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# Early Banking in New Mexico from the Civil War to the Roaring Twenties

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LARRY SCHWEIKART

The rider furiously lashed the horse on, but the animal dragged, laden as it was with gold in both saddlebags. When the rider made it to the Mississippi River he would have two choices: board the next boat to New Orleans, and from there to England, or cross into Arkansas, Texas, and press on to the frontier. In this case he rested his tired mount while waiting for a trip south. When it was again safe, he would return with the gold. It, after all, represented the entire remaining capitalization of the Bank of Northern Tennessee, and the rider—its president, David Kennedy—would not abandon the business he had built just because the Yankees neared.<sup>1</sup>

Although many Southern bankers returned to their banks to try to restore their businesses after the war, many simply moved west. And although the exciting exploits of Kennedy seem to contradict the

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1. David Kennedy's story and similar adventures are found in Larry Schweikart, "Banking in the American South, 1836-1865" (doctoral dissertation, University of California, Santa Barbara, 1983), 661-64, 675-82.

image of banking as dull, lifeless, and impersonal, frontier finance had its share of drama even aside from the rare times when a seedy-looking stranger in a mask pointed his pistol across the counter at a terrified teller, demanding the contents of the vault. New Mexico was no different, featuring institutional jealousies, corporate boardroom struggles, and economic panics. While New Mexico banking has been the subject of numerous short studies, none have reached into the wealth of manuscript materials to look at the state's banking from the inside.

Little disagreement exists about the founding of New Mexico's first real financial institution, the First National Bank of Santa Fe, founded by Lucien B. Maxwell in 1870. Maxwell invested \$150,000—the bank's entire capitalization—out of proceeds from his sale of the "Maxwell Grant" property, specifically the Beaubien and Miranda grants. The southern part of the territory had, nevertheless, been located in the market area of Lord and Williams, a private Tucson, Arizona, banking firm, since that mercantile firm opened in 1866. A federal depository as of 1869, it often held more than a million dollars in its vault. But the presence of Lord and Williams, in addition to El Paso private banking firms, did little to service the large population of the northern half of the territory, where Albuquerque, Santa Fe, and Las Vegas were located.<sup>2</sup>

New Mexico was no different from Arkansas, Texas, and the developing Midwest in its need for a circulating medium in the 1860s. Indeed, much of the Great Plains area as far west as the Rockies used fur pelts as money until the Civil War. This dearth of money encouraged a group of prominent citizens, including Sigmund Seligman, Ceran St. Vrain, and Levi Speigelberg, to obtain a provisional charter for a bank from the territorial legislature in 1863. The proposed Bank of New Mexico, to be located in Santa Fe, was a property bank that featured certain free-banking principles in its charter. When the president and

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2. New Mexico's banking history is traced in Paul A. F. Walter, "New Mexico's Pioneer Bank and Bankers," *New Mexico Historical Review*, 21 (July 1946), 209–25; Ralph Edgel, *A Brief History of Banking in New Mexico, 1870–1959* [Bureau of Business Research Series, no. 39] (Albuquerque: University of New Mexico, 1962), 1–26; *History of New Mexico: Its Resources and Its People* (2 vols., Los Angeles: Pacific States Publishing Co., 1907), 1: 412–35. Material on Lord and Williams is located in Larry Schweikart, *A History of Banking in Arizona* (Tucson: University of Arizona Press, 1982), 9, 36, 119; and Larry Schweikart, "'You Count It': The Birth of Banking in Arizona," *Journal of Arizona History*, 22 (Autumn 1981), 349–68. The presence of Lord and Williams, a banking house in all but the official name, refutes the contention that the First National Bank of Santa Fe was the "oldest bank in the entire Southwestern United States," Wayne L. Mauzy, *A Century in Santa Fe: The Story of the First National Bank of Santa Fe* (Santa Fe: Vergara Printing Co., 1970), 10.

directors had "present[ed] . . . real estate or landed property" or when they had deposited with the auditor either its own stock or United States 6 percent bonds, the governor would issue a charter. Thus, even though the law provided for the creation of a specific bank, it contained general principles of property banking (which said that property constituted sufficient capital assets with which to back note issues), and of free banking (whereby bonds deposited with a government agency were sufficient to back note issues) that would have established precedent for future banks. Had national legislation not intervened, New Mexico's legislature in all likelihood would have moved toward free-banking laws. In this respect, New Mexico appears to have been in the group of states tending toward progressive banking regulation.<sup>3</sup>

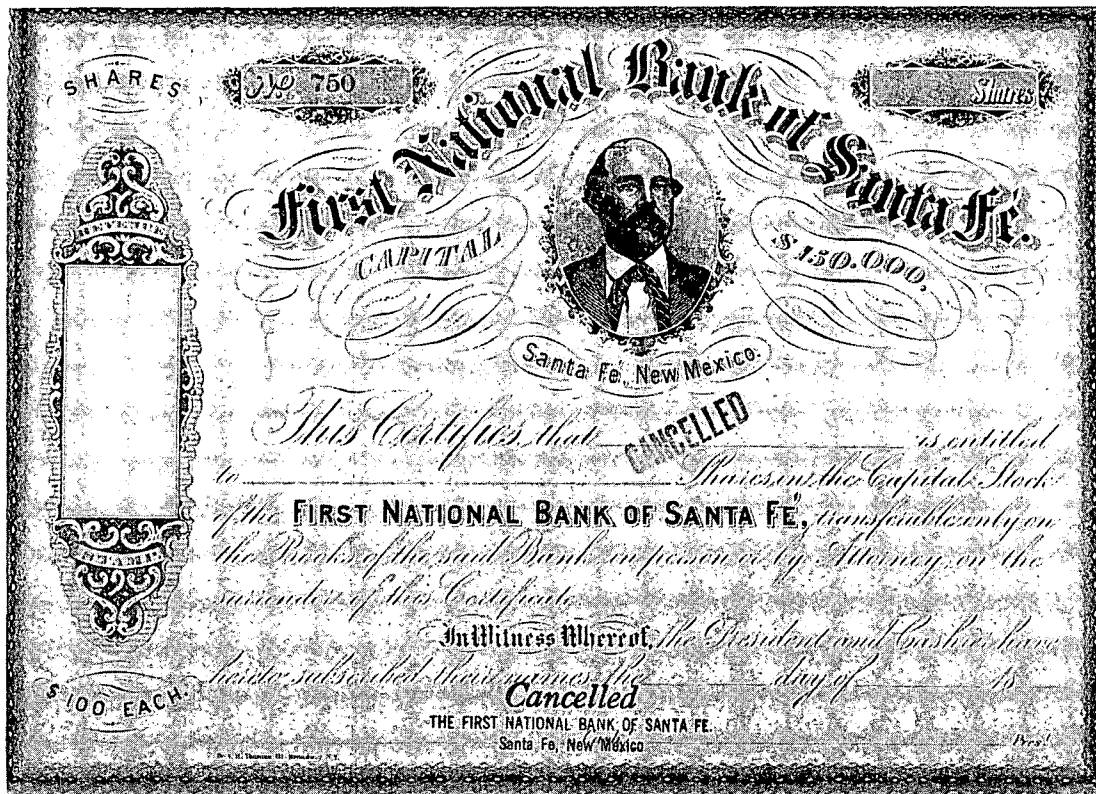
Before the Bank of New Mexico could be organized, however, the U.S. Congress enacted several banking and currency laws, including the National Bank Act and the National Currency Act, which destroyed the antebellum system of banks of issue. After passage of these acts, any bank that issued its own notes would find them taxed at a 10 percent rate. As a result, the American monetary system was nationalized overnight. In many ways, so was the banking system: Congress had to approve new charters in the territories before they could be granted but ignored the petition for the Bank of New Mexico's charter. The New Mexico institution was never born.<sup>4</sup>

On September 3, 1870, however, Lucien Maxwell, John Watts, Charles Holly, Peter Maxwell, and Henry Hooper executed the articles of incorporation for the First National Bank. None of the officers—Maxwell as president, Watts as vice-president, and Hooper as cashier—received any pay, and the stockholders did not meet again until eight

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3. Ralph Emerson Twitchell, *Leading Facts of New Mexican History* (5 vols., Cedar Rapids, Iowa: The Torch Press, 1917), 5: 259; Edgel, *Brief History*, 4–5. For common complaints about money shortages in the antebellum South, see Larry Schweikart, *Banking in the American South from the Age of Jackson to Reconstruction* (Baton Rouge: Louisiana State University Press, 1987). The use of pelts as money is discussed in Lewis E. Davids, "Fur' Money and Banking in the West," *Journal of the West*, 23 (April 1984), 7–10. A review of free-banking laws appears in Hugh Rockoff, *The Free Banking Era: A Re-examination* (New York: Arno Press, 1975), and a revisionist approach is found in Arthur Rolnick and Warren Weber, "Inherent Instability in Banking: The Free Banking Experience," *CATO Journal*, 5 (Winter 1986), 877–90, and in Lawrence White, "Regulatory Sources of Instability in Banking," *CATO Journal*, 5 (Winter 1986), 891–97. Neither the concept of a mortgage bank nor that of free banking was new, as is suggested in Paul A. F. Walter, *Banking in New Mexico Before the Railroad Came!* (New York: Newcomen Society, 1955), 9.

4. Sidney Ratner, James H. Soltow, and Richard Sylla, *The Evolution of the American Economy: Growth, Welfare and Decision Making* (New York: Basic Books, 1979), 344–51.



An original stock certificate of the First National Bank of Santa Fe, issued in 1870, included the likeness of Lucien B. Maxwell, the bank's founder. Photo courtesy of Banquest/First National Bank of Santa Fe.

months later to sell control of the bank to Thomas Catron and Stephen Elkins, the bank's legal counsel. Both Elkins and Catron were associated with the Maxwell Land Grant, with Elkins acting as president of the Maxwell Land Grant and Railway Company. (He mortgaged the deed to this company for \$3.5 million.) Immediately the bank's officers sought to have the bank designated the U.S. depository. By February 1871 the first currency had arrived, escorted by twenty-five soldiers, and in April the bank, after considering opening an office in El Palacio, rented a storeroom in the Don Fernando Delgado Building in Santa Fe. On April 18, 1871, it opened for business.<sup>5</sup>

During the initial weeks of operations Elkins and Catron, who were not on the original board of directors, feigned the creation of a competitor—their own national bank. For the first time since organization, the stockholders of First National called for a meeting, but no quorum could be effected until May 10, and only on May 17 did Maxwell act, surrendering control of the bank to Elkins, Catron, and their "Santa Fe gang." Elkins emerged with the majority of the shares; both he and Catron were on the new board, and Elkins was the new president. The bank's June statement showed deposits of more than \$22,000 and loans of over \$33,000.<sup>6</sup>

This history is fairly well known, repeated by several historians. However, the period after First National's reorganization has not been as clear. A competitor, the Second National Bank of New Mexico, was being organized in April 1872, also in Santa Fe, when the First National group learned of it. Elkins and his associates, probably due to First National's difficulty in attracting deposits, became alarmed. To Northrup and Chick, the bank's New York brokers, Elkins reported, "Some jews of this place together with one of the Speigelbergs of New York are attempting . . . to establish a 2<sup>d</sup> Nat. Bank here. Of course it is to our interest to defeat their project if possible." Elkins contacted the Comptroller of the Currency, who oversaw the chartering of all national banks, suggesting that creation of a second bank in Santa Fe would "render the success of both quite doubtful." However, Elkins did not count on his own abilities alone, requesting his New York friends to "take immediate steps in our behalf." After Second National opened, Elkins, partly out of pride and partly out of concern, in September wrote to a customer of the bank's "desire to accommodate and retain all our present patronage if possible; and although the new bank has

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5. Walter, "New Mexico's Pioneer Bank," 216–17, 219–21.

6. *Ibid.*, 221–22.

been in operation some time we have not yet lost a *single account or a dollar of deposits.*"<sup>7</sup>

The Second National Bank, chartered on July 17, 1872, capitalized at \$150,000, and, run by the Speigelberg brothers (Solomon, Levi, Willi, and Lehman), had New York connections to Levi's banking house there. The brothers had operated a successful mercantile operation in Santa Fe for twenty years before they applied for their bank charter. Among the allies they enlisted, Jose Felipe Chavez, a merchant trader, Democrat, and owner of the first steam-driven flour mill in New Mexico, was soon named as a director. Willi Speigelberg informed him of his reappointment to the board in 1879, because of "your great wealth and great financial abilities as well as your universally known reputation." The bank obviously had local support. Of the stockholders listed in 1880, thirteen of twenty-three were from New Mexico, and seven of those were from Santa Fe.

Still, as of 1872, and despite Elkins' concern, the new bank had its troubles. In August, Lehman Speigelberg, the president of Second National, requested that the Comptroller of the Currency ship its current installment of currency to a New York bank to the order of Willi Speigelberg (cashier of Second National) to avoid the charges of the stagecoach companies, which Speigelberg characterized as "extravagant outlay" and "more than a young Bank . . . could stand." The bank requested, a week later, that Levi Speigelberg, through his banking house in New York, furnish "a list of banking houses through which we may correspond," relying on the New Yorker to select banks in Chicago, St. Louis, Kansas City, and Cincinnati. Levi Speigelberg responded, offering banking advice and asking about the chances of Lehman's bank. The Santa Fe banker assured the New Yorker that "our chances of getting plenty of business are good," citing a number of friends and customers who "do not desire to do business elsewhere if they can possibly help it." He reported that private parties had begun discount business, and that the bank planned to get "a great deal of this . . . in time." Predicting \$50,000 in deposits by the end of the year, Lehman noted, "Diamond hunters and Strangers of every description are coming in every day, and the Banking business ought to be good at once." Indeed, business did improve, and Second National became a viable competitor.<sup>8</sup>

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7. Stephen Elkins to Northrup and Chick, April 29, 1872, letterbook 3, First National Bank of Santa Fe Collection, Zimmerman Library, University of New Mexico; Elkins to Northrup and Chick, September 14, 1872, letterbook 3, First National Bank Collection.

8. Lehman Speigelberg to Comptroller of the Currency, August 23, 1872, and Leh-

Just over a month earlier, the stockholders of First National had held a meeting, with Thomas Catron present for the first time, and declared a 4 percent dividend. Six months later, 7 percent dividends were paid. At Second National in October 1872 the bank reported business "steadily increasing" with the "promise of being one hundred times [better] than we expected." Santa Fe apparently had enough business for two banks, and by November Willi Spiegelberg admitted to Levi that First National was "a live competitor." He added, "We have to gain on them step by step—must not allow them an advantage."<sup>9</sup>

For both banks, a major boon to business graced them when the Kansas Pacific Railroad in 1871 reached Kit Carson, Colorado, thus moving Santa Fe some twenty-seven days closer to a railhead. Local wool business boomed. Loans to sheepmen formed a staple of the banks' business, and the prospect of the railroad opening New Mexico markets made each bank optimistic.

Still, banking had problems, not the least of which was a chronic shortage of change and, at times, silver. Unlike states that boomed because of mining, such as Colorado and Arizona, New Mexico could not rely on payment in kind during silver-shortages. If worse came to worst, at least Colorado bankers could weigh and verify the value of gold dust and have it serve as a medium of transfer. Throughout the fall of 1872, a lack of silver plagued First National, and in December the cashier urged shippers to "hurry up silver fast as possible." But Second National avoided this shortage because it had opened only recently and still had large reserves, and because a customer who was expected to place a big draw on the bank's silver left town. By early November Willi Spiegelberg advised Levi that "our gold business [is] not likely to be very large" and requested that the gold balances be transferred to the currency account.<sup>10</sup>

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man Spiegelberg to Levi Spiegelberg, August 31, 1872, and September 14, 1872, Spiegelberg letterbook, Second National Bank of New Mexico Collection, Museum of New Mexico, Santa Fe, New Mexico. This material was copied by William Parish, Parish notebook 2, William Parish Papers, Zimmerman Library, University of New Mexico. Willi Spiegelberg to Felipe Chavez, January 20, 1879, Chavez Collection, Zimmerman Library, University of New Mexico. Also see stockholder list, January 1, 1880, in Chavez Collection.

9. Mauzy, *Century in Santa Fe*, 13–14; Willi Spiegelberg to Levi Spiegelberg, October 17 and November 3, 1872, Spiegelberg letterbook, Second National Bank Collection.

10. Willi Spiegelberg to Levi Spiegelberg, November 6, 1872, December 7, 1872, letterbook 6, First National Bank Collection; Willi Spiegelberg to Schutz[?], November 2, 1872, Willi Spiegelberg to Levi Spiegelberg, November 2, 1872, and Willi Spiegelberg to J. W. Seligman, November 4, 1872, Second National Bank Collection. No work (of

New Mexico bankers had few concerns with the use of gold dust, which constantly beset Colorado (especially Denver) and Arizona bankers. In those states, scales to weigh gold dust were a common feature, and often bankers sported long, shaggy beards and long hair, both of which conveniently captured specks of dust stirred up in the weighing process. At the end of the day, a good combing could net the banker a few dollars' worth of gold dust. Sweeping up the bank also proved pleasant and profitable. But New Mexico Territory's financiers did share many banking practices common throughout the West. Use of a signature book, for example, provided the only effective check on identification. The signature on a note was compared with that in the book. If the two did not match, the banker refused the endorsed note. Likewise, all deposits and credits, in addition to being entered in the daily bank journal, were recorded in response to the depositor or creditor, usually on onionskin paper in the bank's letterpress book, which assured a copy for the bank's files. It is not clear, however, that New Mexico bankers made widespread use of telegraph codes (a means of informing other bankers of transactions en route), as did Arizona bankers.<sup>11</sup>

Bankers in the land of enchantment also resembled their neighbors in placing a great deal of emphasis on the appearances of their interior and exterior facilities. The report on the Albuquerque National Bank hardly differed from similar news items about Colorado or Arizona banks: The local paper mentioned the "handsomely paved" floor, the fixtures, and, of course, the vault ("not a stronger vault in the United States"). Christopher Nelson, in a perceptive essay, has discussed the psychology behind bank architecture, noting that in the nineteenth century, large columns and dignified-looking buildings were the rule. New Mexico's financial institutions adhered to this pattern whenever possible.<sup>12</sup> When it came to lending, Second National carefully kept

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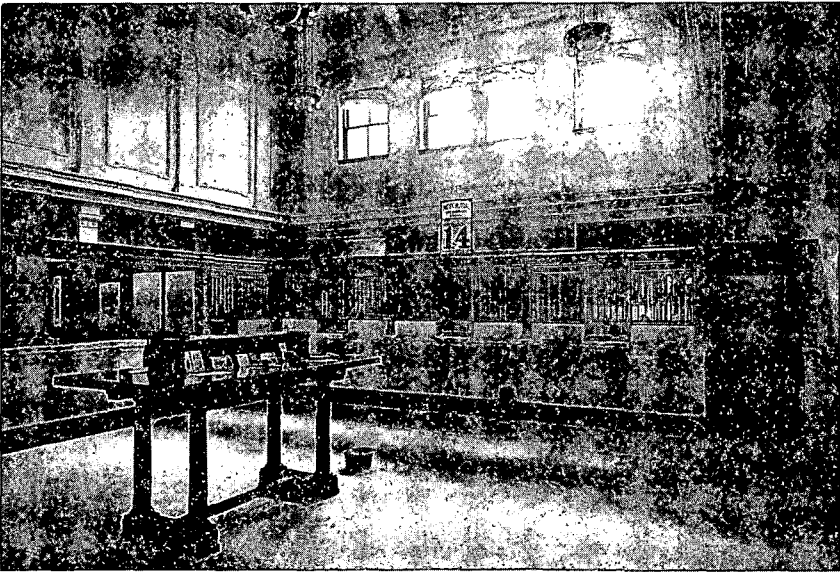
which I am aware) has compared the volume or velocity of coin circulating in mining areas with that of nonmining areas.

11. Because of cost or secrecy or both, fewer words were used when telegraphing information about transactions, which led to a "shorthand" code. See First National Bank Collection, for a sample of bankers' materials. On Colorado banking, see Thomas Noel, *Colorado's Oldest Bank: Colorado National Bank, 1862-1987* (Denver: Colorado National Bank and the University of Colorado at Denver, Colorado Studies Center, 1987). For telegraph codes, see Schweikart, "You Count It," 355-56.

12. See newspaper report from *Albuquerque Morning Democrat*, June 26, 1890, box 1, folder 72, "Business Misc.," Chavez Collection; Christopher Nelson, "Bank Architecture in the West," *Journal of the West*, 23 (April 1984), 77-87; Schweikart, *Banking in Arizona*, 21-36. Compare this report with that of an antebellum Arkansas bank in *Arkansas Gazette*,



Proprietors and young passers-by posed outside the Meredith & Ailman Bank in Silver City, New Mexico, for this photograph, circa 1882. Courtesy Museum of New Mexico.



Wood, marble, and high ceilings were the order of the day for the interior of the First National Bank of Santa Fe, shown here in a 1913 photograph. Courtesy Museum of New Mexico.

loans to a maximum of four months. Unlike banks in Arizona and Colorado, Second National found it more profitable to lend in New York, "in preference to securities offered here." As with their competitors, good customers also were permitted to overdraw accounts for a few days.<sup>13</sup>

Neither the First or Second National Bank expected the panic of 1873. Elkins first noted it in September, when he gave the panic as a reason for curtailing First National's lending. A few days later he offered the view that New Mexico saw the panic as temporary and that the state would not be affected. When depressed conditions lasted until November, Elkins assured the stockholders that they would receive every accommodation, although the bank expected to be short of funds. Tough times persisted well into the next year, and it remained "next to impossible to make collections." By November 1874, however, the bank had only two debts as remnants of the panic. At Second National, less concern was evident, despite that bank's New York connection. The prominent businessman, Felipe Chavez of Belen, commented in January 1874 that Second National's business was much better than expected. However, the cashiers admitted that money was scarce and that high interest rates, 1.5 percent to 2 percent per month, could be expected to continue until April. But more than financial troubles, a suspension of mail in early January contributed to a "general dullness" in business.<sup>14</sup>

Lending policies brought out the best and the worst in bankers. First National took as security such unique collateral as a bale of burlap, and the bank so influenced the market with its occasionally generous terms that when Lehman Speigelberg urged Second National to levy extra charges on collections, Willi Speigelberg rejected the idea, arguing that the Speigelbergs were obliged to give at least the same, if not superior, inducements to customers as the competition. First National also accepted joint notes, "to give the surety every opportunity to save himself from loss. . . . We have never had a suit and do not want one." However, First National refused a loan to the Seligman brothers, who

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June 19, 1839, and October 30, 1839; and in Schweikart, *Banking in the American South*, 236.

13. Cashier's letters, November 30, 1872, December 2, 1872, Speigelberg letterbook, Second National Bank Collection; cashier's letter August 30, 1873, letterbook 7, First National Bank Collection.

14. Cashier's letters, September 23 and 26, 1873, November 17, 1873, letterbook 7, June 2, 1874, letterbook 8, November 17, 1874, letterbook 9, First National Bank Collection.

then withdrew their account. Elkins could "not recommend them as straight-forward, fair & upright dealers."<sup>15</sup>

It is clear from the records that both banks directed their correspondent relationships toward St. Louis, Chicago, and New York, not westward to San Francisco. Business exchanges with Colorado banks, even those in Denver, remained light throughout the 1870s. Occasionally, a difference in operations arose, usually resulting in what the First National cashier saw as an unfair charge, as when the First Pueblo Bank of Pueblo began charging interest arbitrarily on notes due. But these exchanges were the exception not the rule. If correspondence with Colorado banks was infrequent, virtually no business connections existed with the banks in Tucson or other places in Arizona.<sup>16</sup>

Having a national charter prior to 1876 did not guarantee that a bank would act as the depository of public funds, which later would prove an important and solid source of deposit funds for many banks. First National recognized the potential of carrying the U.S. depository status and in May 1876, the officers of the bank planned to obtain the deposits after a pending bill passed that would do away with the U.S. depositories and substitute national banks to handle their functions. First National's cashier noted that the local depository had averaged \$300,000 in deposits. This represented a lucrative account, given that First National's deposits in 1892, including government deposits, totaled only \$562,000. Still, obtaining this account presented some difficulties. The major hurdle involved making the deposit minimum of \$150,000 in government bonds necessary to meet government requirements. These bonds could not be deposited in installments; rather, the bank had to show \$150,000 worth of government bonds in its portfolio when it applied for depository status. Acquiring such a large amount of bonds would have required the bank to call in all of its loans, which represented an unacceptable alternative. Consequently, the directors examined the possibility of lending the bank money, and by September the bank had purchased the necessary bonds. A month later, after receiving the depository designation, the cashier reported that "public deposits considerably exceed what we expected to receive."<sup>17</sup>

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15. Cashier's letters, June 28, 1875, August 11 and 27, 1875, letterbook 10, First National Bank Collection; Willi Speigelberg to Lehman Speigelberg, November 18, 1872, Speigelberg letterbook, Second National Bank.

16. First National Bank to First Pueblo Bank, November 3, 14, and 22, 1876, letterbook 13, First National Bank Collection. For an exception, see Stephen Elkins to Lord and Williams, February 14, 1876, letterbook 11, First National Bank Collection.

17. Cashier's letters, May 26, 1876, June 29, 1876, letterbook 12, September 25, 1875, November 6, 1875, letterbook 13, First National Bank Collection.

At roughly the same time as First National received its depository status, a third bank entered operations in New Mexico. Jefferson, Joshua, and Frederick Raynolds established a private bank in Las Vegas in 1876. In 1879, they received a charter for the First National Bank of Las Vegas, capitalized at \$50,000. Jefferson Raynolds had worked his way up from being a clerk at the First National Bank of Canton, Ohio, to bookkeeping at the Colorado National Bank in Pueblo, Colorado. Raynolds was, indeed, a banker at heart, participating in the founding of four other banks, including the Central Bank of Albuquerque (1878), and he assisted in the organization of the First National Bank of Colorado, eventually becoming cashier. Three years after he and his brothers founded the First National Bank of Las Vegas, Jefferson and Joshua established the First National Bank of El Paso. Eventually the Albuquerque bank owned by Raynolds and his brothers merged with the First National Bank of Albuquerque in 1881. In addition to the efforts of Raynolds, banking in this period boomed because the Kansas Pacific Railroad reached Las Vegas that year. Still another bank, organized by Frank Chapman, opened in Las Vegas in June 1876 but floundered. Chapman was shot, and the bank never got off the ground, triggering a wave of speculation that his shooting caused the bank's difficulties. Only later was it shown that a lack of capital prevented the bank's opening. Another institution, the San Miguel National Bank, also opened that year.<sup>18</sup>

As Ralph Edgel has shown, extending the railroad lines brought a demand for banks in the towns along the railroad. From 1880 to 1884, eleven of the twelve banks to open business were located in railroad towns. Even the established banks, such as First National, looked to the railroad to "lay the foundation of many new businesses in Santa Fe, and New Mexico" with the bank's help. Not all bankers were as optimistic about enhanced economic conditions related to the railroad as those at First National. Daniel Geary, cashier of the First National Bank of Albuquerque, wrote to bank director Felipe Chavez that he gave railroad stocks little attention. But Geary doubted whether the Atchison, Topeka, and Santa Fe Railroad, "running through a country so sparsely populated," could pay dividends for very long. He suspected that the St. Louis and San Francisco Railroad would be completed within two years. Although Geary advised that Chavez unload his railroad stock, he warned that "the price of stocks are [sic] controlled

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18. Edgel, *Brief History*, 6-7; *History of New Mexico*, 1: 412-16; *Las Vegas Gazette*, June 17, 1876, September 23, 1876.

... by circumstances, cliques, combinations with other roads, condition of the money markets of the world, and the designs and wishes of railroad managers."<sup>19</sup>

Along with the imminent competition, the sparse populations in the towns where new banks appeared could hardly support a number of unit banks prompting one observer to note that "little industry existed or could be encouraged that would provide a demand for sound bank loans." But where this may have been true in the smaller areas, Santa Fe had plenty of business. First National seemed constantly beset by a full discount and lending line. Loans remained at the maximum through late 1878. However, having a full discount line often was accompanied by overdue paper, a trait that prompted an inquiry from the Comptroller of the Currency. In reply, First National's cashier aptly described the vicissitudes of the New Mexico economy: "Banking in New Mexico is surrounded by many . . . trails by which banks in the east are free [especially having as customers sheep growers] who though perfectly good and solvent *and always pay in the end* are invariably in the spring of the year hundreds of miles away with their herds."<sup>20</sup>

Nevertheless, First National had lending problems even without disruptions in the economy. Its board of directors' minutes and cashier's letterbooks, especially after Rufus J. Palen assumed his duties as assistant cashier in late 1878, reveal a concern about lending to directors. In August 1877 the board resolved to make no loans without the assent of at least three directors unless only two were available in Santa Fe. Almost exactly one year later the board again found itself discussing lending policy, resolving to make no loans without "good collateral, or upon not less than one good security." Within a few months the board heard an explanation by the cashier, William Griffen, as to a deficit on the books of almost \$4,200, most of the amount derived from notes of Bond, Bloom, and Loeb. Even earlier, Palen, also a director, seemed determined to tighten lending. In December he refused a voucher for cattle as collateral, and he warned one security that the bank held nearly \$28,000 in bills receivable, "which we consider worthless aside from your name."<sup>21</sup>

Palen's activities between 1870 and 1900 provide an interesting case study of a "banker"—that is, the person who actually runs the

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19. Daniel Geary to Felipe Chavez, October 20, 1882, box 1, file 36, Chavez Collection; cashier's letter, June 15, 1878, letterbook 19, First National Bank Collection.

20. Edgel, *Brief History*, 7; cashier's letters, June 4, 1877, letterbook 14, June 5, 1878, letterbook 18, First National Bank Collection.

21. "Minutes of the Meetings of the Board of Directors," August 8, 1877, August 1, 1878, February 15, 1879, all in Parish notebook 2, Parish Papers; cashier's letter, December 4, 1878, letterbook 20, First National Bank Collection.



Customers of the First National Bank at the corner of Second and Gold in Albuquerque could leave their bicycles and horse-drawn buggies in the street while they did business at the bank in 1905. Courtesy Museum of New Mexico.

bank, not necessarily the owner—and his tenure with the bank is worth examining. A friend of Elkins, Palen had worked as an agent for Mutual Life Insurance Company on a 20 percent commission. Palen came into employment with an annual salary of \$1,800, and he retained this position for several years after joining the bank, even though he was willing to dispose of the local agency to anyone by 1882. His mother owned stock in the bank, and he requested that she transfer stock into his name, also giving him enough to become a director. On June 11, 1883, he became cashier.<sup>22</sup>

Although the bank endured tough times from 1883 to 1894, during which time Palen ran the bank, he nevertheless displayed impressive business instincts. His primary goal was to end bank loans to directors, which led him into direct confrontations with Thomas Catron, one of the bank's largest borrowers. In 1879 Palen warned that Catron had outstanding loans (or was a security on loans) of \$30,000. Moreover, Catron had borrowed \$25,000 several months earlier from Nunna Raymond, in an attempt to shift his debts. By October 1883, Palen, again alarmed at Catron's borrowing, mentioned to Elkins that Catron's debts totaled \$150,000. Disgusted, Palen noted that despite Catron's success in obtaining the \$25,000 loan from Raymond, the cashier had "no confidence in [Catron] morally, financially, or otherwise." To a potential lender inquiring about Catron's commercial standing in 1884, Palen pointed out both Catron's "large landed interests and . . . a large amount of indebtedness."<sup>23</sup>

Outstanding loans in such large amounts to debtors who had to borrow elsewhere to meet their obligations contributed to the decline in the bank's business after 1883. Palen noted that deposits had fallen \$100,000 by 1884, and his bank stood to lose the national depository business in 1887. He was unconcerned, arguing that, given the 4 percent premium the bank would have to pay to keep it, better profits could be made by investing. Still, business continued to slump. Elkins, Palen's ally, resigned as bank president in 1884. William Griffin succeeded him until his death in 1890, when Pedro Perea took over. Perea resigned in 1894, and Palen was able to force a reorganization of the board with new directors "not at all indebted to the bank." Catron, of

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22. Material on Palen is found in the R. J. Palen letterbook, cited in Parish notebook 2, cashier's letters, April 17, 1879, April 26, 1882, October 11 and 17, 1883, Parish Papers; Stephen Elkins to R. J. Palen, August 8, 1878, letterbook 19, First National Bank Collection. Also see cashier's letters of November 20, 1878, and December 4, 1878, letterbook 20, First National Bank Collection.

23. Cashier's letters of November 11, 1879, October 11 and 17, 1883, November 24, 1884, Palen letterbook, Parish notebook 2, Parish Papers.

course, opposed this reorganization. Despite Palen's wishes and expectations to the contrary, Catron remained vice-president.<sup>24</sup>

In addition to the problems of director loans—not common at Second National—a host of other operational difficulties arose. The shortage of currency, especially silver, continued into the 1880s. First National also instituted new policies for packing and shipping gold, apparently because some shipments came in short. First National had trouble obtaining bookkeepers, and examinations frequently turned up items that concerned the Comptroller of the Currency.<sup>25</sup>

A host of new banks opened between 1879 and 1900 in New Mexico, with records showing at least forty-six commencing business. Many of these failed quickly. Of the five banks organized in Silver City between 1880 and 1899, three failed before 1894. In Socorro, six of seven banks closed before 1900. Even First National faced some difficulties in the 1890s, missing payment of a dividend in 1894. Frank Bond, the prominent sheepherder from north of Santa Fe, recalled that during the Panic of 1893, "banks would not loan a dollar. . . . Most of the merchants had to remit currency for their groceries which they bought in Colorado, as the wholesale grocery dealers were afraid the banks would break before the checks would be paid."<sup>26</sup>

Second National closed before the Panic of 1893, liquidating its operations on July 17, 1892, without requesting recharter. By that time only Willi Speigelberg remained in New Mexico. The remainder of the Speigelberg family had moved to New York to join other family members and their business there. The bank generally had a peaceful, voluntary liquidation, although Felipe Chavez, writing to the Comptroller of the Currency, thought the institution was "rather slow in making settlement" with the outside stockholders. Others shared Chavez's feelings, but the vice-president, Eugene Fiske, thought the settlement had been both fair and prompt.<sup>27</sup>

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24. Cashier's letters of April 4, 1884, February 22, 1887, December 31, 1888, June 12, 1894, Parish notebook 2, Parish Papers; Mauzy, *A Century in Santa Fe*, 17.

25. Cashier's letters, June 6, 1877, letterbook 14, June 6 and 29, 1877, letterbook 15, June 28, 1878, letterbook 19, October 30, 1878, November 19, 1878, letterbook 20, October 3, 1879, letterbook 25, October 20, 1879, letterbook 26, First National Bank Collection. Despite the scarcity of silver, it was selling at only eighty to eighty-five cents per ounce.

26. Edgel, *Brief History*, 7; Mauzy, *Century in Santa Fe*, 17; Frank Grubbs, "Frank Bond, Gentleman Sheepherder of Northern New Mexico, 1883-1915" (master's thesis, University of New Mexico, 1958), 18; Frank Bond, "Memoirs of Forty Years in New Mexico," paper read before the Ten Dons, Albuquerque, New Mexico.

27. Lehman Speigelberg to the Comptroller of the Currency, May 24, 1894, Felipe Chavez to the Comptroller of the Currency, September 3, 1895, A. J. Preston to Comptroller of the Currency, May 23, 1898, Eugene Fiske to the Comptroller of the Currency,

While Second National joined nineteen other banks that closed before 1900, its end was not the result of economic conditions. In fact, of the nineteen other banks that closed before 1900, nine were in Silver City or Socorro, whose populations were too small to support them. Only in Albuquerque, with its 28,000 population, should the commercial support of a bank have been better. Even in the next twenty years, Albuquerque banks displayed a casualty rate of almost 50 percent. One of these, Albuquerque National Bank, which had opened in 1884 and reorganized in 1887, closed in 1893 while paying its depositors in full. Stephen Folsom, the president, had made false entries for two years until he was discovered and indicted. He received a five-year prison sentence for his activities, although President William McKinley finally pardoned him. No doubt other "failed" banks had similar extenuating circumstances, but many flopped because, like the Commercial Bank of Deming, run by C. H. Dane, they overextended to unprofitable enterprises. Dane eventually was indicted for his part in the collapse of the First National Bank of Silver City.

It is also interesting to note that fully half of the banks in existence in 1902 had national charters, meaning they received government deposits. In all likelihood, some of these banks would have faced tough going without the government funds. Still, it should be remembered that frontier banks were scarcely more than semiregulated small businesses in the nineteenth century, and a failure rate of roughly 40 percent made them relatively more successful than other enterprises.<sup>28</sup>

After 1900, New Mexico entered a period of expansion, made possible by the railroads, which enhanced agriculture by making markets more accessible. Over the next ten years the number of farms tripled, and "improved" farmland increased by 350 percent. The population grew by almost 70 percent, and employment in manufacturing leaped almost proportionately. Between 1900 and 1911, seventy-six new banks began operations. In many cases, the newcomers represented competitors entering a market where one bank already existed. Most were founded in agricultural communities with small populations, and almost all of them closed within twelve years. A variety of trust companies, savings banks, and other financial institutions also dotted the landscape.<sup>29</sup>

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January 17, 1905, all in Second National Bank of New Mexico, Records of the Comptroller of the Currency, National Archives, Washington, D.C.

28. Edgel, *Brief History*, 7-8; *History of New Mexico*, 1: 420.

29. Edgel, *Brief History*, 8; *History of New Mexico*, 1: 420-35.



One of the original bills, dated January 16, 1871, with which the First National Bank of Santa Fe opened its doors. Courtesy Banquest/First National Bank of Santa Fe.

Despite the boom, New Mexico's economy and its banks fell prey to exogenous shocks. Another panic struck in 1907—one that forced banks in neighboring Arizona to resort to an emergency clearinghouse system or face insolvency. New Mexico banks also found themselves in trouble. Frank Bond recalled that "the Roosevelt panic," as he called it, placed him in tight straits. Cattle feeders, who used Bond's lots and facilities and who had borrowed from small local banks, gave Bond their checks "(good before the panic) [and] quite a number were turned down." Bond could only "appeal to our banks for help. . . . The Major [R. J. Palen] surely proved a loyal friend . . . during this cataclysm. . . ." When Bond received word that one of the drafts given to him had been turned down, he immediately took the train from Española to Santa Fe to see Palen, who told Bond he would "see us through, but to not use the bank for any more than we had to." The sheepman rebounded that year with a profit of \$100,000.<sup>30</sup>

Bond's relationship with Palen and First National had developed well before the panic and continued well after it. When Bond started a lumber business in 1903 with C. L. Pollard and Truchas Lumber Company, Palen advanced \$5,000. Bond himself then underwrote the company for almost \$30,000 more over the ensuing months. He relied on Palen to watch Pollard's activities, but Bond continued to press Palen to extend notes. Because of the banker's efforts on Bond's behalf, and because Bond liked to conceal his holdings, he gave Palen a share

30. Grubbs, "Frank Bond," 36.

of company stock and named him vice-president. As late as 1930, Bond still approached the bank with innovative financing plans, such as one that took advantage of economies of scale by offering Bond's feedlots to others, using the bank to clear the checks.<sup>31</sup>

Given the scope of Bond's activities, it is surprising that he did not expand into banking. As a private banker of sorts, he considered moving to chartered banking through a company with his brother, G. W. Bond & Bro. George Bond thought it worthwhile to acquire stock in a bank but worried about what examiners might say about loans to stockholders. Besides, he reasoned, banks paid less return than his mercantile operations.<sup>32</sup>

Even without Bond, eighty-six banks operated in fifty towns by 1912, with more than half located in towns having populations of one thousand or more. They had resources of \$26.2 million, with average resources of \$300,000, although minimum capital requirements at the time were only \$15,000 for state banks and \$25,000 for national banks. A decline in agricultural prices in 1911 triggered a series of bank failures that saw eleven failures by 1914 and seven voluntary closings. At the same time, however, fifteen new banks opened, many in towns with existing banks, generating more competition.<sup>33</sup>

First National Bank in Santa Fe remained at the forefront of New Mexico's banks during this period. Under Palen's leadership the bank had sought new types of investment in railroad bonds and the notes of national manufacturers. Among the companies in which First National invested were Hood Rubber Company, Yale & Towne Mfg., Pittsburgh Steel Co., United States Steel, Allis Chalmers Co., Westinghouse Electric, Swift and Company, and Western Electric. During this period First National also joined the Federal Reserve System, organized in 1914.<sup>34</sup>

More than ever, First National was immersed in its daily operations under Palen. He was candid, even blunt. Once he advised a client against holding New Mexico bonds, citing his impression "from over twenty years residence here that the Community is not one to persist

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31. Cashier's letters, March 8, 9, 12, and 15, 1903, December 3, 1903, February 13, 1904, June 8, 1904, and August 15, 1904, Frank Bond letterbook 6, Frank Bond Collection, Zimmerman Library, University of New Mexico, all cited in Grubbs, "Frank Bond," 161-64; Frank Bond to L. A. Hughes and Arthur Seligman, September 27, 1930, box 113, First National Bank Collection.

32. Frank Bond letterbook 57, February 9, 1915, Frank Bond Collection, cited in Grubbs, "Frank Bond," 236.

33. Edgel, *Brief History*, 10.

34. Mauzy, *Century in Santa Fe*, 19-20.

in promptly meeting its obligations." He also found the state "lavish in taxation for public institutions." It is unlikely that he became rich with his president's salary. At the Capital City Bank as late as 1922 the president's salary was only \$3,200. Indeed, Palen deliberately weeded out those, such as Catron, who tried to use the bank for obvious personal gain. If Palen profited greatly through his position, he at least did it discreetly.<sup>35</sup>

Palen's long service at the bank began to show in his temperament. Although commodities were still accepted as security (one borrower secured a \$5,000 note with seventy-five steers, fifty-six two-year heifers, three cows, two bulls, etc.), Palen found collecting more difficult than ever. One customer, Reginald Cobbett, refused to pay the note of L. W. Sowards, which Cobbett deposited. Palen admonished Cobbett that "the merre fact that Sowards failed in any contract he had with you cuts no figure in your liability to pay it." The president also threatened suit, a course that the bank had avoided earlier in its history. To another customer, Palen pointed out that the signature on a note and another on a mortgage, supposedly by the same customer, did not conform. The bank, he instructed, could not accept "altogether a too loose system of doing business." Palen even drifted into personal attacks and rudeness. He wrote to M. W. Mills that it was "somewhat difficult, and not a little annoying, to deal with parties who are so uncertain and variable." Mills calculated that his note would be due September 1, to which Palen retorted, "You dont [sic] know how to calculate." After showing that the note would be due on a different date, Palen took a written slap at Mills by taking "the opportunity to put you through the first kindergarden [sic] financial course." Toward yet another customer, Palen became even more personal: "I have reliable reports that you are drinking rather heavily and that it has gotten you into some domestic difficulties." Still, Palen never lost sight of making his existing customers happy and attracting new ones. When the note of the Rio Grande Live Stock Company fell due, the bank extended it, and Palen noted, "Inasmuch as your company is a large borrower from this bank—now to the amount of \$9500 . . . it would not be at all out of harmony with the everlasting fitness of things if you kept your bank account with us. . . . You know a bank is under greater obligations to its regular customers than to an outsider . . . and when tight times come it is the outsider who is first called on to pay." Palen stepped down in 1916,

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35. Cashier's letters, May 6, 1895, R. J. Palen letterbook, January 3, 1922, Capital City Bank directors' minutebook, both in First National Bank Collection.

replaced by Levi A. Hughes, a marketing and livestock management expert. His retirement was fitting, as banking in the state had entered another era.<sup>36</sup>

New competition entered the market in 1910, with the Capital City Bank and Santa Fe Bank both established that year. The former institution ran into trouble at the outset, and by 1918 the directors admitted that "new business must have much attention." Nevertheless, by December 1918 the bank declared a 6 percent dividend, and for the first six months of 1919 it reported net earnings of \$4,000. A distressing trend had developed, though. Repeatedly, examiners expressed concern about excess loans and overdrafts, but gross profits for 1921 were \$21,207 (net, \$5,581). For the following year gross profits increased by only \$800. The national agricultural depression hit New Mexico, and undiversified banks were vulnerable. In December 1922 the directors, responding to a November examination, considered the examiner's suggestion that in "view of certain losses and others which might be sustained . . . an assessment be considered [of 40–50 percent] to be placed in a stockholders account." Two weeks later, the board conceded.<sup>37</sup>

Or had it? By April 1923 the assessment was postponed, and the board generally ignored its problems. The bank's weakness, however, was clear enough. On May 28, 1923, the bank officially closed. Conditions were confronted frankly, with the board finding it advisable to effect a consolidation with the Santa Fe Bank if possible. Discussions with the Santa Fe Bank followed, and the Capital City officers submitted a plan. Santa Fe Bank apparently disliked what it saw, for on June 2 a special meeting of the directors was called to avoid liquidation. R. L. Ormsbee, the cashier, received a letter two days later that referred "to the possibility of outside interests coming in on a reorganization of the business of Capitol [*sic*] City." It was too late. The bank had passed into receivership by the end of the year. In fall 1924, the Farmers State Bank of Moriarity closed. First National Bank engaged in extensive purchases of mortgages and notes of the failed bank. These were only

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36. R. J. Palen to J. W. Ford, August 28, 1914, R. J. Palen to H. S. Arnold, May 27, 1914, R. J. Palen to Hadlock & Brown, April 29, 1914, R. J. Palen to M. W. Mills, July 3, 1914, R. J. Palen to T. J. Sawyer, June 3, 1914, R. J. Palen to A. L. Thomas, April 28, 1914, and R. J. Palen to Oscar Snow, May 6, 1914, transfer files, general correspondence, First National Bank Collection.

37. Entries of March [?], 1918, December 31, 1918, June 30, 1919, June 30, 1921, June 30, 1922, December 26, 1922, Capital City Bank directors' minutebook, First National Bank Collection.

two of fifty-four New Mexico banks that failed between 1920 and 1926, and twenty-five others either closed voluntarily or merged.<sup>38</sup>

Despite being able to make acquisitions or mortgage purchases such as with the Farmers State Bank, the leaders of the First National Bank realized that their institution prospered in the midst of hardship. In the annual message to the stockholders in 1923, the president noted that "banking and financial conditions in New Mexico during the past year have been exceedingly and unusually bad." First National itself experienced "heavy losses in the livestock industry during 1921 and 1922." Individuals continued to request information on New Mexico's economic potential in the depths of the depression, but the bank could not be optimistic.<sup>39</sup>

The "deluge" of failed banks followed a period of sharp expansion in New Mexico's economy and in agricultural prices in particular. Beef cattle prices in New Mexico rose by \$3.50 per hundredweight and lamb prices rose almost \$10 per hundredweight during the first three years of World War I. Wool prices advanced almost proportionately; wheat prices more than doubled. Just as agriculture prospered, so did the metals industry. Copper, silver, lead, and zinc all saw sharp upward curves in prices. New Mexico mines responded with increased output, and farmers expanded production in keeping with market incentives. Nevertheless, both industries felt the postwar depression acutely, and their distress affected the state's banks.<sup>40</sup>

Yet, it is important to keep New Mexico's banking experience during the 1920s in perspective. "Overbanking"—that is, a low population-to-bank-office density ratio—was characteristic of neighboring Arizona as well, where from 1900 to 1924 the average population per banking office dropped by over two thousand—almost 50 percent. Runs struck Arizona banks in Metcalf, Jerome, the Central Bank of Phoenix, the Central Bank of Wickenburg, the Exchange Bank of Peoria, and the Citizens Bank of Five Points in 1921 and 1922. By 1932 as many as forty-four banks had failed or voluntarily liquidated in Arizona.<sup>41</sup>

Neither did the experiences of New Mexico and Arizona differ

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38. *Ibid.*, entries of April 10, 1923, June 4, 1923, Capitol City Bank directors' minutebook, box 17, "Moriarity Note/Correspondence," and box 9, folder "M," First National Bank Collection; Edgel, *Brief History*, 11–12.

39. "To the Stockholders," January 9, 1923, box 9, "Santa Fe Mining Company" folder, John Henry to First National Bank, August 14, 1923, box 9, "Han-Har" folder, and L. A. Hughes to John Henry, August 1, 1923, First National Bank Collection.

40. Edgel, *Brief History*, 10–12.

41. The exact numbers of banks closed are disputed, Schweikart, *Banking in Arizona*, 65–70, 203–6.

much between 1926 and 1930. Arizona's banking ranks continued to thin out, with six banks closing in that period and four more within the next two years. New Mexico witnessed six liquidations or failures and four absorptions by merger or purchase. Thus, both states witnessed a net decline in total number of banks during the "Roaring Twenties" that weeded out many weak institutions in rural areas. Although the worst was over, more failures occurred during the Great Depression.<sup>42</sup>

New Mexico, nevertheless, responded with some legislative changes, mostly designed to patch up holes in the 1915 banking law. These revisions sought to bolster the capital floor to at least \$25,000 under which banks (and other businesses) operated; to raise surplus bank funds to 50 percent of capital stock; to restrict lending of deposits to companies paying a 4 percent dividend over the previous five years; to protect the state's deposits in insolvent banks; to improve financial reports to state bank examiners; to change composition of boards of directors to local members and to require boards to meet (perhaps not motivated by the escapades of Maxwell's early group, but certainly fitting); to establish ceilings on the cost of bank buildings, fixtures, and furniture; to prohibit loans that would put a bank below the capital "floor"; and to limit loans to one person or corporation to a percentage of capital stock.<sup>43</sup>

That same year, 1929, a new bank collection code expedited and simplified collection and payment of checks. Since it defined banking as any "person, firm, or corporation engaged in the business of receiving and paying deposits of money in the state," it allowed easier collection by agents other than banks as defined by banking laws. The law also placed more responsibility on the maker of a check for its eventual redemption.<sup>44</sup>

By the 1930s, the financial institutions of New Mexico had strengthened themselves. Laws had been revised after the shakeout of the 1920s that prevented drastic changes in the banking structure during the Depression. A changing financial landscape had characterized the first sixty years of banking in New Mexico, with dozens of banks coming and going. Bankers had grudgingly given up on the idea that an economy based on a single sector—mining, agriculture, or livestock—could guarantee success in banking, even if that sector grew at consistent rates. A number of important personalities, including

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42. *Ibid.*, 65–70; Edgel, *Brief History*, 13–14.

43. See *New Mexico Laws*, chap. 131, 1929, sec. 5–12, 62–63.

44. *Ibid.*, chap. 138, 1929, sec. 1–13.

Maxwell, the Speigelbergs, Palen, Catron, and the Raynolds brothers, had all left their marks on New Mexico banking. Certainly not every one of these men demonstrated the skills of a great banker, and perhaps only a few did. Yet even exceptional bankers would have experienced difficulty in trying to force-feed banking growth in New Mexico. The antibranching emphasis and the pockets of economic monoculture had erected a hurdle so high that only the best bankers could clear it consistently.