The Structure of Early Banks in Southeastern New England: Some Social and Economic Implications

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In June of 1840 stockholders of the Pawtuxet Bank petitioned the Rhode Island General Assembly for permission to reduce its capitalization from $87,750 to $78,000, in order "to Cover the Losses Sustained by said Bank" as a result of the death of one of its directors, a man named John Pettis [15].[1] The bank in question was a small one. Chartered in 1814, it was located in the town of Warwick in the community of Pawtuxet, a small farming and manufacturing village in the hinterlands south of Providence. The directors of the bank were predominantly merchant-manufacturers, and most of the bank's funds had been loaned to them. For example, a list of discounts which has survived from the early 1840s shows that as much as 47 percent of the notes came from James Rhodes, the partnership J. Rhodes & Sons, and various enterprises associated with the partnership of C. & W. Rhodes. James Rhodes was president of the bank and a director. Christopher Rhodes, one of the partners in C. & W. Rhodes, was also a director. So, for a time, was the second partner, William Rhodes, until he resigned in 1829 to assume a position on the board of the Providence branch of the Second Bank of the United States.[2]

In the late 1830s, the bank had loaned lesser but still substantial sums of money to another of its directors, John Pettis. Pettis died in 1838 with notes worth $8,800 outstanding at the bank and endorsements amounting to at least another $1,500. Deaths were frequently a problem in the business world of early-nineteenth-century New England, because so few enterprises were incorporated. Death meant that the accounts of all the deceased's business ventures had to be completely settled, a process that sometimes resulted in insolvency, since merchants tended to overextend themselves, and their assets were often illiquid. In the case at

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[2] The list of discounts is for 20 December 1842. See [15; 18]. Rhodes family enterprises accounted for 50 percent of total notes on another list extant for 1 January 1845 [26].

hand, the settling-up process was compounded by the depression of 1839, and the bank lost $7,790 on Pettis's notes alone. This loss was not sufficiently large to cause the bank to fail. Nor did depositors or the bank's own noteholders suffer. Most (91 percent) of the bank's loans were backed by capital rather than notes or deposits, and the stockholders simply absorbed the loss. Hence the June 1840 petition to the General Assembly.[3]

I begin with the case of the Pawtuxet Bank because it illustrates so many characteristics of New England banks in the first half of the nineteenth century, especially in the southeastern part of the region. Like the Pawtuxet institution, many New England banks loaned the bulk of their resources to a relatively few people — mainly their own directors. As in the case of the Pawtuxet Bank, moreover, these concentrated loans were frequently a source of trouble whenever large borrowers died or experienced financial difficulties. Nonetheless, New England banks rarely failed, and depositors and the banks' noteholders rarely lost their money. Just as in the Pawtuxet case, stockholders typically absorbed any losses, since most of the banks' loanable resources came from sales of capital stock rather than notes or deposits. Indeed, New England banks should be viewed less as commercial banks in the conventional sense of the term than as pools of capital managed by, and in the interests of, the institutions' directors.

Historians who have studied early banking in the United States have missed this point because they have preoccupied themselves with evaluating the financial sector's performance from the perspective of modern theories of money and banking. Some have focused on the issue of safety [11; 17]; others have employed statistical criteria, such as reserve ratios, indexes of financial market integration and barriers to entry, and measures of the density and geographical dispersion of banking services, to appraise the efficiency of the system [10; 27; 33; 34]. From all these perspectives early New England banks performed remarkably well. Failures were relatively rare, as I have already mentioned. Reserve ratios were low, an indication of the essential soundness of the system. Markets were well integrated, and banks were numerous and geographically dispersed, insuring that most parts of the region had access to financial services. In addition, New England's rapid and successful industrialization attested to the strength and effectiveness of the region's banking sector.

Correct though this appraisal is, it missed a number of important issues. What specific banking structure produced these successful results? What was the connection between this structure and the peculiar commercial organization of New England's economy in the period when it first began to industrialize? Did this structure have implications that were not captured by the above tests — implications, for instance, for the allocation of capital among competing ventures or for the institutional configuration of enterprise? If so, what were the consequences for the future development of the region's economy? These are the sorts of questions that this paper aims to answer. I take as my starting point the

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[3]In 1843 the bank weathered another heavy loss when the estate of James Rhodes proved insolvent [15].

banking practices illustrated by the Pawtuxet example — in particular the customs of banking on capital stock and loaning large sums of money to directors. First I trace the origins of these practices, describe their most significant features, and then assess their implications for the region's subsequent development.

Banking got its start in New England with the chartering of the Massachusetts Bank in 1784 and the Providence Bank in 1791. The region's leading merchants had agitated for these charters, claiming that banks would bring society a variety of benefits:

> the promotion of punctuality in the performance of contracts, increasing the medium of trade, facilitating the payment of taxes, preventing the exportation of specie and furnishing for it a safe deposit, and by discounting rendering easy and expeditious the anticipation of funds on Lawful Interest, advancing at the same time the Interest of the Proprietors [13, p. 11].

The last named advantage was the key to the merchants' eagerness for banks. Since merchants in this period often had to extend credit at both ends of their business — to buy as well as sell goods — they were perpetually short of cash. By bringing the notes they accumulated to a bank for discount, merchants could exchange their IOUs for currency.

The problem was that the limited resources of the earliest banks confined this advantage to a relative few — primarily the region's most eminent merchants. The result, not surprisingly, was a demand for more banks. New England legislatures cautiously granted a few additional charters, mainly to other powerful merchants in the region's busiest ports, but the pressure for new banks, especially in outlying areas, continued to grow. Merchants who had already gained access to banks opposed additional charters out of fear that the new banks would lack restraint, issue excessive quantities of bank notes, and cause the currency to depreciate [36]. But they were able to do no more than occasionally delay the issuance of charters. The number of banks in New England rose from 1 in 1790 to 17 in 1800 to 52 in 1810, and it continued to increase rapidly thereafter. In Rhode Island alone there were 43 banks by 1825, 61 by 1835, and 92 by 1855 [10; 28].

Early banks in New England, as elsewhere, made two basic types of loans. A large part of their business consisted of discounts of "real paper" — promissory notes or bills of exchange generated in actual business transactions. Banks also discounted what was called "accommodation paper." These loans did not originate in any particular business transaction but were simply advances of capital, often for investment purposes. Sometimes accommodation loans were made on the security of a physical asset, but at other times they were made, like discounts of "real paper," on the personal security of two signatories: a principal and an endorser. Accommodation loans, like discounts, were granted for short periods of time — often as little as sixty days. The difference was that they were granted with the understanding that they would be renewed regularly [10; 17].

Early banks did not employ professional loan officers to evaluate the credit worthiness of their customers. The bank's board of directors, or a subcommittee thereof, made all the decisions. These gentlemen assembled at their banking quarters once or twice each week at a regularly appointed time and together evaluated the paper that had been offered for discount.

Unfortunately, there are no records of these deliberations. But records do exist, for some banks, of the outcome of the meetings — the loans actually granted by the directors. Working backwards from these documents, it appears that the lending policies of the discount committees varied from one institution to another, depending on the interests of the bank's directors and, especially, the extent to which the directors' interests were interrelated. Where the interests of those who controlled the bank were diverse, so too were the bank's lending policies. For example, discount books for the North Kingstown Bank in Rhode Island show that, as of 1 March 1845, the bank's largest single borrower, a manufacturer by the name of Joseph C. Sanford, accounted for at most 17 percent of the bank's total discounts. Another 25 percent involved the business interests of William Holloway, Jr., a navigator, and Eliphalet Young and George T. Nichols, both shopkeepers. Each of the three had invested in the coasting trade, and they occasionally endorsed one another's notes. The rest were the obligations of a variety of smaller borrowers, including farmers as well as manufacturers and shopkeepers, no one of whom accounted for more than 8 percent of total discounts [14].

In other instances, where those who controlled the bank had interrelated business interests, loans might be considerably more concentrated. We have already seen this situation in the case of the Pawtuxet Bank. At another Rhode Island institution, the Wakefield Bank, the intertwined obligations of just two manufacturers, Samuel Rodman and Isaac P. Hazard, accounted for 54 percent of the discounts outstanding as of 1 March 1845. Notes involving members of three families with overlapping concerns (the Rodmans, the Hazards, and another family by name of Robinson) together accounted for a whopping 84 percent of the bank's total [35].[4] Similarly, at the Sutton Bank in southern Massachusetts, notes involving the interrelated textile interests of the Wilkinsons, Slaters, and their business associates amounted to 88 percent of the bank's loans as of 30 September 1829 [30]. These borrowers had so completely monopolized the bank's resources that little remained for others in need of credit. In March 1829, for example, the bank received applications for discounts totaling $10,210.36, but approved only a quarter of this amount. At a time when the Wilkinsons and their endorsers owed the bank more than $80,000, most of the rest of the notes were not denied for lack of credit worthiness, but instead were marked "laid over" for lack of funds [29].

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[4]These figures are, if anything, underestimates. The bank's records show that there were additional notes outstanding to these families that were marked as paid (because of renewal) before 1 March 1845, but which were not actually renewed until a later date.

So pervasive was this practice of concentrated loans that the Rhode Island Banking Commissioners who investigated the situation in 1836 concluded that, though

> it was [not] originally intended or expected that banks would be devoted chiefly to supplying the wants of those who managed them..., [there has been] an almost uniform departure from the original design of banks in this respect.... If the wants of [a director] and his associate directors are large, there will be of course little left for those without the board. And so in many instances banks have become to a considerable extent mere engines to supply the directors with money.[5]

The interrelated business interests behind these concentrated loans were not simply a matter of historical coincidence. Since the seventeenth century, New England merchants had operated through complex webs of partnerships and financial alliances, typically cemented by ties of kinship and marriage [2; 6]. With the multiplication of charters in the early nineteenth century these alliances had simply embodied themselves in banks. Thus the group of merchants who were affiliated with the Brown and Ives families dominated the Providence Bank from its inception in 1791 [12], while the Browns' arch rivals, the DeWolfs and their associates, controlled at least six smaller banks in Bristol, Rhode Island [22, p. 32; 23, pp. 67-69, 71, 74, 80].[6] Lesser merchants also formed alliances that were formalized through banking institutions. For example, the American Bank of Providence was controlled by a group of merchant-manufacturers connected in various ways to Henry P. Franklin, a textile producer who served as president of the bank from its formation in 1833 until his death in 1849. Other long-term directors included Amos D. Smith, who married Franklin's daughter and joined with him and his son in a series of textile-mill ventures; John Waterman, Franklin's nephew and occasional business partner; and Shubael Hutchins, a prominent merchant whose partner, Edward A. Green, was Amos D. Smith's son-in-law [1; 4, Vol. 1, pp. 213-14, Vol. 2, pp. 311-12; 9, pp. 128-29, 136]. Another coterie within this same bank, which sometimes allied itself with the Franklin group and sometimes (usually unsuccessfully) opposed it, revolved around the textile-mill enterprises of Stephen Harris, Elisha Harris, and Resolved Waterman. This subgroup also controlled the Centreville Bank in Warwick, Rhode Island [1; 3; 4, Vol. 1, pp. 221-22, 237; 8, pp. 62, 67; 9, pp. 43, 77, 229].

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[5] At two of the banks the Commissioners visited, one half of the total amount loaned out had been discounted "for the accommodation of the directors, and of copartnerships of which they were members." At a third, the proportion was three-fifths [20, pp. 89-92].

[6] Five of these banks suffered heavy losses (amounting individually to 59 percent, 54 percent, 53 percent, 29 percent, and 14 percent of their capital) when George DeWolf and a group of his endorsers failed in 1826.

Initially, members of these alliances of merchant-manufacturers were the heaviest investors in the banks they controlled. For instance, even though stock in the Providence Bank was oversubscribed and had to be rationed, the Browns emerged with a majority of the bank's 450 shares [12]. In the case of the Mount Hope Bank in Bristol, Rhode Island, the DeWolf family accounted for 60 percent of the original stock issue, while other directors purchased an additional 36 percent [22, p. 32]. Hence, when these merchants borrowed money from the banks they controlled, they were to a great extent merely withdrawing their own funds.[7] At the Sutton Bank in Massachusetts, for example, the alliance surrounding the Wilkinson family not only borrowed 88 percent of the bank's loanable funds, but also put up 88 percent of its capital, which in turn constituted 76 percent of the bank's entire resources [31; 32].

Such heavy investments were not required for the purpose of control, since bank charters typically placed severe limitations on the number of votes large stockholders could exercise. The actual motive appears to have been a need for liquidity. Fractional reserve banking enabled merchant manufacturers to transform whatever specie they left in the bank into a much greater amount of currency, currency which in turn could be borrowed. Some idea of the magnitude of this advantage can be gauged from the following expansion ratio, suggested by J. Van Fenstermaker:

E = (deposits + notes in circulation + sums due to other banks)/(specie + notes of other banks + sums due from other banks).

For Rhode Island banks in the mid-1830s this averaged 3.35. In other words, investment in bank stock could expand a merchant's monetary resources by more than a factor of three [10, pp. 68-74].[8]

A glance at the accompanying balance sheet for Rhode Island banks in 1835 (see Appendix) shows, however, that note issues constituted only a small proportion (13 percent) of the banks' liabilities. This fact, plus the combination of heavy stock purchases and massive loans involving the same

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[7] Since dividend payments on the stock virtually offset any interest charges on the loans, the transaction cost investors relatively little. The discount rate was fixed by law at 6 percent (about 6.4 percent interest), though extra charges were typically levied on bills of exchange from outside the state. Dividend rates for Rhode Island banks averaged 6 percent in 1845, while the internal records of scattered banks show that dividends of this or higher rates were common for most years [7; 18; 28].

[8] As Fenstermaker has noted, interbank balances would today be excluded from such a ratio. For the early nineteenth century, however, exclusion is impossible because bank statements did not always distinguish this category. Moreover, some of the balances consisted of deposits at the Second Bank of the United States (and at a few large city banks) that actually functioned as reserves. The expansion ratio for Rhode Island was calculated from data in [28, pp. 60-61].

people, has led some scholars to conclude that the capital invested in New England banks was largely fictitious — that is, it was paid in only to satisfy legal requirements and then immediately withdrawn [10; 27; 28]. While this inference is perhaps valid for some banks, especially in the early period, as a general conclusion it is, in my opinion, a mistake, since the uses to which merchant-manufacturers put their banks shifted over time in an important way. While expansion of monetary resources may have been the initial reason for organizing banks, members of commercial and manufacturing alliances quickly realized that banks could also serve as important tools for raising capital from outside their own networks. Hence, over the years the capitalization of these banks increased steadily, while the proportion of stock held by alliance members simultaneously declined.[9]

When the American Bank of Providence was chartered in 1833, for example, it issued only $193,000 of its authorized capital stock of $500,000. Two years later, however, the bank's stockholders voted to increase its capitalization to $300,000. In 1839 they voted to raise it once more, this time to $400,000, and again in 1845 to $500,000. In 1851 the stockholders petitioned the Rhode Island General Assembly for permission to increase the bank's authorized capital to $1,000,000, and state banking records indicate that a mere four years later American's paid-in stock amounted to $983,750. The bank's stockholders thereupon submitted another petition to the legislature — this time for a $1,000,000 increase [1; 25].

At the time of the American Bank's formation, its controlling group of merchant-manufacturers (including both the Franklin and Harris contingents) accounted for approximately 55 percent of the bank's stock. But it is likely that this percentage declined over time. While in 1835 the stockholders mandated that the first increase in capital was to be raised by an assessment on their shares, subsequently they specified that increases were to be effected by the creation of new stock, to be disposed of by the directors at a predetermined price "as it may be wanted." And wanted the stock clearly was, though records of who bought how much are unfortunately not available. Minutes of directors' meetings for the American Bank indicate, however, that large blocks of stock were purchased by the American Insurance Company, the Roger Williams Insurance Company, and the Manufacturers Mutual Fire Insurance Company [1]. Furthermore, scattered information from a variety of sources shows that, in addition to insurance companies, charitable associations and savings institutions were also significant investors in bank stock, as were (on a less grandiose scale) many ordinary citizens seeking to provide for the future needs of their wives and children [16; 24, p. 87; 25]. In this manner banks truly became "engines to supply the directors with money."

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[9] Theoretically, the alliances could raise capital through their banks in three ways: by attracting deposits; by issuing currency; or by selling stock. The first option was little used in this period, while the second was severely limited by the Suffolk system and, perhaps, also by the market's ability to absorb note issues. On the Suffolk system, see [11; 17; 28].

This development had a number of important implications. In the first place, not all banks were equally well situated to attract investment. Those whose directors sat on the boards of insurance companies and other capital-accumulating institutions such as charitable associations could use their connections to gain access to funds. Thus the Providence Insurance Company, controlled by the Browns, was by 1814 the largest stockholder of the Providence Bank; the Rhode Island Insurance Company, chartered in 1803 in conjunction with the Newport Bank, purchased half the latter's stock; and the Washington Insurance Company, whose investors secured a charter for the Exchange Bank in 1801, was owned and operated in tandem with that institution [28]. Similarly, James Rhodes used his position as president of the Rhode Island Society for the Encouragement of Domestic Industry to secure an investment of 600 shares in his Pawtuxet Bank's stock, an investment which constituted a full 25 percent of the Bank's capitalization [15].

Savings institutions, moreover, were frequently incorporated by the directors of important commercial banks. Run in conjunction with these banks, often sharing both headquarters and officers, savings institutions could, by charter, invest their deposits in mortgages, personal securities, and the stocks of other corporations. I have not yet been able to learn much about investment in mortgages, but scattered evidence suggests that savings institutions heavily favored the personal securities of their directors, just as commercial banks did.[10] As for bank stocks, state records indicate that by 1855 savings institutions accounted for 4 percent of the banking capital in Rhode Island. Just four banks obtained fully 45 percent of this investment, while 46 banks (out of a total of 92) received nothing at all [25].

Finally, banks whose directors were leading merchants and respected public figures found it easier to raise capital than those whose directors were less eminent, because the former were better able to inspire the confidence of small investors. It was for this reason that the Pawtuxet Bank secured the services on its board of John Brown Francis, grandson and ward of Providence merchant John Brown, and governor of Rhode Island from 1833 to 1838 [4, Vol. 1, p. 231].

The relative difficulty in raising capital experienced by small banks whose directors were neither well-connected nor eminent is apparent in their petitions to the Rhode Island General Assembly requesting authority to halve the value of each share of their stock. By reducing the price of a share from, say, $50 to $25, these banks hoped to increase their attractiveness to small investors [see, for example, 19, p. 54; and 21, p. 8]. The disadvantage they labored under is also reflected in the concentration of capital among the largest banks in the state. Despite the multiplication of country banks, Rhode Island's six most prominent institutions — the top 10 percent of banks — still controlled 34 percent

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[10]See, for example, loose notes in the Wakefield Bank collection at the Rhode Island Historical Society. That the practice was common is suggested by charter provisions that granted savings institutions limited liability except where loans to directors were concerned.

of the state's banking capital in 1835, a degree of inequality that was maintained at least until the Civil War. Moreover, this figure grossly understates the true extent of the concentration of capital: rather than increase the number of shares indefinitely and risk losing control of their institutions, most alliances of merchant-manufacturers preferred to found new banks to raise additional funds. Thus, when the Sprague family empire collapsed after the Panic of 1873, three banks suffered severe losses (the Globe National Bank reduced its capital from $600,000 to $300,000, the First National Bank from $600,000 to $100,000, and the Second National Bank from $500,000 to $300,000) and two savings institutions failed [28].

The use of banks by alliances of merchant-manufacturers to raise capital for their ventures may also explain why independent manufacturing corporations appear to have had difficulty raising capital in southeastern New England in the antebellum period [6]. Not only were manufacturing corporations relatively risky compared to banks, which loaned on the basis of the diverse portfolios of their controlling merchant-manufacturers, but the former also had to plow back their profits into improved plant and equipment. As a result, they could not afford the high, steady dividends that banks could pay. One reason the American Bank was so successful in raising capital, for example, was its average dividend rate of 6.2 percent over the entire period 1834 to 1859 [1]. Not surprisingly, savers looking for a safe investment for their funds chose banks over other types of corporations: nonbanking securities accounted for only 2 percent of the holdings of savings institutions in 1855, for instance, and most of this involved investments in transportation enterprises [25].

Of course, much of this banking capital ultimately found its way into the manufacturing sector — both in the form of short-term loans on real paper and long-term loans on accommodation paper.[11] But the point is that this system gave banks, especially a few leading banks, a greater role in the process of industrialization than they otherwise might have had. Since their role was in turn shaped by the alliances of merchant-manufacturers that had created the banks in the first place, the net effect of this arrangement was to perpetuate a pre-industrial system of business relations into the manufacturing age.

Well-suited to the commercial world of the eighteenth century, the alliance system had enabled merchants to raise capital in amounts substantial for the time as well as to reduce the risks of doing business. Rather than gamble a major part of his fortune on a single venture, a merchant would apportion his funds among a number of different investments, calling upon other members of the alliance to put up the additional capital required for each enterprise. Within the stability of these business relations enhanced by ties of kinship and marriage, this system enabled a merchant to weather most of the exigencies of the commercial economy and, at the same time, to respond flexibly to new opportunities.

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[11] If one considers all notes that were renewed to be accommodation paper, this type of loan accounted for as much as half of a bank's total discounts [see, for example, 14; 35].

In an industrial economy, however, this system suffered from two major disadvantages that, theoretically at least, should have brought about its demise. First, the system limited the sources of capital accumulation mainly to members of the alliance itself, making it difficult to raise the sums necessary for financing large industrial enterprises. Second, the life expectancy of the economic units — partnerships and single-proprietor firms — that made up the alliances tended to be brief. The transitory nature of these business relationships had not been a problem when most ventures were concluded with the return of an ocean-going ship, but it became a definite liability once long-term investments in manufacturing came to dominate merchants' portfolios.

We have already seen how the alliances solved the first problem — insufficient capital accumulation — by embodying themselves in banks. Banking institutions also helped solve the second problem — lack of organizational continuity—by clothing the alliances in corporate form. Notes exchanged among the individual proprietorships and partnerships that made up an alliance could be transferred to a bank through the discount process. In the event of a firm's dissolution — through death, failure, or some other cause — the settling of accounts would take place within the banking institution itself. Moreover, in the event of a deficiency, the alliance as a body would absorb the loss through the agency of the bank — just as occurred in the Pawtuxet example.[12]

By ridding the alliance system of its major disadvantages, banks facilitated its survival into the industrial age — and along with it a number of business forms and practices that were vestiges of the pre-industrial era. Businesses in southeastern New England, for example, were slow to adopt the corporate form of organization and even slower to accept limited liability provisions in corporate charters, which violated the merchants' unwritten code of financial responsibility [6]. As late as the 1870s and 1880s, R. G. Dun credit records show that the stockholders of many Rhode Island corporations were still individually liable for the debts of their businesses. Since firms with limited liability found it more difficult to obtain credit than those without it, this practice may have further retarded direct investment in manufacturing.[13]

Another significant holdover from the preindustrial age was the merchant-manufacturers' practice of diversifying their investments, including the habit of distributing their capital among a number of factories of the same type, as if they were investing in ships. The result was a highly decentralized and vertically disintegrated system of production that proved difficult to manage. The Brown and Ives group, for example, found it

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[12] As the capitalization of banks increased and the proportion of stock held by alliance members correspondingly declined, the losses were borne to an ever greater extent by innocent stockholders. The need to protect this group -- and not so much the public in general -- was what shaped the system of banking regulation that emerged in New England in the antebellum period.

[13] The R. G. Dun credit ratings clearly communicate a preference for unlimited liability.

necessary to organize the Goddard Brothers partnership, a managerial consulting firm, to assert control over their far-flung textile empire, reduce competition among their own enterprises, and improve efficiency in the acquisition of raw materials and distribution of final products [12].

Despite these atavisms, the alliance system undoubtedly contributed to the rapid development of the New England economy in the first half of the nineteenth century. The diversified interests in manufacturing, commerce, transportation, and even real estate speculation that the alliances pursued through their banks permitted these institutions to pay high and steady dividends and thereby draw out the economy's savings in a way that individual manufacturing enterprises could never have done. But one might question whether the alliance system was quite so beneficial to the economy over the long run. Did the persistence of these pre-industrial business practices ultimately weaken the region's major industry — textiles — by reducing its ability to respond to external competition? Did the alliance system foster the continued economic dominance of a group that eventually lost its entrepreneurial energy? Did it block from access to capital new entrepreneurs with new ideas who could have reduced the region's fatal dependence on textiles? Economists studying modern regional development have hypothesized that localities dominated by large oligopolistic enterprises are less likely to develop healthy diversified economies than those with competitive industries. In particular, regions with the former type of economic structure are less likely to produce and attract new entrepreneurs in significant numbers, mainly because the presence of large firms restricts the capital available to newcomers, while the social prominence of their executives limits the social status to which the up and coming can aspire [see especially 5]. Reading this literature, one cannot help but wonder whether the alliances of merchant-manufacturers had much the same effect on New England's economy by the late nineteenth century — whether the social and economic dominance of these groups dampened both opportunities for new enterprise and the entrepreneurial spirit in the region.

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Appendix
Composite Balance Sheet for Banks in Rhode Island in 1835

<u>Assets</u>	
Debts due to bank	$11,085,543
Specie	566,416
Bills of other banks	379,618
Deposits in other banks	290,290
Stock holdings	149,752
Real estate and other property	189,759
	$12,661,378
<u>Liabilities</u>	
Capital stock	8,750,581
Deposits	1,696,928
Debts due from bank	189,487
Currency	1,644,290
Surplus	380,092
	$12,661,378

Source: Rhode Island, General Assembly, "Abstract of the Returns of the Several Banks in this State," <u>Acts and Resolves</u> (October 1835).