

THE MANHATTAN COMPANY

Managing a Multi-Unit Corporation in
New York, 1799–1842

Gregory S. Hunter

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This picture shows the Manhattan Company's first office (in the building at the right) on Christmas Eve, 1799. Aaron Burr, one of the founders of the company, and his daughter, Theodosia, are the central figures in the panel. To the right is John Stevens, the eminent engineer, who helped the company solve its early problems in supplying water to the city. Standing with him is Daniel Ludlow, first president of the Manhattan Company. (Courtesy of the Chase Manhattan Archives.)

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**TO JOANN
WHO MADE IT ALL POSSIBLE
AND MEANINGFUL**

PREFACE

As I look back over the years, Chase Manhattan has been part of my life on a number of occasions. While in college I worked as a Summer Temporary Teller with Chase from 1973 to 1975, spending one summer at the 135th Street Branch in Harlem and two summers at the Dyckman Street Branch in upper Manhattan. Because of this experience, I have a great respect for the many frontline bankers in the trenches of the various branches across the country.

In 1977 I enrolled in the first class of New York University's new training program in archival management. Even before classes began, I was fortunate enough to secure a job in the recently-founded Chase Manhattan Archives under the direction of Linda Edgerly. Over the course of the next year I learned a great deal about what it means to be a professional archivist in addition to learning a great deal about the history of Chase.

After leaving the Chase Archives to establish an archives for the United Negro College Fund, it came time for me to pick a dissertation topic. The Manhattan Company was a natural choice, and I spent the next several years as an intermittent researcher in the Chase Archives. In many cases I was using files which I had processed a few years earlier. My involvement with Chase had come full circle.

There are many people I must thank for the parts they played in the publication of this book. First and foremost are my friends and colleagues at the Chase Archives who provided support over the long term

of this project: Linda Edgerly, Anne Van Camp, Sally Brazil, Jean Hrichus, and Ann Gibson. I also am indebted to archivists and manuscript curators at other repositories: Susan Davis and Bob Sink of the New York Public Library, and Tom Dunnings of the New-York Historical Society. In addition, I have been blessed with supportive bosses: Turner Battle and Chris Edley at the United Negro College Fund, and Barry Kalen at ITT Corporation.

A very patient dissertation committee in the History Department of New York University is largely responsible for the successful completion of this project. I can never adequately express my thanks to Tom Bender, Vince Carosso, and Carl Prince for sticking with me over the years.

The other winner of the perseverance award is my wife, JoAnn Heaney Hunter, who defended her own doctoral dissertation just four months before my own. Without her help and support, this project would never have been completed.

This book really was a team effort. My thanks to everyone who was a part of it.

Gregory S. Hunter
New York, New York
October 23, 1989

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INTRODUCTION

We must leave our example as a lesson to posterity to imitate us in supporting the cause of republicanism which is certainly intimately connected with the prosperity of our institutions.¹

We have in large measure lost sight in recent years of the interactive and often symbiotic relationship between business and society.²

The last few decades have been a fertile period for the study of American business history. Scholars have explored various aspects of the subject, looking at both individual topics and key industries and institutions. This volume continues the trend by looking at one topic (management) within one institution (the Manhattan Company).

Most previous historians, however, have studied the management of business in a vacuum, separating the internal affairs of particular companies from the social and political environments in which corporations existed. Failure to link these two elements has led to a form of historical myopia. This is illustrated by the

¹DeWitt Clinton to Henry Remsen, March 16, 1808, Folder 3, Clinton Papers, New York Public Library (hereafter NYPL).

²John N. Ingham, review of *American Business*, by James Oliver Robertson, in the *Journal of American History*, 72, no. 3 (December 1985): 673. Ingham attributes this situation to the power of the conceptual framework developed by Alfred D. Chandler, Jr., which I will discuss below.

writings of two key business historians, Alfred D.Chandler, Jr. and Bray Hammond.

Chandler is the dean of modern business history and the person whose terminology and methodology have shaped most discussions of the subject in recent years. Chandler's most influential work was his 1977 book entitled *The Visible Hand*.³ In this book Chandler studied the growth of modern management, linking its appearance with the emergence of large-scale railroads in the second half of the nineteenth century. According to Chandler, at this time management became the "visible hand" controlling business, replacing the "invisible hand" of market forces. Throughout this book and in his previous studies, Chandler chronicled the relationship between strategy and structure in American businesses. However in doing so, Chandler did not adequately discuss a third factor, political or environmental influences upon managerial decision-makers.⁴

Chandler is not alone in this regard. Fritz Redlich, whose two-volume work in the late 1940s detailed the development of American bank managers, also largely ignored the influence of such external factors as politics and public pressure upon the managers of

³Alfred D. Chandler, Jr., *The Visible Hand: The Managerial Revolution in American Business* (Cambridge: Belknap Press of Harvard University Press, 1977).

⁴For a review article which makes much the same point I do, see Edward P. Duggan, "Business and the City: A Review Article," *Business History Review* 56, no. 1 (Spring 1982): 76-83.

individual banks.⁵ Both Chandler and Redlich discussed the strategy and structure of American business without providing the much-needed environmental context.

The other side of the coin is illustrated by Bray Hammond. His key work, *Banks and Politics in America*, contained an abundance of context -- political battles, legislative victories, and public outcries. What is missing, however, is a sense of how these matters affected the management of particular banks. Strategy and structure tend to get lost among the political bloodletting.⁶

As with Chandler, Hammond is not alone in his "school" or style of business history. Recently Ronald Seavoy has analyzed the politics involved in the chartering of banks in New York State.⁷ According to Seavoy, the trend toward general incorporation and away from individual chartering of corporations was an economic expression of Jacksonian Democracy: the benefits of incorporation were expanded from the elite to the general public. While Seavoy did link economics and politics at the chartering stage, he never explored the

⁵Fritz Redlich, *The Molding of American Banking: Men and Ideas*, 2 vols. (New York: Hafner Publishing, 1947, 1951; reprint, New York: Johnson Reprint Company, 1968).

⁶Bray Hammond, *Banks and Politics in America From the Revolution to the Civil War* (Princeton: Princeton University Press, 1957).

⁷Ronald E. Seavoy, *The Origins of American Business Corporations, 1784-1855: Broadening the Concept of Public Service During Industrialization* (Westport: Greenwood Press, 1982).

continuing links *after* incorporation. In Seavoy's book we see numerous corporations born, but never learn about the effects of environmental influences on their growth and development. It is like a story without a conclusion: Snow White without the magical kiss or Cinderella without the glass slipper.

What is needed are studies which relate internal and external aspects of managing individual nineteenth-century business corporations, studies which relate strategy and structure to the local social and political environments. To what extent did particular policy innovations derive from purely internal stimuli? How important were such external factors as competition, public relations, or the threat of political action?

This study takes a step toward answering these questions by looking in detail at the Manhattan Company, one of the earliest multi-unit business corporations in the United States and one of the antecedents of today's Chase Manhattan Bank. My focus will be on how the interaction between management and environment affected the course of the company's development.

The Manhattan Company is of interest because it was one of the major financial institutions in New York in the nineteenth century. The company is interesting as well because its charter and structure were not typical for the first half of the nineteenth century. In an era of restrictive charters and public distrust of corporations, the Manhattan Company received great freedom in structuring its

operations and in using its capital. And at a time when banks in the mid-Atlantic region usually did not long stray far from the financial field, a major division of the Manhattan Company supplied New York City with water for almost fifty years. In terms of Chandler's outline of corporate development, the Manhattan Company was a half century ahead of its time.

From 1799 to 1842 the Manhattan Company had three distinct divisions: a water works, a main bank in New York City, and bank branches upstate in Utica and Poughkeepsie. To successfully manage this complicated and somewhat decentralized business, the Manhattan Company's directors and managers had to be particularly sensitive to the social and political environments. As will be seen, few major decisions dealing with any of the Manhattan Company's divisions were made in a vacuum.

In order to understand the significance of the Manhattan Company and its charter, it first is necessary to trace the history of banking and incorporation prior to the founding of the Manhattan Company. This will be followed by a discussion of the nature and significance of the Manhattan Company's charter. Next, separate chapters will explore in detail the management of the Manhattan Company's three divisions: the water works, the main bank in New York City, and the upstate bank branches. Finally, I will turn to the people of the Manhattan Company to test whether or not my conclusions about the company's management are reflected in the

career patterns of individual employees. By organizing the study in this way, I hope to show how Chandler's strategy and structure and Hammond's social and political environments were intertwined in the history of one leading nineteenth century American business corporation.

CHAPTER ONE
CORPORATIONS AND BANKING
BEFORE THE MANHATTAN COMPANY

Today the corporation is known and accepted -- sometimes with varying mixtures of love and hate -- as a legitimate form of private, competitive business enterprise, a form available to Exxon or one's family physician. It was not always thus. Two centuries ago the corporation was much more of a quasi-public, monopolistic privilege, sometimes of a non-business nature, and available only in a restricted manner as a specific¹ grant from parliament or legislature.¹

Banking began in the New World [all] of a sudden, under specific governmental sanction, with a pretentious assembly of capital, and in a forensic blaze of controversy. It began with incorporation, and with important exceptions incorporation remained the rule, both in the States and in Canada.²

The Manhattan Company built upon a long tradition of corporate development in Britain, the American colonies, and the early nation.

¹Richard Sylla, "Early American Banking: The Significance of the Corporate Form," *Business and Economic History*, 2nd ser. 14 (1985): 105.

²Bray Hammond, *Banks and Politics in America From the Revolution to the Civil War* (Princeton: Princeton University Press, 1957), 4.

While people on both continents were familiar with corporations, however, the corporate form was not as prevalent as it is today. The granting of corporate charters remained a carefully-guarded prerogative of the national and local governments, dispensed only to those projects deemed as advancing the public good.

The Manhattan Company and later corporations played an important role in identifying the potential of the corporate form and the desirability of its wider use. At first this involved showing the benefits of pooled capital and limited liability to achieve goals obviously in the public interest -- building turnpikes and bridges, for example. As the nineteenth century progressed, however, the definition of "public service" expanded to include not just internal improvements but almost all areas of business activity. Ultimately, by the middle of the nineteenth century incorporation became something freely available on equal terms to all qualified applicants. In order to appreciate the magnitude of this shift, it first is necessary to trace the tradition of incorporation prior to the Manhattan Company's founding.³

³The corporate form has several advantages over partnerships and other less formal methods of organization: limited rather than full liability; "perpetual" life of the entity even after the death of the founders; and the ability to sue and be sued in court. These advantages go beyond the mere pooling of capital. A convenient statement of these advantages is found in a 1789 petition by the Bank of New York for a state charter even after the bank had been operating for five years. "That standing on the footing of a private company, in which each member is supposed to be personally

The Inheritance From Great Britain

Great Britain, the country which had the greatest influence upon the development of the mid-Atlantic region, did not make extensive use of incorporation for businesses. Parliament passed very few individual charters of incorporation for businesses and no general incorporation laws until well into the nineteenth century. Almost all large business was carried on by unincorporated joint-stock associations, which legally were only expanded partnerships. The United States, rather than Great Britain, was to pioneer the widespread use of the corporate form.⁴

Much of the British aversion to corporations can be traced to a debacle involving stockholders early in the eighteenth century. Speculators inflated the price of stock in the South Sea Company to such an extent that the "bubble" finally burst, causing injury to

responsible for all the engagements entered into, it has been found that many persons who would otherwise be desirous of becoming subscribers are deterred by that circumstance from doing so; whereby the increase of the stock of the bank is obstructed and its operations proportionably confined." The petition is found in Henry W. Domett, *A History of the Bank of New York, 1784-1884* (New York: Riverside Press, 1884; reprint, Westport: Greenwood Press, 1969), 32-33.

⁴Ronald E. Seavoy, "The Origins of the American Business Corporation, 1784-1855: New York, the National Model" (Ph.D. diss., University of Michigan, 1969), 52-53. Thomas C. Cochran, "The Business Revolution," *American Historical Review*, 79 (1974): 1454-55.

many shareholders. Public uproar over the matter led to the passage of the so-called "Bubble Act" of 1720, which made the securing of corporate charters for business enterprises almost impossible. The law declared that "acting or presuming to act as a Body Corporate" by any organization not already formed at the passage of the act, should "forever be deemed to be illegal and void."⁵

Incorporated banking in Britain dated from the Tonnage Act of 1694. This bill authorized the incorporation of the Bank of England, which was to become the model for banking in the New World. Alexander Hamilton, one of the key early proponents of banks in America, was greatly influenced by this act.⁶

As a result of the Bubble Act, however, the British banking "system" consisted almost entirely of "private" banks: non-incorporated partnerships and proprietorships. In 1794, the one hundredth anniversary of the founding of the Bank of England, there were only four other chartered banks in the British Isles. In that same year there already were eighteen chartered banks in the United States, only thirteen years after the incorporation of the first American bank.⁷

⁵Hammond, *Banks and Politics*, 3.

⁶Ibid., 3

⁷The others banks in Great Britain were: the Bank of Scotland, the Royal Bank of Scotland, the Bank of Ireland, and the British Linen Company (which had banking powers). Ibid., 129, 6.

The British corporate legacy to the American colonies, therefore, was a mixed one. In fact, most of American development was directly opposite the British tradition. Whereas in Britain the development of banks was a gradual process, banking in the New World began suddenly "in a forensic blaze of controversy," to use Bray Hammond's phrase.⁸ In addition, most British banks were unincorporated; in the United States just the opposite was the case. The familiarity of Hamilton and other early American bankers with the Bank of England, therefore, was a familiarity with the exception rather than the rule in Great Britain. Finally, banking in Britain developed from a surplus of capital among wealthy individuals looking for investment opportunities, while in the United States banking emerged from a lack of capital among merchants needing additional resources to conduct their daily business. In the United States, the corporate form became the vehicle for *accumulating* capital for worthy projects.⁹

The Colonial Experience

Before the Revolutionary War, charters of incorporation were

⁸Ibid., 4

⁹Donald R. Adams, Jr., *Finance and Enterprise in Early America: A Study of Stephen Girard's Bank, 1812-1831* (Philadelphia: University of Pennsylvania Press, 1978). Also Hammond, *Banks and Politics*, 68-9.

granted to American groups both by the English crown and by colonial assemblies. Most of these corporations, however, were for the purpose of establishing either (1) municipalities or (2) religious, educational, or charitable institutions. Very few businesses received charters.¹⁰ Another noteworthy trend was the increase in the number of corporations during the last two or three decades before the Revolution. In fact, all but one or two of the private business corporations in the colonies were chartered after 1760. This foreshadowed the even more rapid growth which was to take place after the war.¹¹

More than a dozen corporations chartered in England were active in the colonies before the revolution. About half of these maintained the seat of the corporation in England and remained distinctly English in complexion and control. This was true, for example, of the earliest colonization companies and several famous missionary societies. The rest, however, located their governing bodies in the colonies and quickly became "American" in practice if not in origin.¹²

¹⁰Nelson M. Blake, *Water for the Cities: A History of the Urban Water Supply Problem in the United States* (Syracuse: Syracuse University Press, 1956), 63.

¹¹Joseph Stancliffe Davis, *Essays in the Earlier History of American Corporations* (Cambridge: Harvard University Press, 1917), 1:106-7.

¹²*Ibid.*, 1:30, 48.

The colonial legislatures, however, were a more fertile source of corporate charters than the British Parliament. While there was no sharp legal distinction during the colonial period between "public" and "private" corporations, it is convenient to treat the two groups separately. Furthermore, the private corporations may be divided according to the purpose for which they were chartered: religious, educational, charitable, or business.¹³

In terms of public corporations, two main types were chartered in the colonies. The first category involved government entities of various size: municipal corporations and corporate towns. Twenty-four municipal corporations were chartered in the colonies, almost three-quarters of which were located in the mid-Atlantic region. Sixteen of these municipal corporations survived until the Revolution. The second group of public corporations consisted of a relatively small number of administrative boards charged with the oversight of public education and charity on behalf of local units of government. These administrative boards largely were confined to Pennsylvania and Maryland.¹⁴

Private corporations are distinguished from public corporations chiefly by their large measure of private support and control.

¹³This is the distinction which forms the basis of Davis' work. See page 49 of his book.

¹⁴Ibid., 1:54, 59-60, 74.

However, all private corporations during the colonial period were involved in advancing ends considered to be of broad public value. This is the reason they were granted the benefits of incorporation by the colonial legislatures.

By far the largest group of private corporations in the colonies involved religious worship. The chartering of such religious corporations was clearly seen as being in the public good. As in England, two types of religious corporations were chartered: the "corporate sole," consisting of one person and his or her successors (for example, the parson of a church); and the "corporation aggregate," consisting of several persons and their successors.¹⁵ The distinction in this case was between the person and the institution.

A second major category of private corporations involved those founded for educational purposes, the most important of which were colleges. At the time of the Revolution, there were nine colleges with corporate charters. All of these colleges survive to the present day and are among the leaders of American higher education.¹⁶

¹⁵Ibid., 1:75.

¹⁶The nine were: Harvard (founded 1636, chartered 1650); William and Mary (royal charter, 1693); Yale (founded 1701, chartered 1745); Princeton (chartered 1748 as the College of New Jersey); University of Pennsylvania (1753); Columbia (chartered 1754 as King's College); Brown (1764); Rutgers (chartered 1766 as Queen's College);

There also were private corporations chartered for charitable purposes, though the exact number is difficult to determine. In particular, hospitals and mutual benefit societies received charters from colonial legislatures. Some, like New York Hospital which was chartered in 1771, survive to the present day. Others existed for a short period of time to meet a specific need and then closed their doors. The key point is that, as with the other categories of corporations, the advancement of certain charitable causes was seen as being in the public interest.

This concept of "public interest" extended even to business corporations. The colonial, and later the state, legislatures were willing to delegate wide powers to private business corporations because they saw these corporations as advancing the public good. While this justification dates from the time of the Roman Empire, the American innovation was to expand the definition of "public service" to include almost all legitimate business activity. This happened during the nineteenth century with New York as one of the leading states.¹⁷

During the colonial period, however, relatively few business

and Dartmouth (1769). See *ibid.*, 1:84-6.

¹⁷Cochran, "Business Revolution," 1456. See also Ronald E. Seavoy, *The Origins of the American Business Corporation, 1784-1855: Broadening the Concept of Public Service During Industrialization* (Westport: Greenwood Press, 1982).

corporations were chartered: no more than seven survived from before the Revolution. This was due to a number of factors: the absence of a British tradition of corporate business form, the colonial prejudice against the prominent examples of English business corporations, and the underdevelopment of the colonial economy. The most important reason was the last: because the colonies were dependent on the mother country, the requisite economic, social, and political conditions for widespread corporate development did not exist on this side of the Atlantic. The immature colonial economy did not require the pooling of economic resources to the extent that would be necessary a few decades later. Also colonial legislatures, still sensitive to the debacle of the South Sea Bubble, were leery of issuing corporate charters. This situation began to change near the end of the colonial period. An acceleration in the use of business corporations began which was to continue and expand after independence. Perhaps these nascent business corporations near the end of the colonial period are another indication of the extent to which the mother country and the colonies had drifted apart both economically and socially.¹⁸

Banks, as we know them today, did not exist during the colonial

¹⁸Davis, *Essays*, 2:328; 1:87-9. Simeon E. Baldwin, "American Business Corporations Before 1789," *American Historical Review* 8 (April 1903): 449-65. Robert A. East, "The Business Entrepreneur in a Changing Colonial Economy, 1763-1795," *Journal of Economic History* 6 (1946): 16-27.

period. There were no commercial banks, or offices of "discount and deposit" as contemporaries would have called them, until after the Revolution.¹⁹ However "land banks" were established in most of the American colonies during the first half of the eighteenth century. With the exception of two relatively short-lived private land banks, all of the banks that actually functioned were created and operated by the governments of the colonies. This is a further indication of the colonial preference for governmental rather than private solutions to public needs.²⁰

Unlike "money banks" which focused on mercantile credit, land banks loaned provincial paper money to individuals on the security of real and personal property. Since hard money was so scarce in the colonies, the hope was that paper currency lent by the land banks would facilitate trade and commerce. The land bank system, however, never met this expectation.

The land bank idea first was proposed in 1649 by William Potter of London. The idea soon reached New England, where John Winthrop,

¹⁹Davis, *Essays*, 2:34. East, "Business Entrepreneurs," 25. Hammond, *Banks and Politics*, 9-10.

²⁰As the next chapter will show, this preference continued after the Revolution. When the idea of a water company for New York City was first broached in the 1790s, most people expected a municipal rather than a private company. One of Aaron Burr's more interesting achievements was his convincing of a variety of prominent citizens from different political persuasions that a private company would better meet the needs of the populace.

Jr. and others became its ardent advocates. In 1682 the Reverend John Woodbridge of Newbury, following the lead of Potter and Winthrop, wrote a pamphlet advocating the establishment of a land bank in Massachusetts. The idea then spread to the rest of the colonies.

New York State had a land bank which was a corporate body. By its charter the directors of the bank were given powers to negotiate loans, ascertain the value of securities, receive and hold payments on loans, and sell mortgaged property when forfeited by default. The New York land bank made one issue of currency, in 1737. Despite the date proscribed in the original law for the retirement of the bills, the directors were allowed to postpone retirement for a number of years.²¹

Despite the general familiarity of the colonists with the corporate form and their specific experiences with corporations chartered on both sides of the Atlantic, the colonial era was a relatively quiet time for incorporation. After the Revolution, however, the new states increasingly issued corporate charters of all types. The break with Great Britain was economic and social, as well as political: a new structure had to be developed to meet the needs

²¹For additional information on land banks see Theodore Thayer, "The Land Bank System in the American Colonies," *Journal of Economic History* 13 (Spring 1953): 145-59. Also Redlich, *Molding*, 1:5-7, 24, 205.

of the states and nation. The widespread use of the corporate form for business and other purposes became a central part of this new structure.

The Confederation and Early National Periods

The movement toward widespread incorporation began during the revolutionary war. The necessity for large group enterprises to wage the war led Americans to consider all possibilities for collective effort.²² Though the exigencies of war prevented the immediate establishment of corporations, the foundation was set for rapid growth once peace was secured. This growth was seen first in the chartering of ecclesiastical and other non-business enterprises. Their successes eased the way for other types of corporations, especially those established for business purposes.²³

A key question involving the first few years after the Revolution is why the corporate form, rather than partnerships, gradually moved to the fore. Before answering that question, however, it would be wrong to imply that corporations completely replaced other forms of collective enterprise. For the next fifty years, each grant of incorporation still required a separate legislative act. Partnerships did not disappear; they continued to

²²East, "Business Entrepreneurs," 26.

²³Davis, *Essays*, 2:328-9.

exist side-by-side with corporations.

After the Revolution there was a gradual expansion of the corporate form in a nation newly freed from the constraints of an anti-corporate mother country. The interesting thing about this expansion over the next few decades is that there is little evidence of corporations *replacing* partnerships or other forms of organization. Rather, *new* enterprises were given corporate charters. The debate seldom was over whether corporations were usurping the role of partnerships; instead, the debate centered on which new projects should be granted the benefits of incorporation. This, ultimately, may be why corporations expanded after the war: the state legislatures were more willing to consider and authorize new projects.

During the Confederation, however, the actual number of corporations still remained small: the thirteen years of the Confederation resulted in the chartering of but twenty-one business corporations.²⁴ The explosion was to come between 1789 and 1800. In these years almost 280 business corporations were chartered in the United States. Though this number still may seem small by modern standards, it was a growth unprecedented either in the Mother Country or the colonies.²⁵

²⁴Baldwin, "American Business Corporations," 459.

²⁵Davis, *Essays*, 2:8.

Unfettered by Old World ties or constraints, after 1789 Americans embarked upon an experiment in business organization and public policy toward business enterprise. As Ronald Seavoy noted, during the 1790s "franchise corporations" emerged from "benevolent public service corporations."²⁶ The corporations chartered during this period were seen as delegations of state authority in specific areas. As such, there remained a public expectation that the corporations would serve the commonweal. The fact that the corporations also benefitted their investors apparently was not a great cause for public concern.

The franchise nature of business corporations is obvious in such enterprises as toll bridges, turnpikes, and canals. But even banks were considered to be franchise corporations, agents of public utility. This was because eighteenth and nineteenth century banks issued notes which served as currency for the local community and the nation at large. The existence of a bank in a region made it easier for merchants and others to conduct business. It was the function of note issue, therefore, that the legislatures franchised to different banks. This view that banks existed primarily to advance the common good survived for decades in the new republic, despite, as Fritz Redlich said, "much bitter experience" to the contrary.²⁷

²⁶Seavoy, *Origins*, 104.

²⁷Redlich, *Molding*, 1:7-8.

The first commercial bank chartered in the United States was the Bank of North America, which opened in Philadelphia in 1781.²⁸ This was a successful institution and the model for subsequent commercial banks in all states. In particular, four aspects of the history of the Bank of North America shed light upon the situation in early America and serve as precursors to the experience of the Manhattan Company.

First, the pressure to establish the bank came from a merchant community experiencing a lack of working capital. By pooling their resources, they hoped to formalize what previously had been individual, informal relationships. For some time it had been customary for a merchant with a temporary surplus of funds to make loans to other merchants for short periods of time. The Bank of North America now was to perform this function for the entire merchant community.²⁹

Second, opposition to the bank came not only from groups in

²⁸The best general discussions of the bank are: Janet Wilson, "The Bank of North America and Pennsylvania Politics, 1781-1787," *Pennsylvania Magazine of History and Biography*, 66 (1942): 3-28. F. Cyril James, "The Bank of North America and the Financial History of Philadelphia," *ibid.*, 64 (1940): 56-87. And George David Rappaport, "The Sources and Early Development of the Hostility to Banks in Early American Thought" (Ph.D. diss., New York University, 1970).

²⁹Joseph Edward Hedges, *Commercial Banking and the Stock Market Before 1863*, Johns Hopkins University Studies in Historical and Political Science, ser. 66, no. 1 (Baltimore: John Hopkins University Press, 1938), 15. Hammond, *Banks and Politics*, 76.

society with different credit requirements than the merchants, but also from those with different political leanings. In the former category were the agrarians, who had been supporters of Pennsylvania's land bank and who needed longer loans than the forty-five days customary in a merchant bank. In the latter category were the Democrats who made the crusade against the bank a plank in their political platform. Looked at in this way, the fight over the Bank of North America was an episode in the factional struggle between Democrats and Republicans in Pennsylvania.³⁰

Third, the nature of the bank's charter was crucial and became a source of some of the factional struggle. The founders of the Bank of North America originally requested a charter with no limit to the bank's capital and no expiration date. While the 1781 charter was perpetual, it limited the bank's capital to \$10 million. It also prevented the bank from engaging in trade, a common clause in corporate charters after the South Sea Bubble.³¹ The bank lost its charter for a short period of time, regaining a charter in 1787 when Republicans returned to power in Pennsylvania. The new charter, however, was markedly different from the original one. In addition to retaining the prohibition against commerce, it also limited the bank's capital to \$2 million and placed a fourteen year duration on

³⁰Rappaport, "Hostility," 244, 251.

³¹Ibid., 15, 24, 37.