts of bank stock. DeWitt Clinton, one of the leaders of the Republican Party, Ellicott told Busti, borrowed three thousand dollars “the moment the Bank went into operation” and President Isaac Kibbe had quickly endorsed this loan. But the three thousand dollars did not satisfy Clinton and he increased this sum to forty-five hundred; again Kibbe underwrote Clinton’s note. Requiring additional funds, Clinton now sought to enlarge the loan “considerably” more than forty-five hundred dollars, but at this point, Isaac Leake, the cashier, refused his request. The cashier explained that Kibbe, the sole endorser of Clinton’s loans, had proven to be poor security himself; that Kibbe’s story of his so-called eighty thousand dollar estate had all been a lie for “probably a more plausible man than Mr. Kibbe never existed.”

Leake’s refusal to approve the additional loan to Clinton precipitated a bitter quarrel between the cashier and the president. Kibbe had approved many loans, even when the bank was hard pressed to sustain its credit. Many of these borrowers had made no repayments. When Leake protested, Kibbe glibly and deliberately provoked many of the depositors against the cashier. The directors became involved in this quarrel, for a majority of the board disagreed with Kibbe on the manner in which he was running the bank. At a full board meeting, and in the presence of Kibbe, the directors aired their grievances; then all but two of the board members voted to dismiss Kibbe as president. After the board removed him as president, Kibbe, his friends among the directors, and their associates openly declared war on the bank. They gathered Niagara notes, returned them to the bank and demanded immediate payment in specie. The institution withstood this deliberate run in July, 1818, as well as its continuation the following month.

In addition to the local pressures against the bank, the story gained currency that outside forces, too, sought the destruction of the Bank of Niagara. Some people accused William Kibbe, who was president of the Ontario Bank at Canandaigua and brother of Isaac, of using his bank’s funds against the Niagara Bank “in a very secret manner.” William Kibbe flatly denied these accusations and added that he had not “taken any part in the quarrel” between brother Isaac and cashier Leake. The Ontario Bank president blamed the Utica Bank and its branches for these attacks against the Bank of Niagara. As evidence of the good faith of the Ontario Bank, the directors of that institution planned to discuss a loan of some “four or five thousand dollars in specie” to the Niagara Bank in order to help that bank to redeem
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Niagara paper. William Kibbe confided to Archibald S. Clarke, Ellicott's dependable friend, that Isaac "must withdraw" from the bank as a director because of the powerful opposition to him. At the same time, Kibbe offered his opinion that Isaac would leave Buffalo if he could sell his stock and property. Clarke agreed with this view and advised Ellicott that "we had better purchase" Isaac's stock and land if he would "give a pledge to cease hostilities to the bank." 22

Faced by Isaac Kibbe's intransigent attitude, a divided board now beseeched Ellicott's aid in this desperate fight for the survival of the bank. In July, 1818, seven of the thirteen directors offered a directorship to Ellicott and explained their move "as a measure tending to raise the respectability and promote the welfare of the institution." 23 Later that same month, the board elected Ellicott president.

Ellicott accepted the presidency of the Bank of Niagara with misgivings, since his contract with the Company forbade him from holding other offices. Thus he had to explain promptly to Busti his reasons for accepting this appointment. He did this by pointing out that in the first place, the board elected him "without my knowledge"; further, "it was with some difficulty that I could prevail upon myself to accept" the office. When he agreed to become the president, he did so "with an understanding that I should be at liberty to resign after the next election of directors in November." Ellicott concluded his explanations to Busti by saying: "I want no office of any description; my ambition is fully gratified with that of agent of the Holland Company. I should not of [sic] accepted it, but I was told my name at the present time would be advantageous to the Institution." 24

As president, Ellicott briefed himself on the condition of the Bank of Niagara by getting the subscription list. In so doing, he learned more accurately just how badly many of the directors had exploited the bank. Ellicott substantiated the story that several of the directors and subscribers had borrowed money from other banks and used these loans to buy stock in the Niagara Bank. Then, as stockholders, they had put up their Bank of Niagara stock as collateral to borrow large sums from the Niagara Bank; and, with the money they thus received, they repaid their original loans to the other banks. In some cases, the Bank of Niagara officials had loaned to such individuals larger sums than these stockholders had invested in the bank's stock. As a matter of fact, comparatively few people with real capital had purchased Niagara Bank stock.

To improve the conditions of the bank, Ellicott insisted that sound financial principles should guide its administration. He demanded a
careful investigation of all requests for money before the bank granted them. He also insisted on the prompt collection of loans that the directors had already approved. This latter policy precipitated a bitter quarrel among the directors because several of them owed large sums to the bank that they could not repay. Heretofore, the bank's attorney, Ebenezer Norton, made the decisions on the collection of debts; and as a rule, he favored these directors heavily in debt. Ellicott determined to alter this so the president and not the attorney, would decide what debts to collect.

Archibald S. Clarke, as one of the bank directors, worked hard to put Ellicott's principles of sound banking into effect. At a directors' meeting, he moved to abolish the office of attorney and to give the president the power to collect debts. The board, however, refused to accede to this proposal despite the fact that unless the president were given the authority to collect these debts and put the institution on a sound footing, the bank's enemies could continue their harassing tactics. Clarke, therefore, insisted that the abolition of the attorney's office was "indispensable," "just," and would "gain many friends by it." Isaac Leake, the bank cashier, agreed completely with Clarke's motion to abolish the attorney's office.

Clarke felt that the bank now faced a serious crisis. It seemed to him that the stockholders would have to accept either the program of Isaac Kibbe and Ebenezer Norton or that of Clarke and Leake. Clarke argued that his group should either "compel" the Kibbe camp "to sell out" or Clarke and his associates should "get out of the business, with credit and reputation." He even offered to buy out Ellicott's shares in the bank in an effort to have his group take over control of it.

Nothing came of Clarke's offer and the cleavage among the directors widened. Late in September, Camp and Peacock, two of the board members, "had a fistycuff." The following month, the directors at their board meeting again refused to eliminate the office of the attorney.

In spite of the evidence of continued hostility, the Clarke camp began to feel optimistic about the situation. Clarke confided to Ellicott that "we shall soon have the institution in a good situation." There was reason for Clarke's optimism, for Attorney Norton, sensing the growing opposition to his position, now seemed ready to give up his post. Clarke, by the middle of October, felt so secure about the bank's status, that he informed Ellicott: "We have never been in so good credit & if we lose it, it is our own fault." At the November bank
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election, "Kibbe & Co." did not make their appearance and all went off smoothly. As a result, the Clarke group gained positions in the organization that led it to believe that its members controlled the bank's operations.

Suddenly, the condition of the bank grew worse. The day after the apparently placid directors' election in November, the Kibbe group planted an advertisement in the Buffalo newspaper to discredit the Bank of Niagara stock. In this notice, a Kibbe follower offered the sale of Niagara Bank stock for 25 percent below par. When a purchaser appeared, however, the Kibbe representative hedged and agreed to sell the stock only "at a less rate than 1 percent and that in Specie." Two days after this, the New York City banks, along with those at Auburn and Canandaigua, demanded specie payment for Niagara notes on hand. At the same time, Myron Holley, a canal commissioner, withdrew the deposits of the Canal fund. This last act Leake attributed to the machinations of Isaac Kibbe and Ebenezer Norton. In desperation, Leake sought Ellicott's assistance, and requested that he influence the Holland Company to deposit additional specie in the bank.

The maneuvers of the Kibbe group exasperated Ellicott to such a point that in December, 1818, he offered to withdraw completely from the Bank of Niagara. He made this proposal to Oliver Forward, a prominent citizen of Buffalo: Forward could buy all or a substantial part of Ellicott's 614 shares of Niagara Bank stock, but not fewer than 300 of these shares. If Forward accepted, Ellicott would give him the dividends which he had not withdrawn on this stock. Further, Ellicott would resign his bank directorship in Forward's favor. But Forward did not buy Ellicott's stock, so the latter continued to try to restore the bank to prosperity.

Ellicott used various techniques to heal the split among the directors. To an individual detractor of the bank, like Ebenezer Johnston, he wrote a letter asking him to stop attacking the Bank of Niagara and criticizing his action as president. Ellicott stated that he had "never done" Johnston "a single injury," and that he had it "abundantly" in his "power" to retaliate. "Let us therefore unite," he urged, "in preserving that institution & establishing its credit upon a solid basis." Ellicott also tried to bolster the specie shortage in the bank by depositing there an additional thirteen hundred dollars in hard money.

In the over-all struggle between the two factions, Ellicott asserted that he took a straightforward course without being partial to either one side or the other. He demanded that those bank directors who had been discounting for themselves had to pay their debts or agree to
permit "three of their opponents . . . into the Direction." 30 None of these directors resigned, however. In an effort to regain the confidence of the Buffalo depositors, Ellicott forced his brother Benjamin, William Peacock, and Jonas Williams to relinquish their board memberships in favor of respected Buffalo residents. Williams had been one of the original bank directors and Benjamin Ellicott and Peacock had accepted board positions after the bank had been in business. In their places, the directors elected Oliver Forward, Charles Townsend, and Samuel Wilkeson, all of Buffalo. By these moves, Ellicott hoped that he had reconciled the Buffalo depositors to the operations of the bank.

Still, opposition to the bank continued and demands now grew for the dismissal of Isaac Leake, the cashier. Forward, himself, encouraged Ellicott that the cashier be discharged. Even Peacock urged upon Ellicott this feeling that Leake's personal unpopularity was injuring the position of the Ellicott group, and agreed that "a removal of Leake will have to take place." But Peacock also observed that "nothing would satisfy Norton & Co. but the complete control of the Bank." 31 Directors Clarke, Brisbane, and Camp cited evidence that the opposition to Leake's continuation as cashier did not stem from the Kibbe-Norton group alone. These directors, normally loyal to Ellicott, claimed that they had heard board members Wilkeson and Forward declare at a board meeting that the plot to oust Leake originated with the cashiers of all the banks west of Utica, with the exception of the Bank of Geneva. Wilkeson and Forward, they reported, also stated at this meeting that this hostility would not cease so long as Leake was retained as cashier; but that if the directors of the Bank of Niagara would consent to displace him, "they [the cashiers] had the power to put an immediate stop to this annoyance and the injurious system should thereupon be discontinued." 32 But Ellicott, loyal to the cashier, refused to participate in his ousting.

At a stormy directors' meeting on January 30, 1819, the board argued violently about removing Leake. The debate brought out the conflicting ideas and deep emotions that had racked all the directors in the nearly two years of bank battle. Ellicott was torn between two extreme actions: to close the bank forever or to support its continued operation. "My feelings," he described to his nephew David E. Evans, "were in favor of winding up the concerns of the institution." "But," continued the practical-minded Ellicott, "in reflecting [I realized] that we had exchanged considerable Niagara paper with the friends of the Bank for other paper to enable us to sustain it, on which they might have suffered a loss." He, therefore, concluded: "Under all cir-
cumstances I was in favor of supporting it." The newly elected directors, Wilkeson and Forward, became "immensely alarmed" when they learned that most of the board planned to close the bank. They wanted the bank to remain open because they held much of the bank's paper money; if the institution did not redeem these notes, they might well have been "ruined." 33

In an effort to place himself in the position of a nonpartisan observer and to relieve himself of the great personal strain, Ellicott first resigned as a director. Then, after considerable discussion, the board, to the great relief of Wilkeson and Forward, accepted Ellicott's advice and voted to keep the bank open. Ellicott had also made the recommendation that the directors continue to employ Leake; this, too, the board endorsed. "The truth was," Ellicott reminded the directors, "any other course would have been an improper one."

The Big Family felt relieved when Joseph Ellicott, head of the clan, resigned from the Bank of Niagara. Ellicott, himself, gave up a load that he had never enjoyed carrying. While his resignation may have reduced personal animosities among the directors, within six weeks after that hectic January 30 board meeting, the Bank of Niagara credit collapsed. Many of the banks east of Buffalo accelerated this fall when they returned so many Niagara Bank notes for payment that the institution soon had little specie left. The news of this shortage of hard money was reported in the Columbian, a New York City newspaper. With the publication of this item, the New York brokers refused Bank of Niagara paper at any discount. In March, 1819, the Holland Company followed suit and did not accept Niagara Bank paper for debts or land purchase. Ellicott notified Goodwin and Peacock, the Company agents for Cattaraugus and Chautauqua counties, to refuse that bank's notes until further notice. The Bank of Niagara thus paid the price for making too many loans on too little collateral, which in turn aggravated its serious shortage of specie.

Although the Bank of Niagara did not close its doors, the institution contributed little, if anything, to the economic progress of Buffalo from 1819 to 1825. Yet in its first two years of operation, the Niagara Bank had done much to revive the business economy that slumped so badly after the war. It had made possible for many of the residents in western New York to pay their debts to the businessmen as well as to the Holland Company. The bank loaned money to the farmers despite their poor crops, and these tillers of the soil used the cash to buy necessities. In this way, the bank currency circulated freely and helped many people. The settlers probably would not have been able
to have paid their debts to the extent they had without the aid of the Bank of Niagara.

On the surface, the fight to control the Bank of Niagara stemmed from differences over banking methods, as well as from the conflict of personal ambitions. The board disagreed basically on various questions involving the handling of the bank’s money: the amount and type of collateral needed for a loan; the promptness with which debtors must repay these sums; the minimum total of specie required to carry on business without frequent resort to emergency measures; and the ratio between available hard money and the quantity of bank notes issued. Some of the directors struggled to advance themselves so that they could gain control of the bank; such power would give these people access to credit so essential for their progress in a burgeoning village like Buffalo. When no one member of the board could get this control, the directors formed alliances with each other to facilitate their objectives.

The quarrel over the Niagara Bank was not limited to these disagreements but broadened into the realm of bank politics. By 1819, Ellicott was convinced that Governor DeWitt Clinton played a formidable though backstage role in this fight for the reins of the Bank of Niagara. Ellicott remembered that Clinton originally suggested to him that the directors elect Isaac Kibbe president, and that Kibbe honored increasingly larger loans to Clinton until Isaac Leake, the cashier, protested on the grounds that Kibbe lacked the necessary personal collateral to underwrite these sums for his friend. Clinton did not get his last additional request for a loan and this embittered him against the Bank of Niagara. Ellicott maintained that at this point the bank quarrel started. When the board forced Kibbe to resign, Clinton supported him and his faction in opposition to the Clarke group. Then, when the board elected Ellicott president, the Kibbe men fought him vigorously and Clinton continued to support Isaac Kibbe in this fight. Shortly after Ellicott resigned as president, David Evans reported from Albany that Kibbe “stood well with the Governor.” Evans attributed Clinton’s loyalty to Kibbe as being due to the Governor’s great susceptibility to compliments. “The fact is,” observed Evans, “Mr. Clinton is very fond of flattery—his hobby horse is a wish to be thought the greatest man in the State and any man that tells him so is sure to be taken into favor.”

Ellicott offered additional evidence that Clinton had betrayed him. Frederick B. Merrill, whom the Council of Appointment in 1816 had selected as clerk of Niagara County, had supported the Bank of
Niagara. Because of his aid, claimed Ellicott, the Clinton-controlled Council of Appointment in 1819 chose John E. Marshall in the place of Merrill. Ellicott accused Marshall of assisting in the artificial runs on the Niagara Bank. As further proof of Clinton's perfidy, Ellicott identified the *Columbian*, the New York City newspaper that had been first to carry the news "that the Niagara Bank was insolvent," as "Clinton's paper." "I am fully persuaded in my mind," concluded Ellicott, "that his Excellency through Kibbe his bosom friend gave sanction to the running of the Bank." 35

The Governor's interference in the Bank of Niagara dispute greatly upset Ellicott. As leader of the Republicans in western New York since 1802, Ellicott had consistently supported DeWitt Clinton. Clinton's conduct thus disillusioned him and he dolefully told Busti: "confidence in him [Clinton] has I must confess considerably abated, and I begin to be of the opinion that our great politicians are not overburthened with old fashioned honest integrity." 36

Clinton's behavior in the fight over the Bank of Niagara so disappointed Ellicott that, shortly after he resigned from the bank, he took a momentous step and broke with the Governor. The disagreement over the operations of the Bank of Niagara was the primary reason that Ellicott terminated his long and genuine allegiance to his friend. He now gave support to the bitter enemies of the Governor—Martin Van Buren and his Bucktail Party.

The irreparable split between Ellicott and Clinton had come, paradoxically, after their friendship had reached its highest point. For many years, the two men had worked harmoniously as political allies. They had had an unshakable faith in the future of the state in general and of western New York in particular. Even after the British had ravaged the Niagara frontier, Joseph Ellicott and DeWitt Clinton had remained optimistic about that section of the state.

When Clinton had started to talk about building a canal linking Albany and Lake Erie, Ellicott, who could visualize its great value to the purchase, had readied himself in support of this rehabilitating project. It was their joint efforts to get the canal built that had brought them more closely together. During the canal project and before the split over the Bank of Niagara, their association had ripened from friendliness into a close friendship. The lives of both men were to intertwine again as they now turned their great energies and keen minds to devising an all-water route from Albany to Buffalo.