THE ROLE OF COMMERCIAL BANKING IN THE COMMERCIAL
DEVELOPMENT OF CLEVELAND, OHIO, 1832 TO 1837

CYNTHIA M. LEWIS

On August 29, 1833 Truman P. Handy, Cashier placed the following order for a bank note plate for Cleveland’s Commercial Bank of Lake Erie with Draper, Underwood, Bold and Spencer of Philadelphia:

We wish very much to present a condensed view of our harbor and part of the town on the 5’s together with something like the life and bustle of business on our steamboats and wharves. I shall forward to you in a day or two a view which is now being made for this purpose and leave it very much to your good taste to arrange and decide.!

A vivid picture is brought to mind of steamboats and lake vessels bringing merchandise from the East to Cleveland’s wharves in exchange for the agricultural produce of the interior of the state. The merchandise was loaded into canal boats, but only after Cleveland’s wholesale merchants had retained a portion for sale in the surrounding community—the goods may have been purchased by consignment, or the merchant may have acted as an agent for one of his Eastern suppliers by selling goods to the retail merchants. The agricultural produce solicited from Ohio’s farmers by Cleveland’s forwarding and commission merchants was carried back to the East via Buffalo and the Erie Canal.

It is significant that a scene of trading activity appeared on the face of an 1830’s Cleveland bank note, because the primary activity of Cleveland during the 1830’s was domestic trade. The completion of the Erie canal in 1825 and the Ohio and Erie Canal (in its entirety) in 1832 established Cleveland as a center of the exchange of the agricultural products of the West for the manufactured goods of the East. Contemporary records indicate that the businessmen of Cleveland were engaged in distribution activity—they were forwarding and commission merchants, wholesale grocery, dry goods and hardware dealers, and retail store owners. Often they simultaneously conducted business in two or more of these areas. However, the distance between markets and the vastly increased number of people engaged in trade (Cleveland’s population increased from 600 in 1825 to 12,000 in 1838) created a critical need for credit facilities to provide capital and exchange services. This need became particularly urgent as the amount of imported Eastern goods exceeded the amount of agricultural products exported by the West. The business community needed a commercial bank. The logical assumption was to reorganize a commercial bank for which they already had a charter—the Commercial Bank of Lake Erie.

The contemporary records of the imports and exports handled at the port of Cleveland show that the city was a major exchange center between the East and the West, but that a major imbalance of trade existed. For example, in the year 1833, the dollar amount of imports was more than double the amount of exports at the port of Cleveland. Accordingly, the Cleveland merchants were heavily involved in the distribution of these imports. Contemporary advertisements reveal that their activities occurred on several levels. First, there were forwarding and commission merchants who purchased western and eastern goods for resale to wholesalers and retailers in other markets. Second, there were wholesale firms that received large amounts of goods from agents and commission merchants. Third, there were merchants who practiced wholesale and retail marketing of goods received from a combination of channels. Fourth, there were the retail distributors who specialized in one or two lines of goods for local distribution. Finally, it was not uncommon for a Cleveland merchant to combine two or more of these activities. For example, the following advertisement appeared in A Directory of the Cities of Cleveland and Ohio for the Years 1837-1838:

Ross & Leman—Wholesale and Retail Grocers and Provision Merchants. Soft and Ship Bread Bakers, Butchers, and Soap and Candle Manufacturers. Nos. 9, 10, and 11 Dock Street, Cleveland. Keep constantly on hand an extensive stock of Teas, . . . Rio and Laguira Coffee. Double and Single Refined Loaf, Brown and White Sugars, Old Wines and Liquors, Tobacco, and Seigars [sic], Spices, Preserves and Pickles, Bread, Biscuits, Cake and Crackers, Hams, Shoulders, Smoked Beef, Prime Fresh Beef, Veal, Mutton, and Pork, Salt Pork and Fish in Barrels, Butter, Lard, Cheese, Soap, Candles. SHIP, STEAM AND CANAL BOATS furnished with every article in the above line, at all times, on the shortest notice and most advantageous terms.!

The above advertisement is only one of many examples of the type of business transactions that characterized the period. Many of the items in the inventory kept by Ross & Leman were obviously imported eastern goods,
while the rest were items of western production. To distribute these goods in a profitable manner was a complex process that resulted in the creation of a whole new class of businessmen called middlemen that had special financial needs.4

The Commercial Bank of Lake Erie, authorized by a special act of the Ohio Legislature passed February 16, 1816, was Cleveland's first chartered bank.7 The directors and officers were all Cleveland citizens: Samuel Williamson, Philo Taylor, George Wallace, David Long, Erastus Miles, Seth Doan, Alfred Kelly (President) and Leonard Case (Cashier).4 The bank was in operation for slightly more than three years. Despite its failure in 1820, the bank's charter was still in effect for twenty-two more years, and elements within the business community engaged attorneys to resolve a dispute with the United States Treasury and pave the way for recharter 1832.9 The attorneys were successful. After various negotiations with the state legislature concerning the amount of capital, the bank was rechartered. Several of the bank's original founders were again serving as directors and officers, as were several businessmen directly engaged in domestic trade: Peter N. Weddell, Wholesale and Retail Merchant; Herman Oviatt, Wholesale and Retail Merchant; Charles M. Gidings, Forwarding and Commission Merchant; and John Blair, Produce and Commission Merchant.10 Even more significantly, a majority of the bank's customers were merchants involved in domestic trade. Of the 211 customer accounts listed in the Ledger Book of the Commercial Bank of Lake Erie, occupations for 90 of the account holders can be found in various contemporary sources. Of this number, 48 or fifty three percent were involved in domestic trade in some way.11

The bank facilitated domestic commerce by providing several services to the merchants. The bank took charge of collecting the promissory notes and bills of exchange issued by the merchants for the products that they bought or sold, freeing the merchants' capital and facilitating the exchange of goods. For example, on May 7, 1833, the bank discounted four bills of exchange totalling $15,000.00 for Norman C. Baldwin, a partner in the forwarding and commission house of Gidings, Baldwin and Company.12 The large dollar amounts of the bills, (three in the amount of $4,000.00 and one in the amount of $3,000.00) indicate that Baldwin may have been obtaining funds for bills of exchange drawn on eastern purchasers of western produce in order to obtain those goods from the individual farmers. The date of the exchanges is also revealing—the busiest seasons for domestic trade were early spring and late fall.13 Further study of the bank's discount ledger is equally revealing—fifty four percent of the accounts listed were involved in domestic trade, and eighteen of the nineteen firms outside of Cleveland listed as customers were located in eastern ports. This is strong evidence indicating that the bank's discount services were vital to the expanding trade between Cleveland and the east coast.14

Note circulation provided another financial service that contributed to the development of domestic trade. The stability and reputation of the bank afforded acceptability to its notes, which the bank paid out to its customers for the discounted notes, bills of exchange or direct loans to Cleveland wholesalers. The notes were then accepted by the local farmers for produce that they wanted to sell to the East. Cleveland retail merchants accepted the notes as payment for imported goods that they had either purchased directly from eastern suppliers (possibly with a promissory note or bill of exchange) or from Cleveland wholesalers. Eastern suppliers also accepted the notes, which were redeemable at several firms used by the Commercial Bank of Lake Erie to provide a clearing house for their notes in eastern ports. Handy, the cashier, deposited specie with such firms as John Ward and Company of New York to guarantee its notes. He negotiated similar arrangements with firms in Buffalo, Albany and New York—all cities on the Erie Canal trade route.15 Because of Handy's arrangements, Cleveland traders could negotiate business deals with confidence.

The deposit service of the Commercial Bank of Lake Erie was also heavily used, as evidenced by numerous entries in the Ledger. For example, on May 7, 1833 deposits to customer accounts involved in domestic trade totalled $2,448.95.14 Though the deposits were not categorized, Handy's records indicate that deposits were combinations of promissory notes, bills of exchange, direct loans, stock dividends, bank notes, specie and checks. Often the bank would pay the proceeds of loans, promissory notes and bills of exchange directly into the merchants' accounts. Additionally, the bank's acceptance and collection of bank notes freed the merchants from the responsibility of travelling to the issuing banks to collect specie for the notes. Though not widely used, checks on customer accounts facilitated trade, particularly on the local level by allowing goods to trade hands without the need for hard cash. For example, in the first quarter of 1833 alone, $7,009.59 in checks were debited to the account of Blair Wheeler and Company, a local Cleveland dry goods dealer.17 Payments for goods exported to the east were usually received in the form of commercial paper from eastern suppliers; the bank's deposit and exchange services allowed the Cleveland merchants to easily do business with the east. Change of ownership resulted from paper transactions.

Commercial banks like the Commercial Bank of Lake Erie played a vital role in the development and
growth of domestic trade in Cleveland by providing the necessary capital and exchange channels to expedite that trade. Motivated by their own commercial needs, the Cleveland business community created the credit facility that they needed and it in turn stimulated the growth of domestic commerce in the area—eventually becoming national in scope. As trade began to progress beyond local boundaries, the bank developed financial ties with parallel institutions in the east to allow the merchants to transcend regional limits. Its influence, combined with geographical location and technological progress, commercialized the economic environment of Cleveland in the 1830’s.

Notes

1"Letter Book," Commercial Bank of Lake Erie MSS, Western Reserve Historical Society, Cleveland, Ohio.


4The Cleveland Advertiser, 25 January 1831, p.3 and JOhn Barr, "Cleveland, Ohio--Western Reserve, Etc.," Fisher’s National Magazine and Industrial Record, II (December, 1945): 608-609 and Niles Weekly Register XLVI (August 9, 1834): 396.

5McCabe, Cleveland Directory, advertisement.

6Middlemen were not unique to the United States or the period; however, their existence was large scale for the first time in domestic trade during this period.

7"Letter Book," Commercial Bank of Lake Erie MSS.

8"Letter Book," Commercial Bank of Lake Erie MSS.


14"Ledger Book," Commercial Bank of Lake Erie MSS.

15Ibid.

16Ibid.

17"Letter Book," Commercial Bank of Lake Erie MSS.