

A Mississippi Mystery

The 1861 Hernando Railroad & Banking Company \$20 Note

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This note was purchased at the South Carolina Numismatic Association Convention at Greenville SC, in October, 2015. This article explores the origins and history of the issuing institution, as well as the mystery presented by the issue date of this note.

Desoto County and Hernando Mississippi:

Per the Treaty of Pontotoc in 1832 the Chickasaw Native American Tribe agreed to give the U.S. Government all their land east of the Mississippi River and settle themselves west of the

The Indian Removal Act was signed into law by President Andrew Jackson on May 28, 1830, authorizing the President to grant unsettled lands west of the Mississippi in exchange for Indian lands within existing state borders.

Library of Congress
[<https://www.loc.gov/rr/progrm/bib/ourdocs/Indian.html>]

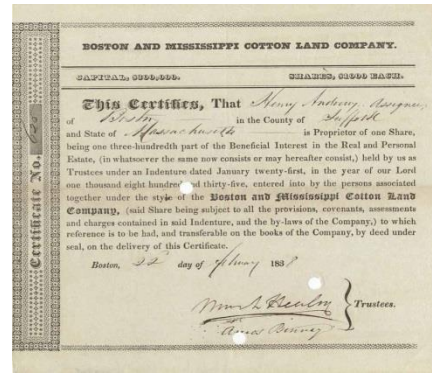
River with their own government. This agreement is commonly referred to as the Chickasaw Cession. In this agreement the United States agreed to pay the Chickasaw nation all the money raised from the sale of the land, after deducting the cost of selling the property. The Chickasaw ceded nearly 6.3 million acres to the US Government. The parcels were to be sold to the highest bidder, with a minimum price of \$3.00 an acre.

On January 25, 1836, a 640 acre parcel (one square mile) was awarded to Chickasaw member Til-Look-Hi-Yea, which he then offered for sale. Mr. Edward Orne, a commissioner of the Boston and Mississippi Cotton Land Company, bought thousands of acres following the Chickasaw Cession, to include Til-Look-Hi-Yea's land. Mr. Orne completed the deal on June 16, 1836.

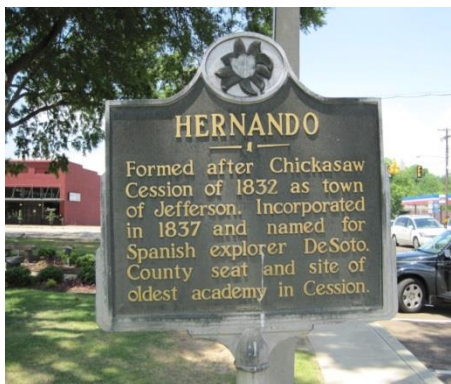


At its organization on February 9, 1836, DeSoto County stretched from the Tennessee state line on the north to the Panola County line on the south; from the Mississippi River and Tunica County on the west to Marshall County on the east.

Two months later, in August 1836, Orne donated 40 acres of the land he purchased to be used as the Desoto county seat, which was to be named Hernando. The original plan for Hernando consisted of a square forming the center of town, with five streets parallel to each side of the square.



Cancelled Boston and Mississippi Cotton Land Company Stock



As seen on this historical marker, Hernando was originally founded in 1832 as Jefferson, and became Hernando upon incorporation in 1837. Jefferson was renamed Hernando by action of the Mississippi State Senate, in order to avoid confusion with other post office names in the state. Today Jefferson, MS is a small unincorporated area located approximately 90 miles south of Hernando. Also, Jefferson County is located approximately 250 miles south of Hernando, along the Mississippi River near Natchez, MS.

During this time cotton was becoming the most lucrative crop produced in America – perhaps you will recall the phrase “Cotton is King!” However, it appears that it was even more profitable to buy and quickly sell (today known as “flipping”) the land that was to be used to cultivate cotton than it was to actually farm the land and produce cotton. Consequently there were many companies engaged in the speculative practice of buying up the land from the Chickasaw Cession in order to sell it at a profit to future cotton farmers.

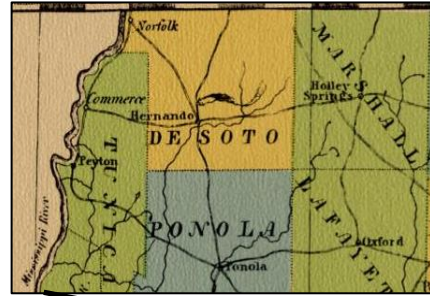
The Hernando Railroad and Banking Company

A consortium led by Mr. Orne formed the Hernando Railroad and Banking Company to build a railroad from Hernando to Norfolk, Mississippi, (on the Mississippi River just south of the Tennessee state line.) The company was chartered by the State of Mississippi on May 13, 1837. An amendment to the Charter on February 9, 1838 change the terminus and authorized construction of the rail line from Hernando to Peyton, MS. At this time Peyton was a busy port on the Mississippi River west-south-west of Hernando (Peyton of the 1830s no longer exists today.)

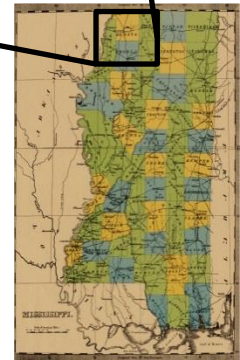


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Apparently the competition to be the terminus of this proposed railroad was fierce, most likely because it bore the promise of economic recovery for the winning location, and it would bring trade, jobs, taxes, and a chance to escape the dire prevalent economic conditions.



This was evidenced by another plan to build the railroad from Hernando to Commerce Landing, the Mississippi River port located on the west side of Commerce MS. Commerce was located in Tunica County directly west of Hernando, and approximately halfway between Peyton to the south and Norfolk to the north. Today Commerce MS has been absorbed by the development of the casino industry.



Illustrating the level of competition to win the Railroad's terminus, United States Congressional records published in 1839 contained an entry showing a statement of the Bank's account, in which it was

Although the South started early to build railways, it concentrated on short lines linking cotton regions to oceanic or river ports, and the absence of an interconnected network was a major handicap during the Civil War.

[https://en.wikipedia.org/wiki/History_of_rail_transport_in_the_United_States]

detailed the Bank was to receive a percentage of the proceeds for land sales in Commerce, Mississippi in return for making that town its terminus. Specifically a footnote stated:

1842 Map of Mississippi

"It appears that Messrs. Fletcher and Bridges, the original owners of the land at the point on which this town [Commerce] is located, agreed to give the Hernando Railroad and Banking Company a certain portion of proceeds of the sale of lots in said town, in consideration of the company's making that point the termination of the railroad as contemplated in their charter."

Economic Conditions:

In the 1830s, and especially from 1837 to 1843, America was in a period of severe economic depression. A principal impetus was the wild speculation associated with the sale of lands available due to the recent resettlement of Native Americans, such as the Chickasaws and Choctaws in Mississippi. Other political and financial factors were also in play at this time, and combined, these conditions culminated in an economic "panic".



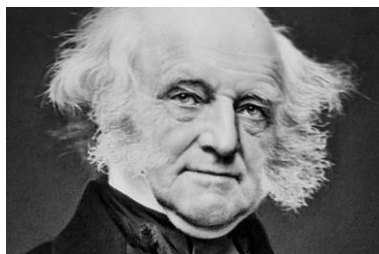
Hard times token, late 1830s; privately minted, used in place of one cent coin during currency shortage; inscription reads "I Take the Responsibility", shows Andrew Jackson holding a drawn sword and a coin bag emerging from a strona box.

The Encyclopedia Britannica defines an economic panic as an “acute financial disturbance, such as widespread bank failures, feverish stock speculation followed by a market crash, or a climate of fear caused by economic crisis or the anticipation of such crisis.”

Failure of the Bank:

In 1836 President Andrew Jackson’s issued the Specie Circular, which was an attempt to mitigate the impacts being seen from the land speculation boom. This Executive Order was implemented by his successor Martin Van Buren, and made gold and silver the only form of payment that the US Government would accept for the sale of public lands, since much of the currency in circulation at the time was not backed by actual capital. With the implementation of this Executive Order, land speculators needed to have access to a steady supply of gold or silver in order to stay in business.

State chartered private banks were authorized to print and circulate their own currency, supposedly in amounts relative to the money held on deposit in the bank. With little regulation in effect, abuse became the norm – banks loaned paper money with abandon, many issuing notes against non-existent deposits.



Martin Van Buren, 8th President of the US (1837-1841)

While the country was prosperous when he was elected in 1836, less than three months after his inauguration, on March 4, 1837, the financial

Given the economic panic and the constraint of the Species Circular, obviously 1837 was hardly an auspicious time to start a bank. While in retrospect it seems that the seeds of failure were sown prior to the chartering of the Bank, the Bank’s demise may have been accelerated by decisions of the Bank’s officers. An examination of historical records shows the following series of events:

In September 1838 Commissioners (Inspectors) authorized by the Mississippi State Legislature attempted to examine the Bank’s books. They were unsuccessful, for reasons which will soon become clear.

The previously mentioned 1839 US Congressional Records provide some insight on the circumstances preceding the Bank’s failure. These records document correspondence between bank officials and State regulators. In a letter to the Regulators on December 13, 1838, J. N. Bybee [the Bank’s Cashier] invited the State regulators back to inspect the books of the Bank, following the failed audit attempted the previous September. He offered the following explanation for why that audit had not been completed:

In the “Panic of 1837” New York banks suspended payments in gold in May and then panic ensued – more than 600 banks failed and approximately 800 banks suspended payment in specie.

“...the president of this institution was unable to exhibit the funds of the bank at the time the commissioners made their examination on the 28th day of September last, because the money belonging to the bank being in the hands of Henry F. Samuel [one of the directors] for safe-keeping, was in another town, subject to the order of the board; and there being not a sufficient number of directors present to make a board, the president was unable to comply with the requisition of the commissioners at that time.”

Apparently the Bank's seven Officers were responsible for 58% (\$220,860) of the liabilities. Given the explanations provided by the Bank above, one could seriously question the solvency of the bank.



On that same September day Mr. Samuel (the one who supposedly held the money in safe-keeping) accompanied the Commissioners to Holly Springs, MS (approximately 35 miles due east of Hernando) where the money was said to be available for inspection, however, the records stated simply that he “made no exhibit”. In the December 13th letter Mr. Bybee also provided a rationale for why the funds were not made available in Holly Springs:

“The stock was taken in the notes of unincorporated banking institutions, Brandon and other bank notes, according to the testimony. It will be seen, by an examination of the foregoing statements, that 203 directors of 21 banks owe the banks they direct nearly as much as one-half of the entire circulation of the 25 banks. This, however, is only their immediate liabilities as payor to their own banks; but as they often have paper discounted for their benefit, without appearing liable either as principal or endorser, and many of them have extensive accommodations in each other's banks, we are unable to state the full amount of bank credit used by these 203 directors.”

Even from a novice's perspective the two quotes above seem quite financially irregular when viewed through the lens of today's highly controlled financial system, but it appears to have been an accepted practice at the time. One can surmise that these behaviors significantly contributed to the economic collapse of the late 1830s, and certainly to that of this Bank.

Ultimately State regulators were able to examine the Bank's books. The “United States Commercial and Statistical Register, Volume 2” shows the following condition of the Hernando Railroad and Banking Company, as examined by State Commissioners on July 16, 1839:

- Chartered capital: \$1,000,000;
- Capital paid in: \$50,000 [5% capitalization]
- Resources of \$507,992.12
- Liabilities of \$380,415.89.

Public documents printed by order of the US Senate in 1840 contained a table that showed the Hernando Railroad and Banking Company had suspended payment in species (gold and silver) in 1839, which meant that they did not have the ability to purchase public lands that were for sale. This was a clear indicator that the Bank's business model was on the verge of failure.



Alexander G. McNutt, Twelfth Governor of Mississippi: 1838-1842
Source: Mississippi Department of Archives and History

In the first year of his term, Mississippi Governor Alexander G. McNutt signed a law creating the Union Bank of Mississippi, hoping it would help the state's economic woes. This bank issued \$10 million in bonds that were used to address debt – both public and private - to include Mississippi chartered banks. Unfortunately this new bank failed the very next year due to the lack of entities willing to buy the bonds owing to solvency concerns with respect to this new bank.

Gov. McNutt's annual statement given in 1841 focused on the condition of financial institutions in Mississippi and followed the failure of the Union bank and the repudiation of its bonds (which was not resolved until 1890.) In this message Governor McNutt stated the following, which stakes a position in stark contrast to his initial attempt to deal with the "Hard Times":

"The present situation of our banks, places it beyond their power to furnish a sound currency, or aid in the indebted portion of the community by further loans. Justice to their creditors, debtors and stockholders, and to the State, imperiously demand that they be placed in liquidation for the benefit of all concerned. The bank law of last February was too feeble in its provisions to command the regard [attention] of the bank directors. In accordance with its provisions, I issued my proclamation, declaring the charters of the following banks to be forfeited, to wit: The Hernando Railroad and Banking Company....."

At the time of Governor McNutt's 1841 statement, the treasury of the State of Mississippi held a "whopping" \$20 of Hernando Railroad and Banking Company currency. Obviously the forfeiture of this money was of little consequence to the State. One suspects it was not the same perspective for the common stockholders.

Currency Issued by the Hernando Railroad and Banking Company

As was customary for state-chartered banks in America at the time, the Hernando Railroad and Banking Company issued its own currency. In addition to the \$20 note that is the subject of this article, evidence shows that the bank issued \$5 and \$10 denominations as shown below. No examples or references have been found to indicate the bank issued \$1 notes. Additionally, the *Bank Note Reporter* mentioned a 2008 auction of \$50 and \$100 note printing plates for the Bank, although no examples of these bills have been found by the author while researching this article.



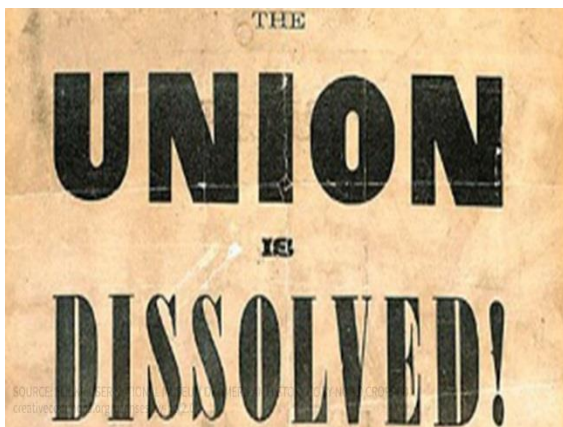
Description of Note:



- Uniface
- Banner at Top and Bottom: "TWENTY" in a succession of rectangular boxes;
- Note Series "A"; Number 1784;
- Left side of Bill: Commerce and Ceres (Roman Goddess of Agriculture) with cornucopia, sitting on crates on dock, barrels of goods nearby, sailing ship in the harbor to left, steamship in river to right;
- "XX" at top middle right;
- Right side of bill: Steam locomotive in background; Bales of cotton and barrels of goods in the foreground;
- Payable to J. S. Benton or Bearer;
- Center: The Hernando Railroad and Banking Company
- Center: Twenty Dollars
- Dated: August 21, 1861.
- L. B. Lusk, Cashier; C. B. Preston, President (Research was unable to verify the identity of these Bank Officers)
- Printer's Imprint below President's signature: Rawdon, Wright & Hatch, New-York.

Possible origins of this note:

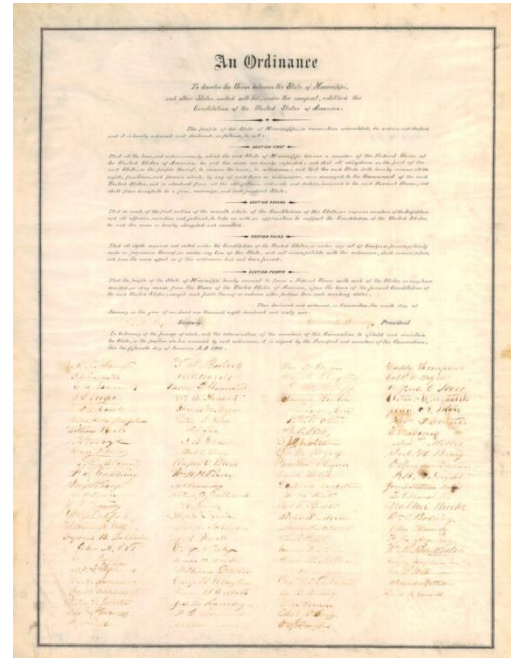
Given the background presented, it is now necessary to consider how or why the subject note came into existence, and whether the one acquired, and subject to this research, is real or counterfeit. Let's systematically explore the possibilities. We'll start by postulating that the bill is counterfeit.



Perhaps this note is a Contemporary Counterfeit. A contemporary counterfeit note is one which imitates / copies legitimate currency and is passed for face value at the time the legitimate note was circulating. This does not seem to be a likely explanation since this note is dated more than 20 years after the Bank failed. It simply does not seem plausible that someone would attempt to issue a contemporary counterfeit under those circumstances – i.e., why spend the time and resources to counterfeit a note from a failed bank?

It might be that this note was counterfeited and circulated by the agents of the US Government or Union loyalists during the American Civil War (which began in April, 1861) as a way to cause disruption. In fact, the practice of issuing counterfeit money for that very purpose was a warfare technique practiced during most wars, including this conflict. In this case, one should question how effective a war fighting strategy this particular instance might be. There are at least three reasons to discount this theory:

- Certainly no one in the local community, knowing the history of the bank, would likely accept the note.
- Perhaps people geographically removed might consider the currency to be legitimate, but knowing the precarious financial times, it is doubtful that “out of area” notes would be accepted
- To be truly disruptive, large quantities of the notes would have to be issued, and there is little evidence to support this – very few examples of this note have been found.



Mississippi Ordinance of Secession, 1861

One more point with respect to counterfeiting: In 1983 Mr. Richard T. Hooper, in his article titled *Railroad Notes and Scrip of the United States, the Confederate States and Canada* wrote:

“Strangely enough, the common practice of altering and counterfeiting obsolete bank notes did not seriously affect the railroad issues. Very few such spurious notes are to be found.

Possibly this note is a modern counterfeit - a modern day replica or copy of the historical note. On the surface this explanation has some credence because, from a collectible perspective, there are some instances where contemporary counterfeits of obsolete currency are now worth more than the actual note, especially if they were in circulation when the original note was in circulation and if they are rarer than the original. This might be sufficient motivation to create a modern day forgery of this bill.

However, one must remember that the intent of counterfeiting is to maximize profit – to produce sufficient quantities of either a well-known, often circulated note (such as the American \$100 bill) or a much sought-after collectible in order to maximize the return to the counterfeiter. In the case of this note, it seems hardly likely that someone would go to the time and the effort to produce a realistic fake of a very little known note that has limited potential for profit, given the bills’ obscurity and limited collector market.

In fact, the catalogue of actual notes issued by the Hernando Railroad and Banking Company is very thin – only a few examples of notes from this bank have been found in any denomination. The Whitman Encyclopedia of Obsolete Paper Money, Volume 7, assigns a Universal Rarity Scale (URS) rating of 6, indicating it is thought only between 17 and 32 examples of this note exist.

Accepting that for the reasoning given above that forgery of this bill is probably unlikely, one must contemplate then that this note is an actual issue. In the desperate times following the commencement of hostilities, when citizens of the South found the pre-war currency they held would not be honored (at the same time that the Government of the Confederate States had not printed and put sufficient currency into circulation) it is feasible that the people would use whatever was available to them as a medium of exchange. Perhaps this note was used as currency?



In 1861 the citizens of the southern states were fairly desperate for some form of normal or familiar currency, and it is reasonable to assume that the local population in Hernando, Mississippi might accept this note. Logically, for this to be an actual 1861 issue, stock of the original note printed in 1839 needed to be available. And not only did stock need to be available, but it had to be accessible to persons who had credibility to issue the note in a location where it would be accepted as currency - that it had value and could be accepted for exchange of goods and services at that location and time in history.

Research of the signatures on the note (Lusk – Cashier; Preston – President; Benton – Payee) did not find a direct connection to this bank or Hernando, Mississippi. The closest potential connection is that of the Payee – Mr. J. S. Benton. Records were found of a Mr. Samuel Benton, who was a prominent lawyer from Holly Springs, MS. He was an attorney, newspaper publisher and politician. He served as a Colonel in the Confederate States Army and saw action in several battles during the Civil War. He was promoted to Brigadier General two days before his death in July, 1864 following the battle of Atlanta. Benton County MS was named after Gen. Benton. Could this note have been issued to General Benton or one of his relatives at the outbreak of the war?



Brig. Gen. Samuel Benton, CSA (Possible)

While it is impossible to reject that this note exists due to deliberate fraud at the outbreak of the Civil War, as seen below, research has found some documentation concluding that the bill was intentionally issued at the start of the war due to the lack of available Confederate States or State of Mississippi currency.

In 1969 the Society of Paper Money Collectors (SPMC) published an article by Mr. Everett K. Cooper titled *Paper Money issued by Railroads in the Confederate States of America*. In this article Mr. Cooper explains that numerous railroads in the Confederacy issued notes after the hostilities had begun, and he included the Hernando Railroad and Banking Company as one of them. His article stated “*The \$20 note, with handwritten date, was issued after the hostilities had commenced seriously, but it is of a style and engraving indicating pre-war printing.*” It is observed that his research did not address nor draw the same conclusion for other denominations issued by this bank, only the \$20 bill that is the subject of this article.



Upon very close examination of this note (paper, printing style, acidic ink, comparison to its companion notes, etc...) it appears to be an original note printed in 1839, with the anomaly of having a hand written date of August 21st, 1861. The existence of this note supports the research Mr. Cooper performed nearly 50 years ago. Considering the research and the physical characteristic of the note as presented, Readers are encouraged to conclude for themselves – what is your answer to this “Mississippi Mystery”?

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