

THE PANIC OF 1893

The Northwest Economy Unravelled as the “Gilded Age” Came to a Close

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About mid afternoon on Monday, November 22, 1893, James L. Wheatley, an intelligent-looking man from South Dakota with thin, dark hair and a mustache, walked into the lobby of Seattle's Queen City Hotel at 112 Second Avenue. He'd been staying there for about a week while looking desperately for work in his chosen field of railroading. Approaching the desk clerk, Wheatley asked when his rent on Room 19 would run out. "Today," replied the clerk.

"I will not need it any longer," said Wheatley, in a calm, business-like manner, "so don't hold it for me." And with that, the guest wheeled about and trod upstairs to his room.

Fifteen minutes later that same man—now with his coat tightly buttoned up, a polka-dot scarf ringing his neck and a small cap on the back of his head—came bounding back down the steps. He "walked rapidly" into an apothecary at the corner of Second Avenue and Washington Street and "without the least indication of undue excitement" (according to a newspaper of the time) approached the counter to announce, "I have taken a drink of carbolic acid to commit suicide."

The druggist eyed the gentleman in astonishment. "When did you take it?"

"Just now, in the Queen City Hotel. I have been out of work and despondent because I could not get employment and wanted to die. Now I want to be saved because I regret my actions."

In less than three minutes, and despite a dose of sweet almond oil as an antidote, Wheatley had gone into convulsions and perished.

Northwest newspapers were peppered with such tales of monetary woe from late 1893 through the following year. They told of men who turned to suicide because they'd been scratched from the payrolls of factories or lost their small businesses; of women, abandoned by out-of-work spouses, who were caught stealing from markets or were booted from their apartments for lack of cash; of city treasurers who one day loaded up their bags with public funds and just disappeared. The national economy was coming apart at the seams and some Northwesterners were coming apart with it.

If the Panic of 1893 was not the first depression in the United States it was certainly the first one to stagger the Pacific Northwest economy. This region was only beginning to mature 100 years ago, and it grew too swiftly—too recently to boast adequate defense against widespread fiscal upheaval. The consequences were grim. As Archie Binns writes in *Northwest Gateway*, "...men who thought they knew about storms and how to weather them went over like straw men. And when they picked themselves up they were empty-handed."

By the close of 1893 more than 15,000 assorted business ventures and 642 banks had gone belly up across the nation. Twenty percent of American workers (between two and three million men) lost their employment. The jobless fled Seattle, Everett, Spokane, Portland and especially Tacoma hoping to find work elsewhere, anywhere.

The Panic marked a painful, bitter end to the Gilded Age, that period of extravagance and prosperity that followed the Civil War. Few observers saw this crash coming or could have known that its devastating effects on the Northwest would continue until the Alaska Gold Rush began in 1897. Even fewer might have guessed that the political aftermath of America's "other Great Depression" would still be felt in the Northwest a century later.

Seattle in 1893 was still recovering from the great fire that four years before had leveled 30 blocks of its original downtown, today's Pioneer Square. Re-building was fast and furious. Commercial buildings, once raised in wood, now reached skyward in fireproof brick and rusticated stone. Streets were being widened and paved with brick rather than the creosoted fir planks that had served for many years.

There was talk of erecting a permanent Gothic-style city hall on Yesler Street. The new Rainier Hotel, a timber castle with a wraparound porch, rose magnificently from the northeast corner of Columbia Street and Fifth Avenue while pioneer Arthur Denny's huge, multi-turreted hotel was taking shape above the corner of Second Avenue and Virginia Street. On the northwest flank of Mercer Island a high-wheeling former Illinois attorney named Charles Cicero (C. C.) Calkins opened an ostentatious hotel that he hoped would spur development of the West Coast's premier vacationland.

The city felt snubbed in the 1870s by the Northern Pacific Railroad, which chose Tacoma over Seattle as its western terminus. But in June 1893 "Empire Builder" James J. Hill's Great Northern Railroad finally opened an easy access from Elliott Bay to the rest of the nation. Meanwhile, pioneer David Denny was creating the most ambitious urban railway system Seattle had seen; real estate hustlers were busy touting "a streetcar at your door." Other entrepreneurs ran up ponderous debts, trusting that their high-risk ventures would realize handsome returns in a surging economy. Boosters were calling the Puget Sound area "the boomingest place on earth."

The depression of 1893 was partly the fault of federal policy. Under President Benjamin Harrison (1889-1893) the Republican-led Congress profligately spent away a \$100 million Treasury surplus, mostly on enrichment programs for wealthy industrialists. In 1890 it also passed the Sherman Silver Purchase Act, which obligated the government to pay gold in exchange for millions of ounces worth of coinable silver that was being mined from western states. Unfortunately, this act assigned a value to the silver radically beyond what public markets-paid. The results were a serious undermining of United States gold reserves and sky-rocketing inflation.

Meanwhile the country was wobbling under the rapid shift from an agrarian to an industrial economy. The United States Census of 1890 found that for the first time the majority of Americans did not live and work on farms. Ambitious men swarmed into towns such as Seattle, Tacoma and Portland, confident that through the alchemy of being in the right place at the right moment they could convert bantam grubstakes into dynastic fortunes. But the bigger cities were already overwhelmed with annual immigrations from Europe. Disparities grew between the capitalist classes and the laboring ones, inspiring strikes and worker violence.

James J. Hill spotted trouble on the horizon as early as 1890 when he told his Seattleite son-in-law, Sam Hill, that the United States was on a collision course with "a panic that it will take five years to get over." Most observers, however, ignored the warning signs, blithely confident that the marketplace would correct itself without government intervention.

Their confidence was dashed only ten days before the second presidential inauguration of Grover Cleveland on March 4, 1893, when the Philadelphia and Reading Railroad went bankrupt. In April the new Secretary of the Treasury confessed that the nation's gold reserves had dipped below their traditionally acceptable level of \$100 million. On May 4 the National Cordage Company, an important rope trust, failed, touching off a Wall Street selling panic on May 5— "Industrial Black Friday." Seven weeks later, on June 27, the price of silver caved to 77 cents an ounce, down from 92.2 cents just a week before. Suddenly the value of an American silver dollar was a paltry 58 cents. Historian Bernard A. Weisberger put it nicely: "The band music of inauguration day was more or less drowned out by the noise of the roof falling in."

In the summer of 1893 the Panic chased almost everything else off the front pages of the newspapers, including the opening of Chicago's gaudy World's Columbian Exposition and the double ax-murder trial of Lizzie Borden in Massachusetts. Thundering west from Wall Street, the Panic blasted San Francisco, then spread its carnage up the coast. In Washington, as elsewhere, a run on banks ensued. Depositors withdrew their savings, converted them into gold when possible, and buried or hid them when they couldn't. Credit became impossible to procure. Construction stopped. Banks tried to collect mortgage payments, foreclosed on those who couldn't pay, then went bankrupt themselves. Within a year 11 Seattle banks had bolted their doors.

The First National Bank, Bellingham Bay National and several other lending institutions in Bellingham bit the dust. The city's new town hall was left half finished, the clock faces in its tower inoperable for lack of funds to buy the workings. Centralia's population fell from a high of 5,000 in 1891 to 1,200 in 1893. Many families were reduced to living on potatoes and water gravy. For six years one could buy a business block in Centralia for ten dollars at public auction. The town's mansions went for the price of the hardware they contained.

Dreams of making Union City into "the Venice of the Pacific" failed to materialize. Situated on the leg of land connecting the Kitsap and Olympic peninsulas, Union City was booming prior to the Panic. Back then residents and investors thought the town would be on the route of a Union Pacific Railroad line to the ocean and Port Townsend. "Land sold for a thousand dollars an acre," Murray Morgan wrote in *The Last Wilderness*. "The town's lone mill couldn't saw lumber fast enough to meet the demand for new houses." However, a strike against the Union Pacific in April 1893, combined with credit shrinkages, led to the railroad's failure and the town's virtual demise. Port Townsend's growth stopped dead, its grand edifices preserved in historical amber.

Meanwhile, English industrialist Peter Kirk and a group of Seattle investors envisioned a huge milltown on the northeast shore of Lake Washington. Plans were just taking shape when the Panic closed its fist over the country. Included in these plans was the largest steel mill west of Pittsburgh surrounded by a bustling community of brick buildings. Stock had been sold, trees cleared from the area and ironworkers brought from Britain for the new jobs in Kirkland. Leigh S. J. Hunt, a former Indianan who moved west and purchased the *Seattle Post-Intelligencer* in 1886, had persuaded billionaire John D. Rockefeller, along with a former Secretary of War, the governor of Michigan, Boston's premier millionaire banker and at least one United States

Senator to invest in Kirkland. These men sank between \$750,000 and \$1 million cash into the development only to lose it all in the Panic. Hunt lost his newspaper as well.

"The Panic of 1893...crumbled cities like Everett for which confidence was the only adhesive in the foundation of the community life," Norman H. Clark observed in his Everett history, *Mill Town*. Three of that town's five banks went under. When the Northern Pacific Railroad, which owned and worked hundreds of thousands of acres of land-grant timber around Everett, went into receivership in 1893 it cut off a lumber trade that had been slowing for the previous two years.

The Eastern capitalists who had wanted to create a "New York on Puget Sound" at Everett sold much of their stake to Rockefeller, hoping that would secure confidence in Everett's future. But by 1894 Rockefeller had taken his money out of the area, setting adrift a local hotel, city lands, a street railway, a nail factory and a paper mill. "Thus cut away from their eastern resources, most of these enterprises sank in a few months, or at most a few years." Clark wrote.

In Everett wages fell after 1893 to 40 percent of previous levels. "A family could rent a house for ten dollars a month," Clark remarked, "though one man shot his landlord for trying to collect that amount."

In Seattle Arthur Denny had been struggling since the Great Fire of 1889 to complete a lavish \$200,000 hotel on what was then a hill east of Second Avenue at Virginia Street. Unfortunately, the 1893 depression stalled work on the structure and sent all parties to court for years of argument, leaving the hostelry to decay for a decade. Real estate broker and builder James A.

Moore finally finished this Washington Hotel, opening it in 1903. Only three years later he allowed city engineers to regrade both the hotel and its hill out of existence.

Arthur's brother, David Denny, had an even rougher time. In 1889 he became convinced that electric trolleys were the ideal means of opening Seattle's hinterlands to residential development. So in 1890, with his second son, David T. Denny, he began to construct three huge sections of a rail network both north and east from the city's center. Denny seemed unconcerned when he lost money on these ventures. With a net worth of \$3 million, he was one of the richest men in town, and in 1893 he bought out other rail lines serving more populated neighborhoods.

The Panic, however, derailed Denny's streetcar empire. It also spelled disaster for his holdings in real estate and his sawmill on Lake Union, the largest of its kind in King County. Three years of litigation and foreclosures followed. Eventually the banking firm Dexter Horton & Company (precursor to Seafirst Bank), where his brother Arthur served as senior vice president, moved with other creditors to force David Denny's bankruptcy.

Seattle land values sank by as much as 80 percent during the Panic. It shut down Fifth Avenue's tremendous Rainier Hotel and ended dreams of turning the Belltown area, just north of city center, into hot commercial property. It threatened the future of wonderful Woodland Park, which had been heavily landscaped and improved by Nova Scotian owner Guy Carleton Phinney. When Phinney died in September 1893 he left maintenance of the property to his beleaguered wife, who happily sold it to the city in 1899.

By reducing their leisure-time activities, including popular weekend jaunts to Mercer Island, frugal Seattleites helped cause the financial downfall of C. C. Calkins. That dervish of ambition

had arrived in Seattle in 1887 with \$300 in his pants. Through aggressive purchasing and resale of real estate he amassed the money needed to begin building a resort community on Mercer Island—East Seattle.

The centerpiece of this hamlet was the \$30,000 Hotel Calkins, which was surrounded by fountains, broad boulevards, arc lights mounted on 80-foot poles and a bathhouse with "a complete system of Turkish baths." A 78-foot steamer carried passengers from the beach at Leschi across Lake Washington to the resort.

Calkins' luck had been in short supply even before the Panic. His daughter perished in a fall from a hotel window and then his mansion on the present site of Luther Burbank Park burned to its foundations. After 1893 Calkins couldn't peddle the land he still had available on Mercer Island and couldn't collect for some that he'd already sold. He left Washington in about 1894 to become a mine owner in California, never to return. His grand hotel became a sanitarium before going up in flames in 1908.

Some people fled town with only their life savings. Some vanished with other people's life savings in their pockets. In September 1893 Seattle city treasurer Adolph Krug hopped an early morning train to Canada, taking with him about \$225,000 in public funds. At the end of November the president and cashier at Buckley State Bank in Tacoma skipped town with \$30,000.

Tacoma's fate during the Panic was even worse than Seattle's. The Merchants National Bank went into a temporary suspension on June 1, 1893, from which it never recovered. Failing close behind were Tacoma National Bank, State Savings, and Traders' Bank. Of the 21 banks operating in Tacoma when the Panic began, only four survived the year.

The Tacoma Hotel, an impressive brick building designed by New York architect Stanford White, stood over-looking Commencement Bay. During the Panic it went into the hands of receivers and was, unfortunately, destroyed in the 1930s. A chateau-like tourist hotel on Cliff Avenue being constructed by the troubled Northern Pacific was abandoned. It later was gutted by flames and transformed into today's Stadium High School.

Murray Morgan's Puget's Sound records the dismal tale of Paul Schulze, manager of the Northern Pacific's Land Division. He was a major stockholder in many of the largest Tacoma enterprises that went bankrupt during the Panic's first year. Morgan writes:

Schulze's house at 601 North Yakima was mortgaged beyond its worth. He owed \$35,000 alimony. His debts exceeded \$300,000, not counting the more than a million dollars it was later discovered he had embezzled. His assets were only about \$5,000. Schulze solved his problems by withdrawing \$35,000 from an account he did not have in San Francisco. After a last spasm of affluence, he returned from [Tacoma's exclusive] University Club to the big house that dominated the double block on Yakima Avenue, dined alone by candlelight, burned his papers in the kitchen stove, stirring gently, said ambiguous goodbye to his Chinese cook ('I am going on a long trip'), wrote a letter to his mistress, and shot himself through the temple."

Prodded by President Cleveland, Congress repealed the disastrous Sherman Silver Purchase Act in October 1893. The Treasury Department subsequently floated four bond issues, collecting enough gold to prevent government gold payments from being suspended.

But the Northwest felt the depression's reverberations throughout the 1890s. Declines in the price of silver and elimination of the Sherman Act caused mines to close all over the West. It ended a mining expansion in Okanogan County and shut down camps at such places as Ruby, Conconully and Loop Loop. "Never again," wrote Bruce A. Wilson (*Columbia*, Fall 1990), "would mining attract such an influx of people [to the Okanogan], give birth to towns of consequence or so dominate the local economy."

Lumber interests were hurt when nervous railroads from the East cut shipments out of Washington by a full third. Three-quarters of the shingle plants operating in the state in 1893 were closed two years later. Large lumber concerns such as Pope & Talbot and the Stimson Mill Company saw many of their markets dry up during the Panic and suffered still more when tariff schedules eased the flow of Canadian timber into the United States.

Foreclosures continued on farms in the Kent valley. Poorhouses throughout western Washington went bankrupt. Many Everett children simply didn't report for school during the mid 1890s—some because they couldn't afford books any more and some because their schools couldn't afford to operate any more. So precious had cash become in Everett that at one point the Merchants' Protective Association actually began publishing the names of people who spent their money in Seattle, and the *Everett Times* endorsed running those "traitors" out of town.

Railroads consolidated in the mid 1890s, with Hill's Great Northern coming out the winner. In 1900, after securing majority rights in the Northern Pacific, Hill sold 900,000 acres of NP land-grant timber at six dollars an acre to Frederick Weyerhaeuser—at the time the largest single timberland transaction in American history.

Politicians were proclaiming better times ahead, but millions of men ousted from their jobs by the Panic didn't see them. In the spring of 1894 Jacob S. Coxey, a prosperous owner of quarries and a scrap-iron business in Massillon, Ohio, decided to unify, these disgruntled workers behind his own banner.

Coxey, who named his son Legal Tender, was something of an economic zealot. At the Panic's peak he petitioned Congress to lend scrip to local communities, which could then be distributed to the unemployed in return for labor on a new interstate highway system and other public works projects. When Capitol Hill turned down his proposal he decided to deliver "a petition with boots on."

Coxey organized a peaceful march on Washington, D.C., that would prove just how serious Americans were about improving their nation's fiscal profile. Seventeen "commonweal armies" of the jobless were organized around the country.

Fifteen hundred displaced laborers from Seattle and Tacoma were reportedly prepared to march in April 1894. Hundreds of them left Seattle on April 28 to meet fellow protesters at Puyallup. Deputies were sworn in hastily to maintain peace and guard railroad property because Washington's Coxeyites said they planned to ride the rails, commandeering them when money was not available. The Coxeyites were encouraged by reports on April 30 that 350 Ohio commonwealers had reached the outskirts of D.C. where, led by Coxey's daughter Mame dressed as "Peace" on a white horse, they were ready to approach the Capitol.

By early May an organized body of about 250 Coxeyites left Puyallup aboard freight trains. The rest traveled eastward by heel and toe. Public sympathies were with the protesters, and well-wishers brought them food when they stopped in small towns.

Coxey's bizarre arrest on May 1 in Washington, D.C., for walking illegally on tilled grass, bled off some of the steam from the national march, as did a fight between railroading commonwealers and deputies in North Yakima on May 9. After the altercation, 153 alleged free-riders were arrested, 30 of them receiving 60-day sentences at McNeil Island Penitentiary.

Few Northwest marchers actually reached Pennsylvania Avenue, but one who did was Frank P. ("Jumbo") Cantwell, a bouncer and prizefighter who started his trip with 1,260 men. He concluded by helping to draft a "Bill to Provide Work for American Citizens." The bill died in Congress.

The Populist message to do away with business-as-usual politics was heard even if all the Populists themselves were not. In 1895 the Washington Legislature passed the Populists' "Barefoot Schoolboy Law," ending the practice of financing schools locally and guaranteeing a minimum amount of state support for educating all of Washington's children. A year later John R. Rogers was elected the state's first Populist governor. Although his party took control of the state House of Representatives, little of their platform passed into law. Republicans soon regained control of the legislature, and Governor Rogers died in 1901, shortly after his reelection.

Seattle's recovery from the crash came in 1897 with the discovery of Klondike gold as Elliott Bay became the frenzied embarkation point for miners shipping north. The city did everything it could after that to make up for lost time. In 1898 the business community collected \$100,000 to support Moran Brothers Shipyards so that it could win the contract to build the Navy's battleship *Nebraska*. City engineer Reginald H. Thomson began an aggressive regrading project to level 94 downtown acres for construction sites. Seattle's biggest boom followed its biggest bust and lasted until about 1910.

Journalist Ray Stannard Baker well understood the city's Panic-driven determination when he wrote in 1903, a decade after the Panic began, that "In Seattle everything seems to have happened in the last 10 years."

A case could be made that the Northwest, resentful of the rest of the nation for stumbling economically just as this young region was beginning to mature, has ever since been bolder, more self-sufficient and more liberal. Manifestations of this could be found not only in its capital-intensive development but also in Washington's passage of woman suffrage in 1910, a decade ahead of most other states.

Many lessons from that first great depression went unlearned, particularly about the perils of being dependent on resources and distant markets. The Northwest did, however, learn a big lesson in politics, setting the foundations for a progressive tradition that endures to this day.

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