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## A History of Boston's Oldest Bank

The Harvard University Press has just published a history of *The Massachusetts-First National Bank, 1784-1934*, by N. S. B. Gras, Professor of Business History at the Harvard School of Business. This, the fourth work to appear in the series entitled Harvard Studies in Business History, has been made available to members of the Society through the generosity of the First National Bank of Boston.

The First National Bank of Boston celebrated its sesquicentennial in 1934. The Old Massachusetts Bank which had an interesting career from 1784 became the First National in 1903. The Old Massachusetts was a State institution until 1865. The present work deals primarily with this earliest period, 1784-1865, since the records are most abundant and available for this period. A large part of the volume is made up of the records and statutes of the period 1784-1865; for the general student and for the student of banking these years are of great importance.

A long general introduction, consisting of eleven chapters, provides a running narrative and exposition of the Bank's history down to the present day. Indeed, this part constitutes a small book in itself. It provides more information about the organization and functions of a single American bank in its historical development than has been hitherto available. By means of an introductory chronology the reader can quickly get a general idea about the Bank's development over the whole period of its growth. Eighteen

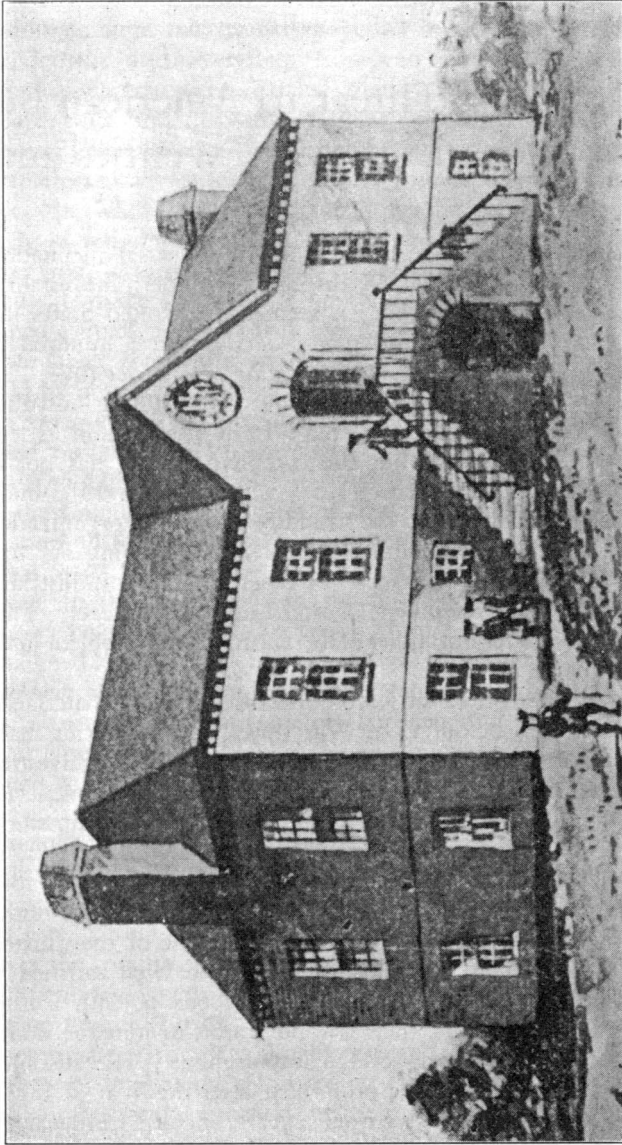
charts, graphs, and pictures aid in setting forth the chief developments and personalities dealt with in the text.

The most significant early fact in the Bank's history was that Boston merchants and investing capitalists established a full-fledged commercial bank, run on conservative principles almost from the beginning. The old colonial principle, found in the land banks, of issuing money based on land or personal credit was supplanted by the principle of issuing money redeemable in specie. When a large number of stockholders threatened to undermine the principle in 1785, a revolutionary housecleaning was put through by William Phillips, the chief sponsor of the Bank.

From the first the Bank not only issued money but received deposits and transferred credit, made discounts and other loans, and dealt in gold and silver. Practically all its laws and rules and regulations were lifted whole cloth from the Bank of North America established in Philadelphia in 1781. The original charter was so vague in its reading that it practically granted perpetual corporate existence and imposed no strict limit upon the Bank's operations. Credit excesses led to the State law of 1792 limiting the Bank's indebtedness, and failure to loan liberally led to a curtailment of the life of the charter in 1811.

The Bank long catered to the importing merchants and retail classes of Boston. As time went on, the merchant group declined in importance. When transportation and industry developed in New England, the Bank saw much of the business go to newly established rivals. As country banks were created in the hinterland, they turned to newer competitors. But the Bank remained liquid, never encouraging deposits and, after 1792, never extending its loans. And yet, this conservative policy led downhill, particularly from 1884 onward. In the 1890's dividends were passed and involuntary bankruptcy was threatened.

Savings banks owned a great deal of stock in commercial banks. They saw a loss of income from the over-banked condition prevailing. Their action led to mergers, one heading in the Shawmut and the other in the Massachusetts. When the Massachusetts and First National were merged in 1903, the name of the latter was adopted. Wing, a professional banker, came to the front and dominated its policy for a generation. He stood for growth through consolidations, the extension of business beyond New England, even abroad, and the multiplication of functions performed by the Bank. A complete reversal had occurred and a magnificent feat in banking had been performed. But new problems arose as difficult as the old.



*Courtesy of the Harvard University Press.*  
**OLD MANUFACTORY HOUSE, THE MASSACHUSETTS BANK'S FIRST HOME.**

No bank can be healthy unless it changes with the times. Its profits arise out of service, but its services are not very profitable when business is depressed. This Bank has run through a wide variety of depressions and trends and survived.

## Auctions as a Threat to American Business in the Eighteen Twenties and Thirties

In the history of business one finds a universal inclination to oppose new techniques which threaten to undermine established enterprise. Today this tendency is seen in the United States in the fight against chain stores and mail-order houses; a hundred years ago the new auction system of wholesaling was under fire.

The story of the auction system and the resulting anti-auction movement has received some attention from historians in its legislative and political aspects, but the complete picture has not been given. The material for such a study is available, and the findings should throw much light on the structure of business organization in the eighteen twenties and thirties, as well as clarifying our understanding of the extent to which the older European industrial system retarded the development of domestic manufactures. The intention here is merely to indicate the nature of the problem and the sources available for study.

Although the Industrial Revolution did not fully materialize in the United States before Civil War times, manufacturing had attracted capital at a much earlier period. Since small investments and experimentation naturally characterized the movement in its earlier phases, American manufacturers dreaded the competition of larger and more experienced European firms in the domestic market. They opposed everything which gave an advantage to foreign producers, but European goods continued to dominate the domestic market. Until about the end of the first decade of the nineteenth century, importers in the seaboard cities were well satisfied with such conditions; since they handled the goods of both European and American producers, they saw no reason to join the domestic manufacturers in opposing foreign importations. The auction system, however, which became prominent after the War of 1812 and continued so for the next twenty-five years, enabled European firms to reach the American market without relying on the services of