

HENRY GREENEBAUM.

His Banking Operations and Blunders Since 1854.

The Committee appointed by the creditors of Greenebaum & Co. to examine into the affairs of the bankrupts convened at 11 o'clock yesterday morning in the United States Circuit Court room, and the examination of Mr. Henry Greenebaum was commenced. In answer to a question by Mr. Swett, asking him to give his banking experience, Mr. Greenebaum said that he was 45 years of age. First went into business in 1854 in Chicago, and continued in business until the 17th day of December, 1877. During that period witness had been connected with the following firms: 1854 to 1855, Henry Greenebaum (alone at first); 1855 to 1858, Greenebaum Brothers (Henry and Elias), which firm name continued until August, 1863; in 1858 Mr. Gerhard Foreman was admitted as a member of the firm. In 1860 witness made what he now considers his

FIRST FATAL BLUNDER.

He was 23 years old, and had quite an extensive business, and allowed himself to be a candidate for Alderman in what was known as the Sixth Ward, on the West Side. He continued:

Unfortunately for me, I was elected. I was made Chairman of the Finance Committee of the Common Council, and, by the influence of political friends and associates, took quite an active part in the political issues of the times. I incurred the enmity of political opponents, and created in this way an opposition to my business interests which followed me down to the failure. Because I am satisfied of this, I allude to my running for Alderman in the spring of 1856 as the first fatal blunder. In the fall of 1857 we entered upon a very severe financial and commercial crisis, the nature of which was first made known by the failure of the Ohio Life & Trust Company at Cincinnati. The times were hard, and continued to be hard through an extended period of shrinkage and depreciation, which was not arrested until after the commencement of the War, when the business of the country was being inflated by legal-tender paper money issued by the Government. The crisis of 1857 met me under circumstances that put my moral courage and perseverance, as well as powers of endurance, to a severe test. My attachment to the city of Chicago and faith in her future growth and metropolitan greatness amounted to almost an infatuation, and by it I fell a victim to the

SECOND GREAT BLUNDER

of my life. I became indebted on real-estate purchases when property sold at high prices in 1856, and my condition in the fall of 1857, after suffering by the depreciation of property, was such that I was hopelessly involved on personal account. In order to strengthen the business of the then firm of Greenebaum Brothers arrangements were completed early in 1858 for the admission into the firm of Gerhard Foreman. I undertook to carry my personal indebtedness in the shape of a floating debt on my own paper, distributed with a number of personal friends and acquaintances. Rates of interest on that kind of paper were rather high in those days. I paid all the way from 1 to 2 1/2 per cent a month, and while my partners, Mr. Elias Greenebaum and Mr. Foreman, were out of debt and kept on increasing their wealth and resources in business, I may say that I virtually slaved through an existence during the years of '58, '59, '60, '61, and part of '62, simply to pay interest on a floating indebtedness and to maintain my credit. That I do not consider a fatal blunder. I passed through that crisis successfully. I received by the hardships and privations that I underwent what I consider a good training to fit me to meet dangers and exigencies. I have been in banking for upwards of twenty-five years, during which time I have seen bank after bank close up, all around me, to the number of over fifty. The firm of Henry Greenebaum & Co. failed about the middle of December, 1877. I was forced to surrender after a siege and active engagement, figuratively speaking, that lasted for five months, during which five months the liabilities of the three institutions, all more or less under my charge, were reduced from an aggregate of over \$2,500,000 down to between \$600,000 and \$700,000. I supposed that the run would stop long before we got down to unavailable securities. The shrinkage of securities that could be realized upon was enormous. I have always been willing to sacrifice every personal interest to meet the obligations of the firms over which I presided. I did so in '57, and again in 1861. In the spring of that year the Illinois currency began to depreciate on account of the falling of the value of Southern State bonds which were held by the Illinois Auditor as security for our currency. There was a complete break-down about the 10th of May, 1861. Stumptail currency was rated from 30 to 65 cents on the dollar, according to the quantity of bonds of Northern States mixed in with the deposit of Southern bonds with the Auditor, to secure circulation. That money ceased to circulate in May, and accounts at the banks were after that time kept in Eastern money or money of the State banks of Iowa, Indiana, and Ohio. I was the only banker in Chicago that refused to compromise with depositors. I paid in the State bank of Iowa or Indiana, or gold at 1 per cent premium to depositors, while other banks paid in depreciated money. Our loss by this course in money at the time, to my best recollection, amounted to from \$30,000 to \$40,000. The firm of Greenebaum Brothers was dissolved in August, 1862, my partners starting the firm of Greenebaum & Foreman, and, by consent, taking with them all the commission and negotiable business. I undertook to build up the deposit and foreign exchange business, both of which had suffered largely by the hard times through which we had passed.

I had no capital then. I did a very fair business during the years following, which may be termed the time of the Rebellion; the deposit business became quite extensive, and everything looked rosy. I met considerable loss at the close of the War by a depreciation in several things—namely beef, upon which I had advanced large amounts. So that the years of 1866 and 1867 were again years of trial and tribulation for me, under which I bore up manfully. During that time I made

THE THIRD FATAL BLUNDER

of my life by opening an active member of the Chicago Gold Exchange. I carried out large orders for friends without adequate margins; heavy losses were incurred, and, customers being unable to respond, I had the only alternative of paying differences myself, or failing. I knew no such word as fail at that time. I was particular to have my word as good as my bond, and to pay any sum to which I had given my word, whether I was legally liable or not. In one case I gave my check on a difference of \$9,000; in another, \$16,000; in another, \$9,000. I recovered pretty well again. Along in '68 I was in good condition. I felt that I could leave my business here for even an extended period of time, and that it would benefit me to visit my foreign correspondents, and I visited Europe. In consequence of increased credit facilities accorded to me by correspondents during that visit, and urgent recommendations by the Park Bank, of New York, I concluded to open a house in New York City. I consider that

THE MOST FATAL BLUNDER

of all, which carried several other blunders in its train. The capital of the Chicago house, then consisting of myself and David B. Greenebaum, was \$100,000, outside of \$50,000 with which the New York house was started. In the fall of 1868 I went to New York to start the business there personally, staying there for three months. In January, 1869, David B. Greenebaum went to New York to take charge of the house. One grave mistake I made in connection with the opening of the New York house was that I rented a basement office under the Park Bank for ten years at \$9,000 per annum. That investment proved a loss of from \$50,000 to \$80,000.

ANOTHER BLUNDER

growing out of the New York house consisted in the fact that it necessitated one of the firm to be in New York, and the other member at Chicago, while it was almost indispensable that we should both be here in Chicago, and by mutual consent reach such wise conclusions as were necessary to successfully carry on banking, and in applying a proper judgment as to credits.

Something had to be done in the effort to correct the mistake of having divided our forces. The course adopted

WAS ANOTHER BLUNDER.

It led to the division of the business of Henry Greenebaum & Company by organizing two chartered institutions,—the German Savings and German National Banks,—transferring all time-deposits that could be prevailed upon to the German Savings Bank, and all current accounts to the German National Bank. In this way the business became too extended, and, although I applied myself to the discharge of the onerous duties devolving upon me by the new order of things with an heroic effort, being constantly in the harness for years, as convinced by subsequent events, there was death in the very inception of a business organization upon such a base. All these institutions were located in a bank building on the southwest corner of Lake and LaSalle streets up to the time of the fire.

Witness then detailed an account of the losses sustained by the firm in the great fire of Oct. 9, 1871, and in the panic of 1873.

THE AFTERNOON.

The meeting then adjourned until 2 o'clock, when Mr. Greenebaum testified that when the New York house was started, \$50,000 of the assets of Henry Greenebaum & Co. were taken there. These consisted of a draft of \$15,000 and \$35,000 in bills receivable. The capital stock was increased to \$100,000 in 1873. The increase was made from profits. He first became aware of the shaky condition of the New York house in November last. Then the capital stock was swept away. He did not know that anything was the matter with Henry Greenebaum & Co. until a few days before the failure. In 1873 he held for himself and bank \$650,000 in

real estate. The payment of taxes and interest on this and the shrinkage in value had ruined him. Mrs. Elias Greenebaum had securities in a private box in the German National prior to the failure. Henry Greenebaum & Co. traded unavailable securities for some of these, including \$30,000 of the Chicago Store Works' paper and the Fisher notes for \$18,000. All the money received on her notes was paid over the counter before the failures.

He answered in relation to the eight merchants who gave him their notes of \$10,000 each, running all the way from sixty days to five months, drawing 7 per cent interest, and which were taken and used by Henry Greenebaum & Co. in New York. No security was given except the guarantee of Greenebaum & Co. that they would be taken care of. That was about the 20th of November, 1877. The failure occurred on the 17th of December. Of that \$80,000, \$50,000 went to New York, and was used by Henry Greenebaum & Co., and \$30,000 went into the German Savings Bank. Soon after the giving of that paper but without communication with these merchants, Mr. Greenebaum executed a trust-deed to Herrmann Schaffner, trustee, which was not recorded till about the time of the bankruptcy. These merchants appear to have raised a storm. They went to Mrs. Rosina Greenebaum, wife of Elias Greenebaum, brother of Henry Greenebaum, and induced her to raise \$35,000 in securities she had previously received from her husband (Henry added \$5,000 in checks borrowed from parties on the German National). Mrs. Rosina Greenebaum turned over these securities, and they were applied on the \$80,000. (None of these notes are yet due.) She claims an interest in the property mentioned in this trust-deed.

The next item brought up was a matter of \$10,000 of securities received from Mrs. Rosina Greenebaum, which Elias left with his son when he went to New York, directing him to turn them over to Leopold Bluhm, to secure him for a loan of \$10,000 in cash he had made to the firm some days before. Mr. Greenebaum said, in reference to this, that he used the proceeds of these securities at the Merchants' Savings, Loan & Trust to take up a draft on the firm in New York which had been returned protested.

The next series of questions was in reference to Thomas Hoynes, who is scheduled as a preferred creditor to the extent of \$20,000. Since the bankruptcy an arrangement has been made by which the German National holds the claims instead of Hoynes. Mr. Greenebaum solicited the forbearance of his questioners while he related a long story of the way in which he came to get into that \$20,000 muddle with Mr. Hoynes, showing that it was through too much reliance upon the faith of a friend in New York, Mr. McClary. After the recital, in which were one or two episodes that came near being pathetic, the examination was adjourned till half-past 10 o'clock this forenoon.