

The Failure of the Farmers and Drovers National Bank of Waynesburg, Pennsylvania

IN Greene County homes, the Farmers and Drovers National Bank was synonymous with “stability and strength.”¹ Chartered as a state bank in 1835, the “Old Bank,” as it was known to many of its patrons, successfully rode out the financial panics of those early years and was granted a “Certificate of Organization as a national bank in 1865.² For the remainder of the nineteenth century, the bank, under the guidance of such able administrators as Charles A. Black, president of the institution when it became a national association, continued to develop and provide a firm economic basis for the torpescent industrial growth of the county. Starting in 1865 with a capital stock of \$150,000, the bank continued to accumulate wealth until an examiner’s report in July 1903 showed a total resource value of over \$1,500,000.³ While all the other banks in Greene County collapsed in the depression years of the 1870s, the Farmers and Drovers National Bank “never suspended specie payment and never failed to pay demands upon it.”⁴ “It was one of the few banks that stood the crash in Western Pennsylvania.”⁵ In the late nineteenth century, when Waynesburg and Greene County experienced a “boom” due to an increased demand for the region’s rich deposits of oil and gas, the directors of the bank became instru-

¹ “Special Illustrated Trade and Industrial Edition,” *The Waynesburg Semi-Weekly Messenger*, Nov. 24, 1903, p. 13.

² “Certificate of Organization of the Farmers and Drovers National Bank of Waynesburg,” Jan. 30, 1865, General Records of the Office of the Comptroller of the Currency, Organization and Liquidation Files #839, Record Group 101, National Archives (NA).

³ “Certificate of Organization” and “Examiners Report of the Farmers and Drovers National Bank,” July 29, 1903, National Bank Examiners File #839, RG 101, NA.

⁴ *Waynesburg Messenger*, Nov. 24, 1903, p. 13.

⁵ *Ibid.*

mental in acquiring outside money for Greene County development. Industrialists, as well as farmers, became patrons. Many of the directors were members of firmly established Waynesburg families whose fathers had been lawyers and state politicians for generations. Only a handful of them, like cashier J. B. F. Rinehart, were members of Greene County's *nouveaux riche*. Since the bank had long played an integral role in the county's economic development, it is little wonder that the area's residents placed a tremendous amount of trust in its administrators. Many believed that the institution's banking methods were "decidedly modern and progressive."⁶ According to the *Waynesburg Messenger* in 1903, the Farmers and Drovers National Bank was the most respected financial institution in the county.⁷

On December 12, 1906, however, the doors of the Farmers and Drovers National Bank were closed,⁸ and Greene County entered an economic depression from which it did not fully recover for at least a decade. The failure of the bank caused the collapse of a great many local fortunes. While Pittsburgh investors continued to buy Greene County coal, the closure of the area's largest bank may have destroyed the confidence of local investors in the county's economic development. Except for a few mines, such as one at Mather, and one railroad, linking Waynesburg with the Monongahela river, industrial development in Greene County was drastically retarded.⁹ By the turn of the century, the region had been beginning to realize its economic growth potential. At the rate that it was developing in the early 1900s, with the establishment of secondary industries like the Waynesburg Tin Mill and the shovel factory and the interest shown in the county by coal developers like Frick and other nationally known financiers,¹⁰ it is conceivable that Greene County could have reached a level of economic development on par with

⁶ *Ibid.*

⁷ *Ibid.*

⁸ "Notice of Insolvency of the Farmers and Drovers National Bank," Organization and Liquidation Files #839, RG 101, NA.

⁹ On the industrial development of Greene County following the Farmers and Drovers National Bank failure see Thomas Pavick, "Economic Development in Greene County, Pennsylvania, 1880-1930," *Coal and Rural America*, Jerry Beasley, ed., (Waynesburg, Pa., 1978), 15-21.

¹⁰ *Ibid.*

Washington and Fayette counties within a short period of time. If the advantages brought to the county by the discovery of oil and gas in the late nineteenth century could have been coupled with sound investment practices, then Greene County might have entered the middle of the twentieth century as one of the richest in the state. When the Farmers and Drovers National Bank failed, the county's future may have been drastically altered.

Responsibility for this turn of events must rest with the directors of the bank.¹¹ These men were, for the most part, Waynesburg's most capable lawyers and businessmen. Yet, in a few short years, they permitted a sound, essential business to deteriorate to the point that the Office of the Comptroller of the Currency in Washington was forced to declare the bank insolvent. The reasons for this deterioration were varied. Essentially, the failure must be blamed on conscious, deliberate acts by high-ranking bank officials, particularly James B. F. Rinehart. These men became involved in the economic furor that was sweeping the county. Rinehart saw great opportunities for accumulating wealth in the monetary upsurge experienced by the region as a result of increasing interest in its coal reserves. It was therefore the bank's involvement in illegal and immoral practices, coupled with its connections in local, state, and even national politics which helped to bring about its downfall. Rinehart and his friends had sought to use the bank's wealth and power for their own interests. When their intricate and delicate system was unbalanced by the economic slump experienced by the whole country in the early years of the twentieth century, they were unable to keep the bank solvent. The federal bank examiners found the cash reserve continually deficient, despite all warnings, and they were left no choice but to close the bank. The county, as well as those men directly responsible, suffered dearly.

¹¹ According to a bank examiner's report made on Dec. 12, 1906, the following stockholders held positions on the bank's Board of Directors: D. S. Walton, G. W. Gordon, J. B. F. Rinehart, C. H. Bowlby, James L. Iams, W. H. Bailey, L. W. Meek, George N. Rinehart, James Inghram, Samuel Harvey, and George H. Moredock. Contemporary newspapers suggest that Rinehart, Walton, Gordon, Iams, George Rinehart and Inghram were the primary board members who collaborated in illicit activities which eventually led to the failure of the bank. In addition to these men, the names of several other prominent Waynesburg businessmen and lawyers may be suggested. These include George F. Auld, J. F. Tilton, J. K. Lapping, Sherman F. Grim, Robert W. Munnell, J. B. Donley and Challon W. Waychoff.

Rinehart was the active manager of the bank.¹² As cashier and vice-president, he had great influence on its daily operations. He had started his career as a school teacher. Being a relative of some of the members of the bank's board of directors, he was later able to secure a position as a clerk in 1889, drawing a salary of twenty-five dollars a month. In 1895 he was promoted to the office of cashier.¹³ One of his friends, whose name was withheld by *The Pittsburgh Leader*, reflecting on the matter, remembered that he then immediately began to show signs of wealth. He "became a jolly fellow and spendthrift among the younger element in the town,"¹⁴ gathering a large following about himself. As his success grew, he became a respected member of the community. His practice of extending loans to needy farmers had endeared him to the residents of the town and the patrons of the bank.¹⁵ Although he "played fast and loose with his friends, giving many of them the double cross,"¹⁶ he was always "Frank Rinehart" to anyone who was in need. While the examination into the affairs of the bank was being carried out, *The Pittsburgh Leader* commented on this phenomenon:

The strangest thing in all is, that the good people of Waynesburg cannot and will not credit it. The deposed cashier, Rinehart, is one of them. He has grown up with them and among them and he has been a great success, as far as the world counts success. Venture after venture brought gold to his coffers, and they had seen the gold. Election after election had brought prestige to him as a politician; and he was regarded as not the "boss," for he does not need to use such methods, but as the ruler presiding over the destinies and affairs of the people on the earth of Greene county, and the minerals under the earth of Greene county.

It was just when he had reached the acme of his position . . . that the bolt from the blue was shot. Immediately every one, or nearly everyone, stood up and was counted for Rinehart. It was at once concluded that it was not the methods of the bank that were being attacked, but it was their model for the other young men of the borough; their example for other men throughout the country to follow if they would be successful; that it

¹² *Waynesburg Messenger*, Nov. 24, 1903, p. 13.

¹³ *The Pittsburgh Leader*, Aug. 26, 1908, p. 2

¹⁴ *Ibid.*

¹⁵ Rinehart's memory is still highly respected by many of the older residents of Greene County. This was verified in an interview with J. Harold Jacobs, a retired Waynesburg architect, on Mar. 15, 1979.

¹⁶ *Pittsburgh Leader*, Aug. 26, 1908, p. 2.

was "Frank" or "Frank Rinehart" as he is endearingly termed by every one, that was being made the target for the poisoned arrows of the comptroller.¹⁷

Even Judge F. F. Oldham, the Pittsburgh magistrate who accompanied the bank examiner, John B. Cunningham, when he closed the bank, commented that "Rinehart is a good-natured, amiable fellow with a host of friends"; but he was quick to add that Rinehart "is an utter stranger to the truth."¹⁸

By 1903, Rinehart had been in full control of the bank's daily operations. A Greene County newspaper noted, in a special supplement that year, that Rinehart was "the executive head of the bank." The directors gave him a "free hand" in running the affairs of the institution.¹⁹ As a result, "His popularity is reflected in the bank's popularity. His methods determine the bank's policy. His influence reaches to the outward bounds of the county . . ."²⁰ Rinehart's career brought him to the attention of other, larger, banks, and several city banks in Pittsburgh offered him jobs.²¹ His main interest, however, always remained in Greene County. Although he had a few shares of stock in the Colonial National Bank of Pittsburgh and the Fourth Street National Bank of Philadelphia,²² by September 1906 Rinehart, his relatives, and his business associates, such as the retired congressman J. B. Donley, who served with Rinehart as an administrator of the Bonar Land Company, controlled well over half of the 2,000 shares of the total available Farmers and Drovers National Bank stock.²³ Rinehart, himself, owned more than 650 shares.²⁴ As his interests in the bank grew, Rinehart developed

¹⁷ *Ibid.*, Dec. 23, 1906, p. 1

¹⁸ F. F. Oldham to William B. Ridgely, Dec. 13, 1906, Box 27-202, "Records of the Receiver of the Farmers and Drovers National Bank," Insolvent National Bank Files #501, RG 101, NA.

¹⁹ *Waynesburg Messenger*, Nov. 24, 1903, p. 13.

²⁰ *Ibid.*

²¹ *Ibid.*

²² *Ibid.*

²³ See the list of stockholders contained in the petition for "Re-extension of the Charter of the Farmers and Drovers National Bank," Jan. 5, 1905, Organization and Liquidation Files #839, RG 101, NA.

²⁴ "Liabilities of Officers and Directors," Condition Statement of the Farmers and Drovers National Bank, Sept. 4, 1906, National Bank Correspondence File #839, RG 101, NA.

economic power through other business ventures. His entire estate and his political influence, however, rested on his ability to control the bank's financial resources. Oldham, a shrewd judge of character, stated:

He has run the bank to suit himself always. The change in his official title from "Cashier" to "Vice President" didn't change the nature of his authority in the least. By a resolution of the Board of Directors Sept. 7th, 1905, the President, Vice President and Cashier were *each* authorized to borrow and rediscount to the amount of \$100,000.00.

This was all the authority he needed and he has been exercising it and lying about it. He admits that . . . he has concealed . . . "some" of the rediscounts.²⁵

Even when the bank failed, *The Pittsburgh Leader* reported that Rinehart's influence in the town "borders on the hypnotic."²⁶ As his small, local empire fell around his ears, the cashier was able to hold at least some of his followers in line.

Rinehart's greatest mistake, however, was in allowing the bank's cash reserve to fall dangerously below the minimum amount established by the national banking laws. By November 1906, the deficiency exceeded \$115,000.²⁷ When Cunningham and Oldham observed that the reserve had been repeatedly depleted, they closed the bank in order to make further investigations. It was soon discovered that Rinehart had not been keeping accurate records. He had deliberately falsified reports to the Comptroller and forged signatures on several rediscounted notes. Even though he agreed to turn over to the receiver coal properties valued at over \$4,000,000,²⁸ there was not enough real cash to cover notes which had been given to banks and trust companies as far from Waynesburg as New Jersey and Baltimore.

When the extent of the bank's difficulties finally filtered into the newspapers, Greene County began to suffer harsh side effects. By

²⁵ Oldham to Ridgely, Dec. 13, 1906, Box 27-202, Insolvent National Bank Files #501, RG 101, NA.

²⁶ *Pittsburgh Leader*, Dec. 21, 1906, p. 1.

²⁷ This figure is taken from a Treasury Department form, initialed by John H. Strawn, accompanying a letter of T. P. Kane to D. S. Walton, Oct. 4, 1906, National Bank Correspondence File #839, RG 101, NA.

²⁸ *Pittsburgh Leader*, Dec. 22, 1906, p. 1.

early spring, rumors were circulating about the soundness of other banks in the county. This prompted a local newspaper editor to write:

We do not hear or know of any likelihood of any trouble with any other of our banks. They all seem to be doing a good business and personally, we are only sorry that we do not have \$10,000 or more deposited in each of them.²⁹

Nevertheless, the failure of the Waynesburg bank severely affected other areas in western Pennsylvania. As the legal battle against Rinehart dragged into its third year, a banker in Charleroi wrote to *The Pittsburgh Leader* that depositors all around the region were becoming uneasy and were withdrawing "funds from good and safe banks, thereby diverting money from a legitimate commercial channel." He further added that "the average bank cashier is now looked upon as a common thief by a large percentage of the people."³⁰ In Waynesburg, Rinehart supporters formed vigilante committees for the expressed purpose of ridding the community of outside newspaper correspondents, whose articles in the Pittsburgh papers presented damaging evidence to Greene countians about the true state of the bank's condition. One committee, meeting shortly after the closure, "passed a public resolution that the correspondents must leave the town by 11 o'clock Saturday forenoon." If these men had not left by that time, it was decided to round them up and march them to the brewery, where they would be bombarded with a crate of "ancient eggs" and systematically dunked in the creek. When these stalwart defenders of rural virtue approached *The Pittsburgh Leader* correspondent, they were given a "reply that is not necessary to publish," and the matter was not pursued any further.³¹ Farmers, fearing for the safety of their deposits and with a harsh winter approaching, arrived in town shortly before Christmas to try and salvage something of their savings.³² Several large stores in town displayed signs reading "We owe the F & D Bank. To raise money

²⁹ *The Greene County Democrat* (Waynesburg), Apr. 12, 1907, p. 1.

³⁰ *Pittsburgh Leader*, Sept. 1, 1908, p. 2.

³¹ *Ibid.*, Dec. 23, 1906, p. 2.

³² *Ibid.*, Dec. 22, 1906, p. 4.

we offer all our goods at cost.”³³ At least one large department store, Wilson’s, went bankrupt as a result of the failure.³⁴

In the bank building on the corner of High and Morgan streets, Cunningham and Oldham attempted to decipher the bank’s records. Oldham’s letters to the Comptroller contain a wealth of information. He reported: “We find notes bearing signatures that are not genuine, but Rinehart claims that he had authority to sign the names”³⁵ When he confronted the directors with Rinehart’s practices, “they simply say that the bank is so superabundantly solvent that no one can be hurt.”³⁶ According to Oldham, Rinehart had the directors so completely fooled that they “would consider any debtor . . . whom Rinehart represents as ‘gilt-edged.’”³⁷ From their investigations, Oldham became convinced that the bank had been permanently damaged: “With so much deception practiced, so much anxiety manifested, and so many suspicious circumstances appearing on every side, I am satisfied the bank will be found badly crippled, probably insolvent.”³⁸ He also noted that a thorough investigation would require the efforts of an expert team of bookkeepers.

The grueling work was beginning to have adverse effects on Cunningham. His companion observed that while he was a man of “sterling integrity,” he was soon “on the verge of collapse.”³⁹ The long hours, coupled with a heavy work load resulting from the failure of several more banks in Pittsburgh, including the Bank of Pittsburgh and the German National Bank, had caused the receiver to begin drinking heavily. Oldham reported, “His head is clear enough, but voice thick, eyes heavy and his impaired condition clearly perceptible.”⁴⁰ By May 1907, Cunningham had resigned from the receivership of the bank. He was replaced by John H. Strawn, who remained as receiver for several years.

With the spring, Waynesburg residents began to appreciate the

³³ *Ibid.*

³⁴ *The Waynesburg Republican*, May 23, 1907, p. 3.

³⁵ Oldham to Ridgely, Dec. 13, 1906, Box 27-202, Insolvent National Bank Files #501, RG 101, NA.

³⁶ *Ibid.*

³⁷ *Ibid.*

³⁸ *Ibid.*

³⁹ *Ibid.*, Jan. 2 & 3, 1907.

⁴⁰ *Ibid.*

extent of Rinehart's and his associates' activities. As the state and federal governments mounted charges against him for fraud and forgery, pressure mounted for bringing him to trial. Scathing attacks appeared in the local newspapers as many Greene County citizens began to clamor for justice. One man, J. M. Morris, wrote to *The Waynesburg Republican*:

Now what should be done with the persons who have taken the money of a large number of Greene county people? They have deprived many of their last dollar. Will the law let them run free with it and hold the poor laboring class of people, who are the losers, right at hard labor where we have been for years? I would like someone to answer this question, what should be done with them?⁴¹

Rinehart, however, recovered from his setback sufficiently to join J. K. Lapping, former janitor at the bank, and F. B. Kelsey in establishing a real estate office in the Sayers Building in Waynesburg. This was announced in the newspapers in February, and it was also noted that the purpose of the organization was to invest in buying and selling coal property.⁴² In the meantime, another one of Rinehart's business ventures, the Waynesburg Tin Mill, had gone into bankruptcy and been sold by its receiver after it was discovered that Rinehart had forged notes in the names of the officers of the plant.⁴³ Nevertheless, by the end of the summer, with rumors circulating about the possibilities of the bank reopening, local journalists began to take a hopeful outlook. *The Waynesburg Republican* reported that the town could look ahead to a "bright future," although "at this time the town is suffering from a slight depression due to the failure of the F & D Bank."⁴⁴ *The Greene County Democrat* agreed that "there is a good time coming,"⁴⁵ and newspapers around southwestern Pennsylvania welcomed the prospects of a reopening of the Farmers and Drovers National Bank. *The Connellsville Courier* noted that it would be "a matter of congratulation, not only on the part of Waynesburg and Greene county people, but

⁴¹ *Waynesburg Republican*, Nov. 14, 1907, p. 1.

⁴² *Ibid.*, Feb. 7, 1907, p. 1.

⁴³ *Ibid.*, May 9, 1907, p. 1.

⁴⁴ *Ibid.*, Aug. 1, 1907, p. 2.

⁴⁵ *Greene County Democrat*, Aug. 9, 1907, p. 1.

on the part of all other financial interests in Southwestern Pennsylvania."⁴⁶ By the autumn of 1908, however, it had become starkly clear that the stockholders of the bank were not going to be able to accumulate enough capital to pay off the bank's debts and provide the cash needed to reopen its doors. It would indeed be fortunate if the insolvent institution would be able to pay off its depositors. In reality, this proved to be a long and tedious process, for the bank remained in the care of a receiver until the final depositions were made in 1940.⁴⁷

So far, Rinehart and his associates had succeeded in keeping out of jail. Although the United States grand jury in Pittsburgh returned more than 109 counts against Rinehart in October 1907,⁴⁸ the federal district attorney, John W. Dunkle, repeatedly postponed the trial. When the case was again delayed in May 1908, the press viciously attacked Dunkle, questioning his trustworthiness as a prosecutor. In August and September, *The Pittsburgh Leader* ran a series of articles about the Rinehart case. Accompanying these articles were scathing editorials and comments accusing John "Waiting" Dunkle of deliberately delaying the trial because Rinehart and his friends had bribed him.⁴⁹ John H. Strawn, the receiver for the Farmers and Drovers National Bank, stated that "whatever the motive may be, they [*the articles*] contain a general smear on all those of the government officers who appear to have had any connection with the bank."⁵⁰ While Dunkle claimed that the *Pittsburgh Leader* articles could be attributed to the fact that he had convicted two of its editors for conspiracy in using the mail to conduct a lottery in May 1908,⁵¹ it is almost certain that much that the newspaper had to say can be credited to wide-spread discontent over the progress in the case. Strawn recognized this fact:

⁴⁶ *Ibid.*

⁴⁷ The final report of the last receiver, J. Harry Farrell, was submitted to the Comptroller of the Currency on May 11, 1938, but the Insolvent National Bank Files contain correspondence relating to the defunct bank's affairs dated as late as 1940.

⁴⁸ *Waynesburg Republican*, Oct. 31, 1970, p. 1.

⁴⁹ *Pittsburgh Leader*, Aug. 26-Sept. 14, 1908.

⁵⁰ John H. Strawn to the Comptroller of the Currency, Aug. 28, 1908, Box 27-209, Insolvent National Bank Files #501, RG 101, NA.

⁵¹ John W. Dunkle to Charles J. Bonaparte, Oct. 10, 1908, "Letters Received from States and Territories 1818-1918," Numerical File #95638, General Records of the Department of Justice, Record Group 60, NA.

This has long been a cause of bitter complaint among all the people of the community and has resulted in abuse being heaped upon not only the Department of Justice but upon the Comptroller and Receiver as well . . .

That Rinehart is a criminal of the most glaring type, there is no room for doubt, and the popular clamor for his conviction has reached a point where such attacks as that contained in the "Pittsburgh Leader" may be expected until the case is tried.⁵²

The stockholders and depositors of the defunct bank expressed little confidence in the local authorities. When the Greene County court was having trouble bringing Rinehart to trial because of the activities of his supporters, it was only natural that Greene countians should suspect other law officials of aiding a man who was believed to be rich and powerful. This lack of confidence in Dunkle was quietly expressed to the Attorney General by N. W. Sayers, president of the Depositors and Stockholders Association of the Farmers and Drovers National Bank: "I therefore write to ask that your department assign counsel of unquestioned ability and integrity to assist in the prosecution of said J. B. F. Rinehart. If your Department will write to the representative bankers and attorneys of the city of Pittsburgh as to John W. Dunkle's ability as an attorney, you will then ascertain why I make the foregoing request."⁵³ When it again appeared that Dunkle would delay the case in October and hold it over until January 1909, Sayers and other members of the Depositors and Stockholders Association accompanied the editor-in-chief of *The Pittsburgh Leader* to Washington.

The representatives from Greene County met with President Theodore Roosevelt on October 19, 1908, to acquaint him with their dissatisfaction: "In a moment, the telegraph wires were hot and a request was rushed to Judge J. S. Young and instructions to United States District Attorney John "Waiting" Dunkle, demanding that the latter officer should not postpone the Rinehart case until the May term, as he announced he intended to do."⁵⁴ The Attorney General, Charles J. Bonaparte, notified Dunkle that the President planned to discuss his actions and the nature of the Rinehart case

⁵² Strawn to the Comptroller of the Currency, Aug. 27, 1908, Box 27-209, Insolvent National Bank Files #501, RG 101, NA.

⁵³ N. W. Sayers to Charles J. Bonaparte, Dec. 2, 1908, Numerical File #95638, RG 60, NA.

⁵⁴ *Waynesburg Republican*, Oct. 22, 1908, p. 1.

at a cabinet meeting scheduled for the next day.⁵⁵ Bonaparte also dispatched Assistant Attorney General E. W. Lawrence and the chief examiner of the Justice Department, W. S. Finch, to investigate the charges made against Dunkle. If necessary, they were authorized to take over prosecution of the case themselves.⁵⁶

The investigators soon discovered, however, that Dunkle had not asked for any unwarranted delays. The extent of the work involved required the use of a special bank examiner. Charles Starek, special examiner for the Treasury Department, had been working on the case, but in November 1907 he had been sent to New York to look into a bank failure for the district attorney's office there.⁵⁷ Dunkle had, therefore, been deprived of a badly needed expert. On this basis, Lawrence and Finch, exonerated Dunkle of all blame, and Starek was reassigned to assist him in finishing up the Rinehart affair.⁵⁸ On January 4, 1909, Rinehart was brought to trial in the United States district court in Pittsburgh. Convicted of infractions of the national banking laws, including falsification of reports to the Comptroller, Rinehart was sentenced to fifteen years in prison,⁵⁹ but President Taft pardoned him on December 19, 1912.⁶⁰ No other members of the bank's board of directors or other persons connected with the institution were prosecuted. As far as the government was concerned, there was not enough evidence to convict anyone else.

While Rinehart and his associates were the human factors in bringing about the downfall of the Farmers and Drovers National Bank, the causative agents for this financial catastrophe may be found in the county's development during this period. Prior to the twentieth century, Greene County had been primarily a farming community, and most of the wealth was based on the ownership of land. Beginning in the 1890s, however, Waynesburg and the rural districts experienced a rapid industrial growth based upon the increased production of Greene County oil and gas. The social atmo-

⁵⁵ Bonaparte to Dunkle, Oct. 19, 1908, Numerical File #95638, RG 60, NA.

⁵⁶ *Waynesburg Republican*, Oct. 22, 1908, p. 1.

⁵⁷ S. W. Finch and E. W. Lawrence to Charles J. Bonaparte, Oct. 26, 1908, Numerical File #95638, RG 60, NA.

⁵⁸ *Ibid.*

⁵⁹ *Waynesburg Republican*, Jan. 21, 1909, p. 1.

⁶⁰ *Greene County Democrat*, Dec. 20, 1912, p. 1.

sphere of the area began to change. The farmer became less prominent, and the "new heroes" of the town were bright, young financiers like the cashier at the bank. As the new century opened, coal became the foundation upon which new fortunes could be built.⁶¹ As *The Greene County Democrat* emphatically pointed out, values for coal land were rising at a fantastic rate. Coal lands which at one time sold for two hundred and fifty dollars per acre, could now be expected to reap at least a thousand.⁶² When the price of coal was coupled with the optimism for Greene County's future generated by the Wabash Railroad's plans for a new line running through the county, the directors of the bank, especially Rinehart, began to increase their business and, using bank funds, invest in coal.⁶³ These men probably hoped to sell coal at a tremendous profit and thus cover the excessive loans which they had taken out, as was recognized by at least one bank examiner long before the crash came. Charles Robinson, the examiner, noted in February 1905 that, "Pending sale of coal lands, which is most certain to be consummated, will enable some of the borrowers of this bank to liquidate some of their indebtedness, which will not only enable the bank to reduce the line of rediscounts but also make good the reserve."⁶⁴ This also may have been Rinehart's opinion; and he, his brother-in-law, and the borough treasurer, Sherman F. Grim, formed the company of Kyle, Grim, and Rinehart for the purpose of buying coal lands.⁶⁵ Using this organization as a legitimate front, the men involved in the coal scheme then covered their activities. In at least one case, a mortgage secured by Kyle on a large tract of coal was used by Rinehart as collateral for some rediscounted notes which he had arranged with a trust company in Wheeling.⁶⁶ On another occasion, Rinehart used a mortgage turned over to him by C. H. Bowlby, one of the bank's directors, to secure rediscounts to cover a questionable loan from

⁶¹ Thomas Pavick, 1-16.

⁶² *Greene County Democrat*, Dec. 28, 1906, p. 1.

⁶³ This thesis was presented by Dr. Pavick in his paper on the development of Greene County's coal industry.

⁶⁴ Charles Robinson, "Examiners Report of the Farmers and Drovers National Bank," Feb. 15, 1905, National Bank Examiners File #839, RG 101, NA.

⁶⁵ John B. Cunningham to William B. Ridgely, Dec. 19, 1906, Box 27-202, Insolvent National Bank File #501, RG 101, NA.

⁶⁶ *Ibid.*

the Erie Trust Company.⁶⁷ Rinehart's handling of the firm's account at the bank was so involved with his other illegal activities that his partner Grim committed suicide a few months after the bank failed, condemning Rinehart and the president of the bank, D. S. Walton, from his deathbed.⁶⁸

Under the cashier's direction, the bank also extended excessive loans to several newly-established Waynesburg businesses, including the Waynesburg Forge Sheet and Tin Mill and the Waynesburg Pressed Steel Company.⁶⁹ Rinehart was heavily interested in these two enterprises, and this accounts for their being granted loans which exceeded federal limits by as much as \$80,000.⁷⁰ Other excessive loans were made to companies operated by George F. Auld and J. F. Tilton, close friends of Rinehart.⁷¹ Both Auld and Tilton, as well as other Rinehart supporters, were heavily indebted to the bank; many of them declared insolvency after the institution collapsed. These men were all respected residents of the town, and it did not seem to alarm anyone to see them overexpanding their credit. Shortly after the closing of the bank, however, Judge Oldham commented on their financial soundness: "The community seems to have gone wild over the rise in value of coal lands and the indications to me are that many of these so-called rich are badly insolvent."⁷²

The bank had been heavily involved in local and state politics for at least twenty years prior to the closure.⁷³ Its president, D. S. Walton, was a state senator and his connections were believed to have reached as far as the Penrose machine in Philadelphia.⁷⁴ Even Senator Philander C. Knox, calling Walton "a friend," interceded for him with the Comptroller's office after the economic crisis in Waynesburg had forced him to turn over a great deal of property to the receiver.⁷⁵ By 1905, it was recognized by those involved that

⁶⁷ *Ibid.*

⁶⁸ *Waynesburg Republican*, Mar. 7, 1907, p. 1.

⁶⁹ "Examiner's Report," July 29, 1903, National Bank Examiners File #839, RG 101, NA.

⁷⁰ *Ibid.*, May 14, 1906.

⁷¹ *Ibid.*

⁷² Oldham to Ridgely, Jan. 2, 1907, Box 27-202, Insolvent National Bank Files #501, RG 101, NA.

⁷³ *Pittsburgh Leader*, Aug. 26, 1908, p. 1.

⁷⁴ *Ibid.*, Sept. 5, 1908, p. 1.

⁷⁵ P. C. Knox to William B. Ridgely, Dec. 20, 1907, Box 27-203, Insolvent National Bank Files #501, RG 101, NA.

the Farmers and Drovers National Bank faced collapse because of its overt activities. As the seriousness of the situation became clearer, Rinehart and his associates began to look frantically for measures which would insure their safety when the crash came. In that year, bank money was extensively used to try and elect Rinehart supporters to high county offices, including James Inghram for county judge and Challon Waycoff for district attorney.⁷⁶ In the following year, Rinehart assisted Allen F. Cooper, an alleged corrupt Fayette County politician in his bid for election to Congress.⁷⁷ At his trial, Rinehart testified that he had established a political pool with the approval of Inghram in order to fund his campaign for judge.⁷⁸ Inghram admitted that he had actively sought Rinehart's support, but he denied charges that he had approved of the establishment of a special fund.⁷⁹ It is fairly certain, however, that Rinehart did attempt to gain political control of Greene County in order to protect his economic empire. An unnamed employee of the American National Bank, located across High Street from the Farmers and Drovers National Bank, described for *The Pittsburgh Leader* the political campaign that year:

In 1905, a judge was elected and many important offices were filled throughout the county. Two of the largest national banks stood at the head of the two factions in the Democratic party. Each had a candidate for judge. In selecting the men to sit on the election board at the primary in May of that year, Rinehart was found dipping into the bank's funds. Following this, it was found that the rules governing the primary election were not to the liking of Rinehart, and he called the Democratic county committee together to change them. Again the "long green" came into play, and it was currently rumored that at that time as much as \$1,200 were paid to a single committeeman to win his approval of the change.⁸⁰

In the primaries, the Rinehart clique supported both a Republican and a Democratic candidate. When his Republican primary candidate for judge lost, Rinehart was reported to have said to the victor,

⁷⁶ *Pittsburgh Leader*, Sept. 5, 1908, pp. 1-2.

⁷⁷ *Ibid.*

⁷⁸ *Waynesburg Republican*, Jan. 14, 1909, p. 1.

⁷⁹ *Ibid.*, Jan. 21, 1909, p. 2.

⁸⁰ *Pittsburgh Leader*, Aug. 26, 1908, p. 2.

"I will beat you if I break the Farmers and Drovers National Bank."⁸¹

That November, "he did both."⁸² The campaign to elect Inghram was estimated to have cost as much as \$400,000, most of which was illegally appropriated from the bank.⁸³ So that he could keep a tighter control over the election procedure, Rinehart had one of the polling places established in his house. As much as forty dollars was spent on one vote, and the bank was never reimbursed.⁸⁴ His political organization had done excellent work for him, and if the crash had not come in 1906, Rinehart could have been one of the most successful bosses in the state.

In 1906 and 1907, however, the United States slipped into a severe financial panic which caused the collapse of overextended banks all across the country. Thomas C. Cochran and William Miller, in *The Age of Enterprise*, note that public discontent "was aggravated by the failure of the United States Steel Corporation to pay common stock dividends between March, 1904 and October, 1906." Some new trusts failed "to pay any dividends" at all, and "the outcome was that marketing of new securities became increasingly difficult and the business of the bankers declined."⁸⁵ Although the national economy took a slight upswing in December 1906, *The New York Times* still reported a "heavy loss of cash by the banks."⁸⁶ By December 9, 1906, the condition of the nation's banks had become the "poorest since 1893."⁸⁷ Two days prior to the closure of the Farmers and Drovers National Bank, *The New York Times* stated that "the impetus toward a vigorous forward movement in the prices of securities . . . has been held in check by the distressed condition of a money market inadequate to the task of financing even the legitimate demands of trade" ⁸⁸ The whole banking outlook had done much "to create a very natural hesitation among speculators."⁸⁹

⁸¹ *Ibid.*

⁸² *Ibid.*

⁸³ *Ibid.*

⁸⁴ *Ibid.*, Sept. 3, 1908, p. 2.

⁸⁵ Thomas C. Cochran and William Miller, *The Age of Enterprise: A Social History of Industrial America* (New York, 1961), 198.

⁸⁶ *The New York Times*, Dec. 1, 1906, p. 12.

⁸⁷ *The Pittsburgh Post*, Dec. 9, 1906, p. 6.

⁸⁸ *The New York Times*, Dec. 10, 1906, p. 10.

⁸⁹ *Ibid.*

The financial situation in western Pennsylvania became serious. *The Pittsburgh Post* reported that "slight interest was manifested in coal," and two of the city's largest coal companies, River Coal Corporation and the Pittsburgh Coal Company, failed to pay dividends.⁹⁰ Local stocks sagged, and several area banks were forced to call loans in order to bolster their cash reserves. The special bank examiner for the region, John B. Cunningham, demanded that the Bank of Pittsburgh, which had apparently become "the clearing house for every weak and suspicious or suspected Bank in Western Pennsylvania," be "attacked vigorously."⁹¹ The directors of the Waynesburg bank were faced with a crisis. The institution's reserves had been dangerously low for quite some time. Bitterness over the election campaign of 1905 had resulted in a barrage of letters to the Comptroller's Office about the condition of the bank.⁹² In the autumn, Rinehart was warned that the stability of the bank's funds had better improve or the federal government might be forced to take action. The Wabash Railroad cancelled its plans for a trunk line through Greene County, and optimism for the area's future faded. The Waynesburg men soon discovered that they had no buyers for their coal, and they had no other means of rebuilding the bank's economic foundation. As *The Greene County Democrat* reported: "They leaned on the Government, hoping for a coal land boom that would lift them out of the morass of indebtedness in which they floundered. Evidently they were willing to wait on the boom, but the Treasury Department at Washington wouldn't have it that way."⁹³ When Cunningham found that the situation was no better by December 12, 1906, he was forced to close the bank, and its doors never again reopened.

The failure of the Farmers and Drovers National Bank of Waynesburg had far-reaching effects, not only for Greene County, but for all of western Pennsylvania as well. The actions of men like Rinehart shook the confidence that the average depositor had in his local bank. The opinion expressed to *The Pittsburgh Leader* by the Charleroi

⁹⁰ *The Pittsburgh Post*, Dec. 5, 1906, p. 13.

⁹¹ Oldham to Ridgely, Jan. 2, 1907, Box 27-202, Insolvent National Bank Files #501, RG 101, NA.

⁹² See "Examiners Report," Jan. 24, 1906, National Bank Examiners File #839, RG 101, NA.

⁹³ *Greene County Democrat*, Aug. 9, 1907, p. 1.

banker in 1908 was probably shared by other bankers in the region. A great deal of publicity was given to the scandal surrounding the closure of the bank, and it is almost impossible to determine the psychological effects this may have had on people in Allegheny, Fayette, and Washington counties. The Waynesburg bank's inability to pay off its debts probably helped spread the monetary crisis of 1907 throughout other counties of western Pennsylvania as well as West Virginia and Maryland. For Greene County, the effects were much more relevant and less conjectural. Prior to the collapse, Waynesburg was a "boom town." For the first time in its history, it was beginning to enjoy many of the benefits of the country's Industrial Revolution. The newspapers in Greene County were filled with articles about the prospects of new railroads and the development of secondary industries like steel mills and manufacturing plants. One needs only to walk a few blocks from the college in Waynesburg to see some of the palatial, at least for Greene County, houses of the men who hoped to lead the area into the modern age. When the bank failed, much of this local wealth failed with it. Many of Waynesburg's richest residents went bankrupt, and many more simply halted investments in local industries and businesses. Outside financial interests would build coal towns at places like Mather in the 1920s, but local investors gave up most of the control of Greene County's future industrial development. After 1906, the region became almost entirely dependent on outside sources of capital for the economic basis needed for its total development. On a national level, the case against Rinehart may have helped bring about a major change in Justice Department policy. In March 1909, the Attorney General issued "Department Circular No. 74." This stated that "hereafter" all "investigations authorized by this department for the purpose of collecting evidence for use in criminal prosecutions under the National Banking Laws, will . . . be made under the supervision of the Bureau of Investigation."⁹⁴

The "temporary embarrassment,"⁹⁵ which was the closure of the Farmers and Drovers National Bank, may have affected Greene County well into the twentieth century. Perhaps only within the

⁹⁴ Attorney General to Harry L. George, Mar. 27, 1909, Numerical File #95638, RG 60, NA.

⁹⁵ *Waynesburg Republican*, Dec. 13, 1906, 1.

last two decades, with the completion of Interstate 79 and the re-emergence of the coal industry, has Waynesburg been given the opportunity to recover fully from this drastic economic setback. Because of the loss of certain county records, the full extent of Rinehart's control in the area may be difficult to ascertain. It is certain, however, that the Farmers and Drovers National Bank was a vital component of Greene County's economic development for at least seventy years. When the "Old Bank" failed, Greene County's age of industrial adolescence came to a crashing end.

Duquesne University

DAVID KENT FONNER