



# Bethinking of Old Orleans <sup>4-18-85</sup>

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## BANKING PROBLEMS

With the recent publicity on the banking dilemma in Ohio, I thought it would be of interest to look back on a local banking problem which took place almost 150 years ago. After a financial panic in the mid-1830's which caused a scarcity of money (bank issues) and hard times, the N. Y. S. Legislature enacted the Free Banking Law of 1838. Under this law banks were organized all over the state. They issued their promises to pay, taking bills receivable for them and paper money again became plentiful. The issues of these new banks were all uniform engraved designs and were printed in red ink on the back. This money was commonly referred to as Red Backs. Older banks which had survived through the financial crisis had been chartered under the Safety Fund Banking Law and they became jealous of the rapid increase of banks under the new Free Banking Law.

The business men and farmers of Gaines were fighting with Albion for the trade of the surrounding country and they felt that the Free Banking Law was an opportunity to help keep that trade. furnish banking facilities and make a little money at home without being dependent on the Bank of Orleans at Albion. At the time, Gaines was a thriving community with groceries, drygoods stores, tanneries, wagon factories, hotels, two daily lines of stage coaches and a flourishing academy.

Consequently, the Farmers Bank of Orleans was started on Oct. 6, 1838. The home of J. J. Walbridge in Gaines was purchased for a bank and a dwelling place for the cashier. This home as it appeared in the 1930's is shown in the accompanying photo. A vault was built in the house and the directors invested in bonds of the State of Indiana, a favorite issue at the time. However, a great deal of distrust was engendered concerning the character of the securities held by the Farmers Bank. The older banks started a movement to discredit the Red Back currency which lasted until 1841 when the State of Indiana defaulted on the interest on their Bonds. This precipitated a rapid curtailment of the circulation of the Farmers Bank.

The Bank of Orleans, taking advantage of this, started a run on the Gaines Bank which forced it to close its doors in the winter of 1842. The comptroller demanded payment of mortgages held by the bank which caused some distress to farmers. \$75,000 of Indiana bonds were sold at auction for \$12,000. There was at the time \$13,000 in Red Backs outstanding which was not a significant loss to the general public.

However, the bank war was not over because the people of Gaines decided to carry on a vigorous run on the Bank of Orleans in retaliation for wrecking their home bank. Caleb Knapp, James Mather and W. W. Ruggles were prominent in this effort and hired agents in villages of surrounding counties to pick up notes of the Albion Bank and present them for payment in silver. But the old line banks rallied to the aid of the Bank of Orleans and shipped in boxes of silver daily by stage coach. Efforts were made by the Gaines people to keep the banks in Rochester and Batavia from helping the Albion institution but eventually this hotly waged warfare finally ceased.