

wheat. It was not, however, enough and he borrowed from outside banks. He got \$400,000 from the First National Bank of New York, \$300,000 from the Chemical National Bank and \$200,000 from the Western National Bank of New York. This money he threw into Chicago, but still he needed more. He then proposed that the capital stock of the bank be increased one million dollars. To this the stockholders agreed, supposing that it was for a legitimate banking business. Five hundred thousand dollars was paid in, and Harper at once shipped this off to Chicago, so that by the 10th of June, 1887, he had borrowed more than two million dollars and had put it into wheat.

In the meantime these purchases began to materially affect the market. No one knew who was buying the wheat, but it was finally found that the money came from Cincinnati. Harper was suspected and a circular was sent around asking as to his credit. This soon got to the banks who had deposits in the Fidelity. They began to telegraph for their money, and Harper saw that he must quickly sell out his wheat or fail. He could not do this at once and he had to have more money. He gathered together such bills receivable as he had in the bank and expressed them to the Chemical National Bank in New York, telling them he would draw upon them for the amount of these bills. The bills aggregated \$1,000,000. They did not, of course, belong to Harper. He wired New York, however, that false rumors had been circulated about the bank and begged the Chemical to stand by him a few days. The Chemical replied that it would help him out, but it was not their business to aid in cornering wheat in Chicago. In the meantime, Harper sent a man to Chicago with four drafts on the Chemical bank for \$100,000 each. He also sent a false letter of credit for \$200,000, and he thought that through these amounts he could consummate his wheat deal. The money, however, was not delivered in time. It was one day late and wheat fell. It dropped from ninety cents to seventy cents, and Harper and the Fidelity Bank went up with the bursting bubble. There was immense excitement. The bank examiners were called in and the doors were closed. After a time Harper and his confederates were brought to trial. Josie Holmes turned state's evidence and escaped. Harper was sentenced to ten years in the Ohio penitentiary, but in 1893 President Harrison commuted his sentence and pardoned him on the ground that he was physically broken down. As above stated, he is again a broker in Cincinnati. I am told that Asa Potter, the President of the Maverick National Bank of Boston, is now doing business in New York. This bank was ruined through loans to its directors, and its failure resulted in the loss of \$2,000,000.

One of the biggest hypocrites among these national bank presidents who have failed was Theodore P. Haughey, who was the president of the Indianapolis National Bank. Haughey was a member of the Methodist Church and an active worker in the Sunday school, where he had a class which he called his "poor class." He was a hypocrite of hypocrites, and was up to all sorts of rascality. His bank failed to the amount of about \$2,000,000, and this money was scattered among a great many small creditors. The bank had, all told, about

3,000 creditors, and among these were many school teachers and poor church members. Missionary societies, aid societies and benevolent associations were all in the bank as depositors, and Haughey boasted that he was the friend of such organizations. A large part of his swindles were carried on by getting draymen, porters and clerks to sign fraudulent notes which he accepted in bank and used as assets. At one time when he was about getting a drayman to sign one of these notes he overheard a young boy who had caught his finger in some machinery swearing. He had him at once called up and discharged, saying that he could not have any one in his business who would use such language.

The Indianapolis National Bank, of which this man was the president, was one of the first of the kind organized. It was in a bad way in 1884, but at this time it issued some new stock, and, among others, got ex-Vice-President Colfax to put \$27,500 into it. At this time Haughey's biggest swindles began. He started several fictitious companies. One was a glue factory, of which his son, Lew Haughey, was head. He also started a hair works, and put another son, Schuyler Haughey, in charge of that. Neither of these enterprises ever paid, nor is it known that they were expected to pay. Their chief business was the issuing of paper to be discounted by the bank. The capital of the bank was \$300,000, and the limit of the loans to a single borrower under the law was ten per cent of this, or \$30,000. By this law neither of these factories could borrow more than \$30,000. They evaded this, however, by getting their employes to make out notes for five or ten thousand dollars each, payable to the glue works. Lew Haughey would then take the notes to the bank, indorse them and get the money. The employes, of course, received none of it. They were men of no responsibility, and had neither money nor credit. Wagon drivers, day laborers and clerks were used in this way to obtain large amounts. Men working at a dollar a day gave notes for \$10,000, and Lew Haughey would get them cashed. These notes generally ran ninety days, and the making and renewing of them was a large part of the business of the employes of the glue and hair works. In addition to this, other companies were organized. One was the Indianapolis Cabinet Company, which was supposed to have branches in the different cities of the United States and England. From these branches notes would be sent in. The Indianapolis Cabinet Company would indorse them, and the bank examiner would be told that they were good concerns, doing a large business. This work continued until 1893, when the bubble burst, and the Indianapolis National Bank failed, with liabilities of \$2,000,000 and assets of about \$300,000. It then had notes of the Indianapolis Cabinet Company, of the Curled Hair Company and of the Glue Company amounting, all told, to \$15,000. Haughey and his sons were, of course, arrested. Their cases were set for trial in 1894, and Haughey plead guilty. He was sent to the penitentiary for six years, and is now serving out his term there. He is seventy-five years old, and is said to be much broken in health. Lew Haughey was acquitted, it is supposed largely through the sympathy connected with

his mother, who had no one else to care for her.

The Keystone National Bank of Philadelphia failed in 1891, with an indebtedness of nearly \$2,000,000. There have now been more than four years of negotiation and litigation, and less than \$600,000 have been realized. This failure was caused originally by one of the presidents of the bank, John T. Lucas, using the bank funds to invest in seashore real estate. He did this to the amount of \$600,000, but died before he could replace the money. The next president of the bank was Gideon W. Marsh, who was at the head of the bank at the time of the failure. He saw that he could not withstand the storm, and fled to Brazil, where he is still at large. The assistant cashier did not receive a cent from the robbery of the bank. He merely tried to conceal the acts of others, and for this he was sentenced to prison for seven years in the penitentiary of Philadelphia. Another man who suffered was the treasurer of Philadelphia, a man named Beardsley. Beardsley had a large amount of state funds on hand, in addition to those of the city. He wanted to get interest on this money, and he loaned it to the bank. These funds amounted to more than a million dollars. The money was used by the bank for its own purposes, and when it failed Beardsley was arrested, and was given a sentence of fifteen years in the penitentiary, where he now is.

The way in which the Keystone Bank succeeded in fooling the bank examiners and in defrauding its creditors was by falsifying its books. For eight years it suppressed its liabilities and padded its assets. Some of the books showed that there were nearly fourteen hundred thousand dollars due to depositors, while the ledger statement showed only eleven hundred thousand dollars. In the year 1886 the books were fraudulently changed to the amount of \$680,000, the bank apparently being solvent when it was really that much behind. Two years later there was a difference of more than \$600,000 between the false and true statements of the bank's condition, and there was a fraud of more than \$226,000 in the deposits. In 1889 the deposits were understated to the amount of \$530,000 and the bank examiner found several hundred separate items. The falsification of the accounts was done by dropping the thousands here and there. For instance, a balance of \$1,534,26 appeared on the sheets as \$534,26. Another balance of \$1,647,30 as \$647,30, and another, of \$11,503,81 as \$503,81. The book-keepers were arrested, but it was found that the fraud had been committed by other parties. As the examiners continued their work all sorts of other frauds were found. Pages had been torn from the ledgers and entire accounts removed. In one year nearly four hundred pages were cut out, millions of dollars' worth of false clearing house bills and certificates of deposit were issued and other frauds of the most slovenly character were perpetrated.

In closing this article, I wish to say that a large portion of the amounts thus stolen by the above banks have been recovered. Controller Eckels speaks in the highest terms of the work of the receivers, and he has given me a memorandum of the men in charge of these various banks and the amounts which have so far been realized. The Meyerick