

“Lockport as Financial Center.” *Lockport Free Press*. “Old Canal Days” Special, 15 June 1978.

Lockport as financial center

This is the latest in a series on the history of Lockport by John Lamb. Lamb, a professor of history at Lewis University, is president of the Illinois Canal Society and is the newly-elected chairman of the Lockport Historic Preservation Council. He is active in the Will County Historical Society and is this year again serving as chairman of the Old Canal Days Committee.

For a while during the 1830s and 1840s, Lockport was the financial capital of Northern Illinois. Lockport's currency had an effect on state finances even after the town lost its important status.

During these early years, there was even a “shoebox scandal” reminiscent of Illinois politics in the 1970s.

In the early days of Lockport's existence, the State of Illinois was faced with a major problem. There was no currency. The Federal Government did not issue notes, and coins were inadequate for the needs of rapid commercial expansion. The state issued a number of state banks with power to issue bank notes. However, the state failed to supply any capital for these state banks, and few people were interested in buying stock in such flimsy financial institutions. Still, the state banks issued currency, and Illinois launched an extremely ambitious program of railroad and canal building.

Of all these projects, only one was financially feasible and

promised a return on the investment; this was the Illinois and Michigan Canal. The I & M Canal Commissioners found in 1839 that they were the only state body that could borrow money from bankers on the Eastern Seaboard. State banks by 1837 were unable to redeem their notes but were prevented from going bankrupt so that the canal funds in the State Branch Bank in Chicago could not be confiscated.

In 1839 the Canal Commissioners issued their first script. These notes could be redeemed in 90 days and were the only viable paper currently in Illinois at the time. The notes were issued by the State Branch Bank at Chicago from Lockport, but their real value lay in the fact that they were signed by either General Thornton or Colonel Fry, the Canal Commissioners living in Lockport. They were used in denominations of \$1 to \$100, and by 1840, almost all of them had been cashed at the Canal Office in Lockport.

But the financial stability of the canal was no longer believed and the issue flopped; not even the hard -pressed canal contractors would accept them. In 1845 the canal was taken over by the state's creditors, who raised sufficient funds to finish the waterway by 1848.

No more notes were issued by the Canal Commissioners, and Lockport's days as an important financial center were over.

However, that was not the end

of the canal script. The travels of the first issue of 1839 would gradually take on increased significance and fuel Illinois' first financial scandal. And the shoebox, which reappeared in 1970 with the death of Secretary of State Paul Powell, made its first appearance.

In 1853 Joel Matteson of Joliet was elected governor. He was the first and last governor from this region. Canal script had after 1845 been shipped from Lockport to the Chicago canal office. One state canal trustee decided it would be best to ship this script down to Springfield to the state treasurer. He packed some of the script in a trunk, which he sealed, and a quantity of \$50 and \$100 notes in a shoebox.

However, the script was not turned over to the state treasurer; it disappeared only to reappear a few years later when a large quantity of \$100 and \$50 bills were presented to the state treasurer for redemption. By whom? By none other than ex-governor Joel Matteson. Since Matteson no longer had his hand on the tiller, he had decided to put into the till. When it was pointed out that this script had been redeemed in 1840 by the Canal Commissioners, Matteson was quick to declare his innocence. Matteson maintained that he didn't have any idea where the script was, that the last he had seen of it was in the State House.

The trunk full of script was found in a basement storeroom of

the State House, but the shoebox was gone with all its contents. Perhaps it is the shoe boxes themselves that corrupt state officials. Perhaps the shoebox makes cash or securities more delectable and tempting to pilfer

than they otherwise would be.

In any case, Matteson made full restitution of the \$200,000 and retired from politics. He was never indicted because of some hanky-panky with the grand jury in Springfield. The state

legislature stopped its investigation when Matteson coughed up the money. The Joliet politician died wealthy, honored but somewhat besmirched in Chicago in 1873.



John Lamb

Throughout the year, the FREE PRESS has been pleased to bring you these stories on Lockport history by John Lamb. Lockport is fortunate to have such a rich history and we feel that the town's heritage will play an important role in its future.