

## CHAPTER 7

# A NATION DIVIDED

**T**HE SECESSION OF MOST SOUTHERN STATES DESTROYED A great body of credit, paralyzed many national industries, and threatened to wipe out banks large and small. While the Panic of 1860 took its toll, financial disaster was averted when New York banks combined their cash reserves in a common fund, equalizing the strength and dependability of all. They expanded credit and saved the day.

More than half the nation's male population worked in farming or a related industry. Far more capital was invested in land than industry. However, while farming remained the major vocation in Farmington, the community was taking on a more mechanized look. In Unionville, the census showed 22 factories with 407 employees.

Up until then, Farmington Savings had limited its advertising to a small line ad in *The Courant*. Now, to reach the working families, handbills were posted in Farmington and surrounding towns advertising the Bank's convenient morning, late afternoon and evening hours of operation.

When cannon roared at Fort Sumter, taking Americans into war against each other, Farmington Savings had 1,143 depositors with assets of more than a quarter million dollars. The Bank's surplus for 1861 was \$12,324 or an average of more than \$10 per depositor.

The call to war was answered by men from throughout the region. That April, a total of 94 men from Avon alone – 10 percent of the young town's population – answered President Lincoln's call for troops.

# FARMINGTON SAVINGS BANK.

**BUSINESS HOURS,** { FROM 8 to 12, A. M.  
" 4 to 8, P. M.

DEPOSITS draw Interest from the first day of the month next succeeding the date of the deposit. Any sum from One Dollar to One Thousand Dollars, is received from an individual in a year.

## THIS BANK

Has, for several years past, been paying Interest at the rate of

### SIX PER CENT.

Per Annum, payable semi-annually, and has a SURPLUS FUND, which is *constantly increasing*.

**JOHN T. NORTON, President.**

SAMUEL DEMING,  
IRA HADSELL,  
WILLIAM GAY,  
HENRY MYGATT, )

**DIRECTORS.**

{ FRANCIS W. COWLES,  
AUGUSTUS WARD,  
W. M. WADSWORTH,  
EDWARD TILLOTSON,

**SAMUEL S. COWLES, Treasurer.**

FARMINGTON, CONN., Feb. 1860.

STEAM PRESS OF BUSH BROS. 16 STATE ST., HARTFORD.

*By the end of our first decade of business, traditional line-classified in The Courant were being augmented by these flyers, posted in retail outlets, mills or handout by hired boys walking up and down local streets on sunny afternoons.*

The Bank did its part to support the Union by purchasing the first issue of U.S. Government Bonds. Patriotism alone, however, is never enough to shore up the financial markets. In the Panic of 1861, 12,000 firms failed and another 300 closed their doors in the first quarter of 1862.

As has been the case regarding all wars, this conflict, too, ultimately brought prosperity to industrial centers, as orders for all kinds and types of military stores poured in. The Panic of 1861 was short-lived. The following year, John T. Norton, who had served as Board president since 1853, was succeeded by Asahel Thomson.



Thomas Cowles  
*1851 Corporator*

The youngest of 10 children of veteran town merchant Zenas Cowles, he was born in 1809 and was an 1829 graduate of Yale College. A lawyer and farmer, he served a total of seven non-consecutive years in both houses of the state's General Assembly, beginning as Democrat in 1849 and ending up as a Republican in 1881. He resigned his Corporator seat in late 1853. He served seven years as Town Clerk. He resigned from the Bank Board on December 16, 1853. He left town for awhile to operate a business in Ohio, but returned home to become president of the Hartford Mutual Benefit Life Insurance Company from

1861 - 1868. He died in 1884 at age 75. Thomas was the father of Adm. William Sheffield Cowles, a brother-in-law to U. S. President Theodore Roosevelt.

Civil War bonds were paying up to seven and three tenths percent, a very healthy return in those days. When the Civil War began, paper currency was still valued at a “discount to distance” rate — the farther from the issuing state bank, the less its value. That changed with the National Currency Act of 1863, which created a new national currency issued by the federal government. Nicknamed “greenbacks” for their color, they could not be converted into specie, were accepted anywhere in the Union at full face value, and were supposed to be a temporary measure to stabilize the post-war economy.

Congress passed the National Bank Act in June 1864 allowing existing state banks to be reorganized as National Banks. Conversion was



*Reuben Norton built his small store at 32 Main Street in 1791. After 75 years of serving the retail needs of the community, it became in early 1865 the first permanent home of Farmington Savings Bank. We have operated our Bank on this site for the last 136 years. Photo circa 1880.*

speeded by the Fed levying a ten percent tax on all state bank notes issued after July 1, 1866. The first day, 1,634 state banks joined the national system and began issuing national bank notes.<sup>33</sup>

Connecticut families continued to be staunch supporters of the mutual savings bank concept. By the end of hostilities, the 49 mutual savings banks in Connecticut held \$29 million in deposits, more than ten percent of the \$243 million deposited in the entire nation. And, the average Connecticut account contained \$238, almost 60 percent higher than the \$152 national average.

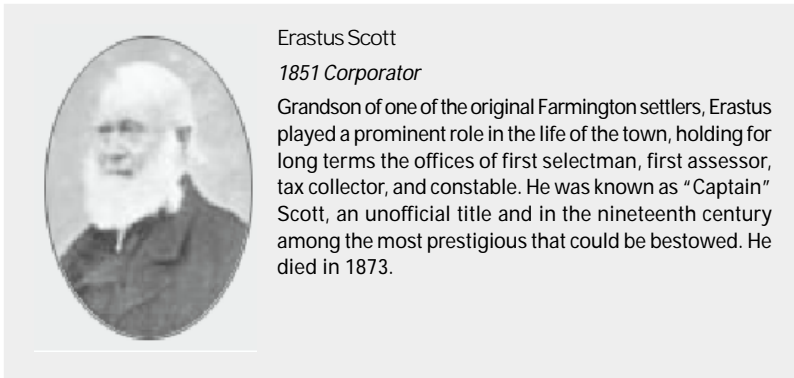
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<sup>33</sup>National banks had to secure the notes by depositing registered U.S. Bonds with the U.S. Treasurer. The banks still owned them and collected interest; the U.S. Comptroller of the Currency then issued notes up to 90 percent of their par value (raised to 100% in 1900). The banks received blank bank notes that, when signed by proper authorities, became promises to pay on demand and were then put in circulation.

When the (Civil) War of Secession ended in 1865, the national bank currency provided financial stability and confidence, without which the country's economic system could have collapsed in shambles.

Mutual banks in Connecticut had weathered well the storms of war. Connecticut had 49 mutual savings banks with \$29 million in deposits belonging to 122,000 depositors. Nationally, mutuals boasted deposits of \$243 million from 1.6 million depositors.

In solid shape and with the war over, the 14-year-old Farmington Savings Bank was quickly outgrowing its office in Cowles' home. In 1864, 13 years after its founding, the Bank's board authorized a site



committee to spend "up to \$1,200" to secure the building as its own.

Diagonally across from Samuel S. Cowles' home at 27 Main Street, was a small brick and brownstone store on a 24' by 46' plot of land. In 1791, Reuben Smith Norton had erected the building and ran a store there until his death in 1808, when the property was inherited by his son, Thomas Mather Norton, upon whose death a year later, was inherited by Thomas' sister Frances (Norton) Welles. By 1855, Mrs. Welles and her husband, Martin, were living in Wethersfield and the property was sold to John Thompson. Erastus Gay bought the building on January 12, 1865 and the same day sold it to the Farmington Savings Bank for \$1,100. The fledgling bank had its first permanent home.<sup>34</sup>

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<sup>34</sup>Just how permanent the move would be could not have been known then, but the Bank, as we now know, would not move more than a few feet for at least the next 136 years.

The new Bank headquarters, along with many beautiful and historic homes nearby, narrowly escaped disaster the following year. Farmington's Great Fire of 1866 saw many homes, barns and buildings destroyed just south of the new Bank. Flames took the Stone Store, site of the original Miss Porter's School, but the wind changed, sparing the northern stretch of Main Street.

Post-war America saw the steady success of the mutual savings bank concept and took it to heart — in droves. But like their commercial banking counterparts years before, mutual charters proved to be too easy to secure and the movement fell victim to opportunistic — or at least overly optimistic — endeavors. Charters were obtained by people lacking the conservative bent that had ensured success elsewhere, and many of the fledgling banks faltered, went bust and closed their doors.

Despite this series of public setbacks, the soundness of responsible mutual savings banks was once again proven — and again, sadly, it took a financial disaster to make the point.

The end of the Civil War saw renewed vigor in America's export markets, but they meant new ties to the international economy. The London Panic of 1866 sent new shock waves through the American stock market. By the following year, a number of private American commercial and discount banks had failed. Yet, once again, the mutual savings bank investment strategy — buying low-risk government bonds and securities — paid off. The vast majority of mutual banks and their depositors suffered no serious or lasting damage.

The following year, 1867, saw William Gay succeed Asahel Thompson as Bank board president. By then, Connecticut had fifty-eight mutual savings banks with 166,000 depositors and held assets of \$48 million, second highest in all of New England. Times seemed good again for everyone, and they were — for awhile. The early 1870's seemed full of promise for the entire western world.

Farmington Savings reported resources of \$862,584, including deposits that totaled \$817,043. While the bank was expanding, its prosperous host community continued to be carved up into smaller, separate communities.



William Gay  
1851 Corporator  
Board President  
*1867 - 1889*

Born in 1805, Deacon Gay served as town treasurer from 1845 until 1869. His 22-year tenure as Bank board president saw him steer us safely through the post-war boom of the 1860s, several national financial panics, the Industrial Revolution, and the growth of Unionville as an industrial and political presence. He remained our Bank board president until his death in 1889 at age 84.