ONWARD

A Brief History of BNY Mellon

BNY MELLON

AT 11PM ON NOVEMBER 29, 1783

Pastor Ewald Schaukirk was jolted awake by a rumble that rattled the windows and a tremor that shook the walls. Mercifully, the earthquake that had just hit New York passed quickly, leaving little more than broken crockery and loosened chimney bricks in its wake.[1]

Even so, when Schaukirk addressed his worried congregation the next day, a Sunday, his sermon raised the question of whether the earthquake had been a portent of the ailing city's future.

JUST FOUR DAYS EARLIER

following their occupation during the War of Independence, the British had finally left what had once been the navel of their North American empire. Over the last seven years, two calamitous fires, repeated outbreaks of yellow fever, cholera, and smallpox, and the brutality of war had devastated the city. Thousands of its citizens, Patriots and Loyalists alike, had been turned into refugees.

Had the earthquake been a final warning to abandon the once-thriving city?[2]

1783

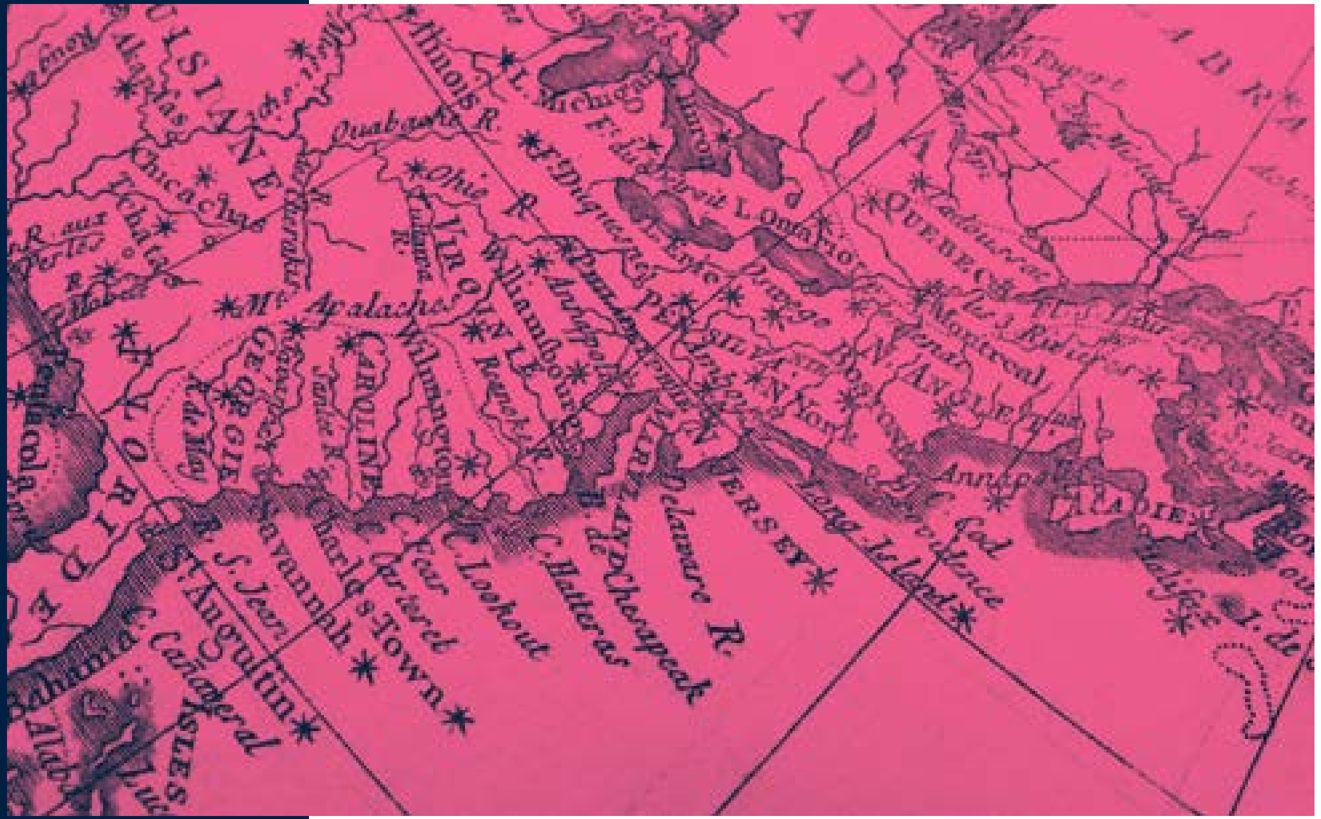
With a third of its housing destroyed, its mighty port ruined, its great trading-houses bankrupted, and its pre-War population halved, much of New York had been left a blackened pyre.

THE ERA OF TRUST

The earthquake, it soon became apparent, was indeed an omen, though one auguring not New York's doom, but its resurrection. Just three months later, on February 23, 1784, a small newspaper advertisement appeared in the New-York Packet.

A number of respectable gentlemen, it read, wished to "establish a bank" to get New York back on its feet. Potential investors were encouraged to attend a meeting at the Merchants' Coffee House the following evening at 6pm.

There, the creation of the city’s first bank was proposed.



According to the Bank of New York’s founding constitution, written by Alexander Hamilton, the books would be balanced, dividends paid, and overdrafts forbidden. If, as he intended, the Bank was to nurture New York’s economic growth and attract foreign investment, then it first had to establish its credit as a financial institution by being liquid, transparent, and solvent.[3]

After Hamilton was appointed the first Secretary of the Treasury on September 11, 1789, he urgently applied the lessons he’d learned at the Bank of New York to the newborn country as a whole.

IT WASN'T A MOMENT TOO SOON

America's public finances were in crisis. That year, the country's total debt was approaching the staggering sum of $80-million while tax revenue brought in a mere $162,000. With unpaid interest on the debt amounting to $4.5-million annually, in 1787 the government had stopped submitting installments even on the principal.

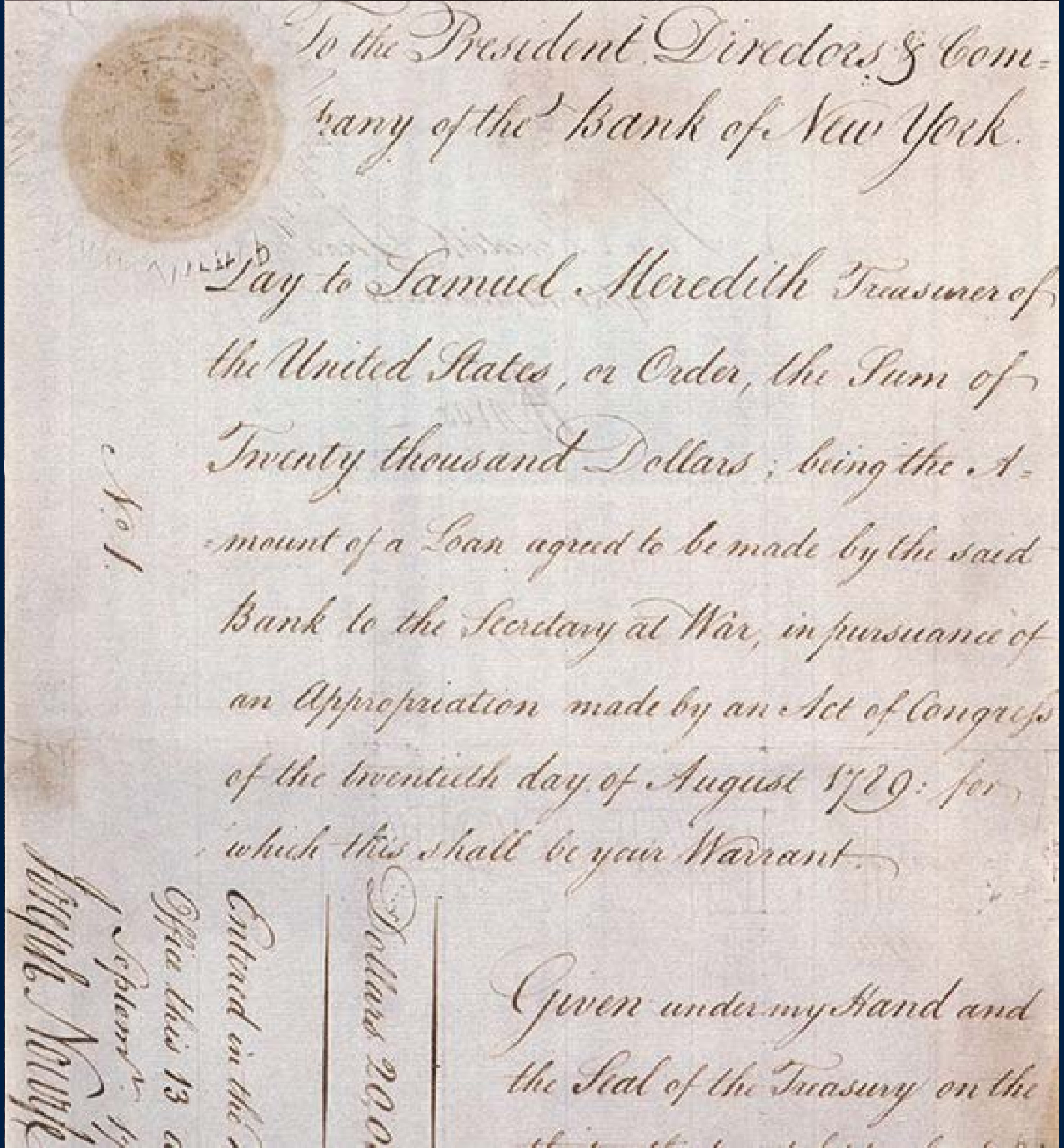
1787

Worse yet, given its financial weakness, the government had been forced to disband the navy and to reduce the army to eighty privates at a time when France, Spain, and Britain still occupied most of the continent. If, or perhaps when, the United States collapsed beneath the burden of its own debt, they would feast on the remains.

The country was perilously close to bankruptcy, so close that without Hamilton's negotiation of an emergency loan of $200,000 from the Bank of New York just two days after he started work, the federal government could not have met its immediate obligations.

The respite provided by the loan allowed Hamilton time to convince wary trade partners and foreign investors that he would stabilize the country's finances by assuming the various states' debts as a federal charge, creating the national Bank of the United States, and reforming the tariff system.[4]

Five years later, with the national debt consolidated and interest paid on the nose, overseas opinion of America's financial integrity had been transformed. The United States, so recently reeling on the ropes, now enjoyed the highest credit rating in European capital markets. Investors were so eager to buy its bonds they were selling for ten percent over par.[5]


To the President Directors & Company of the Bank of New York.

Pay to Samuel Meredith Treasurer of the United States, or Order, the Sum of Twenty thousand Dollars; being the Amount of a Loan agreed to be made by the said Bank to the Secretary at War, in pursuance of an Appropriation made by an Act of Congress of the twentieth day of August 1789: for which this shall be your Warrant.

Given under my Hand and the Seal of the Treasury on the

HAMILTON'S FINANCIAL REVOLUTION

sparked an economic boom. In 1792, underneath a sycamore tree outside 68 Wall Street, a group of 24 brokers and dealers founded what would become the New York Stock Exchange. The Bank of New York was, fittingly, the first company to be publicly traded. "Credit is again revived—and prosperity once more approaches in sight," cheered a city newspaper the following year. "Trade of every kind begins to be carried on with spirit and success."[6]

The newspaper was right. Between 1795 and 1800, American exports to Britain tripled in value and the number of companies operating in New York quadrupled. By the latter year, federal tax revenue had exploded more than sixfold to $10.85-million from $1.64-million a decade earlier. As a result, in 1803 the United States could comfortably afford to finance the $15-million Louisiana Purchase, which doubled the size of the country.[7]

During this period—between the 1780s and the 1820s—the Bank of New York and the United States worked to establish their coveted reputations for sterling credit and financial integrity. It was for both the Era of Trust—of earning it, and of working to build it.

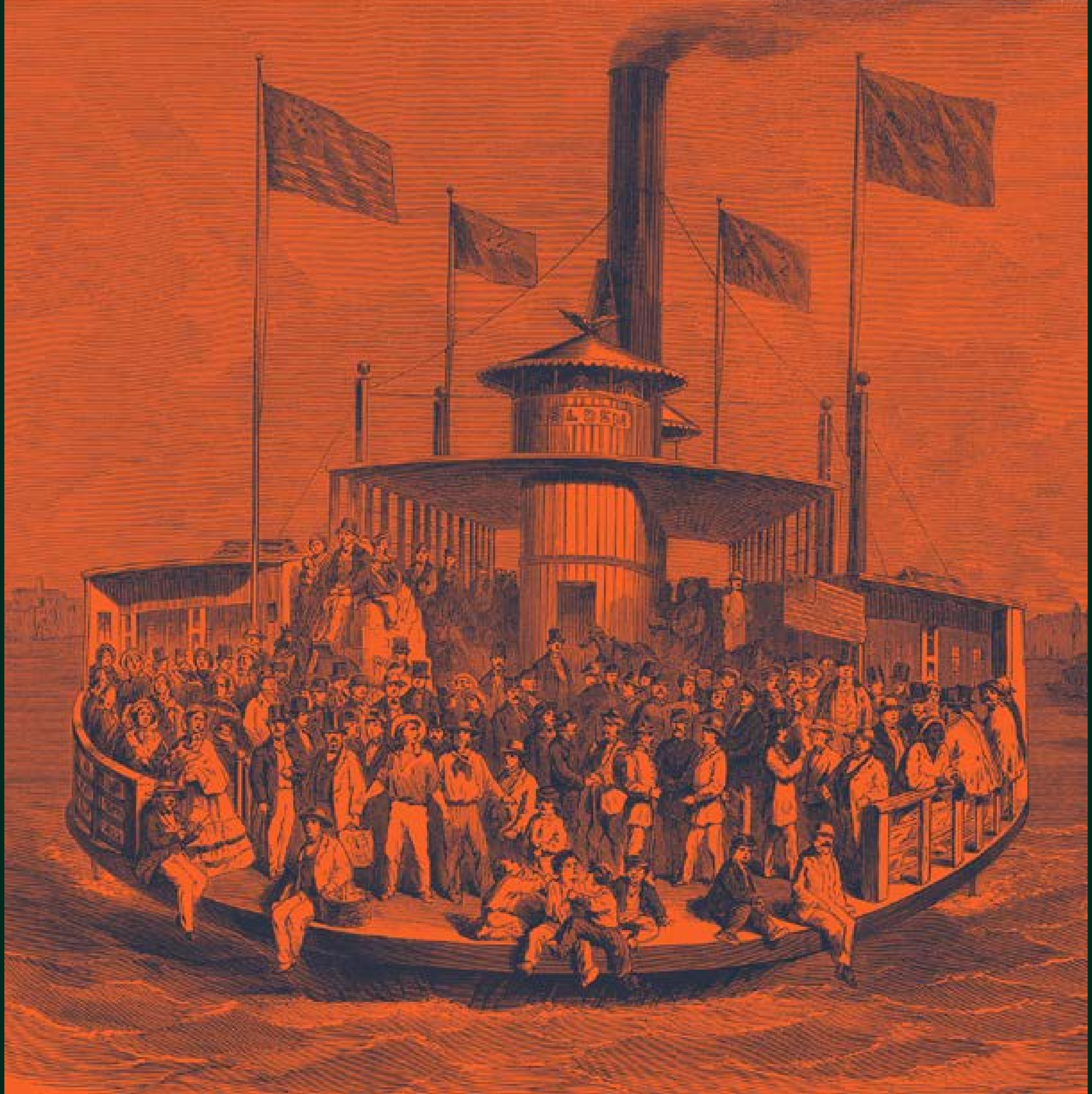
1780

Faith in the name and standing of the Bank of New York is just one of three key principles that have formed the foundation of its success over the centuries.

1820

The second is a commitment to backing and providing support for the enterprises that forged a nation and that today serve a global market.

THE ERA OF ENTERPRISE



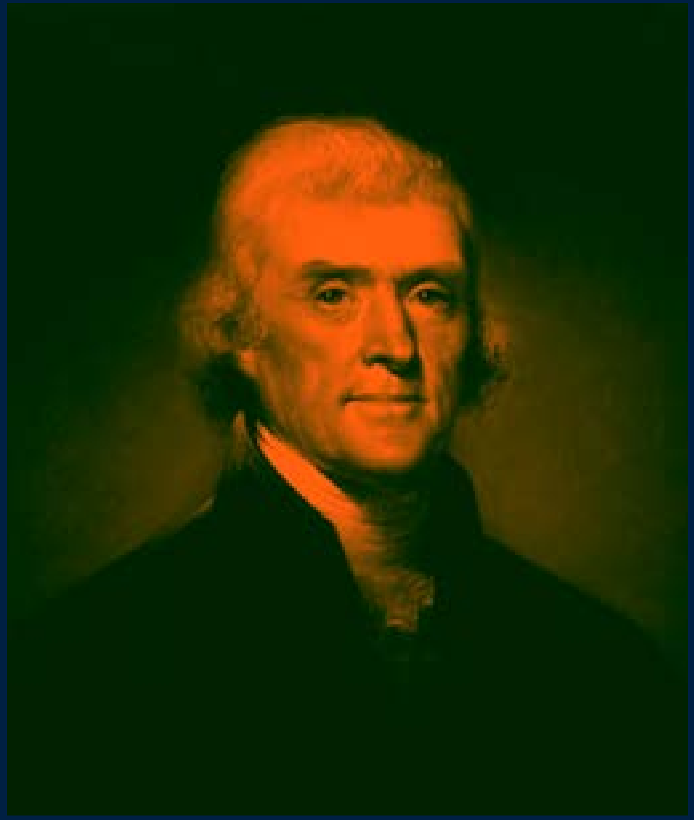
America is "the country of the Future," marveled the philosopher and poet Ralph Waldo Emerson in 1844. All around him was the plain evidence that here was a land "of projects, of designs, and expectations."[8]

In his lifetime, the United States had embarked on a dizzying metamorphosis from a rural economy into a rapidly industrializing one. Where once there had been workshops in which craftsmen hand-produced goods piece by piece, now there were factories in which the machines made machines; where once a letter took three weeks to travel from Boston to Philadelphia over rutted, muddy roads, now the telegraph brought news in minutes along a thin wire; and where once no land vehicle had moved faster than a horse, now there were locomotives, propelled by steam engines, that sped along iron rails.[9]

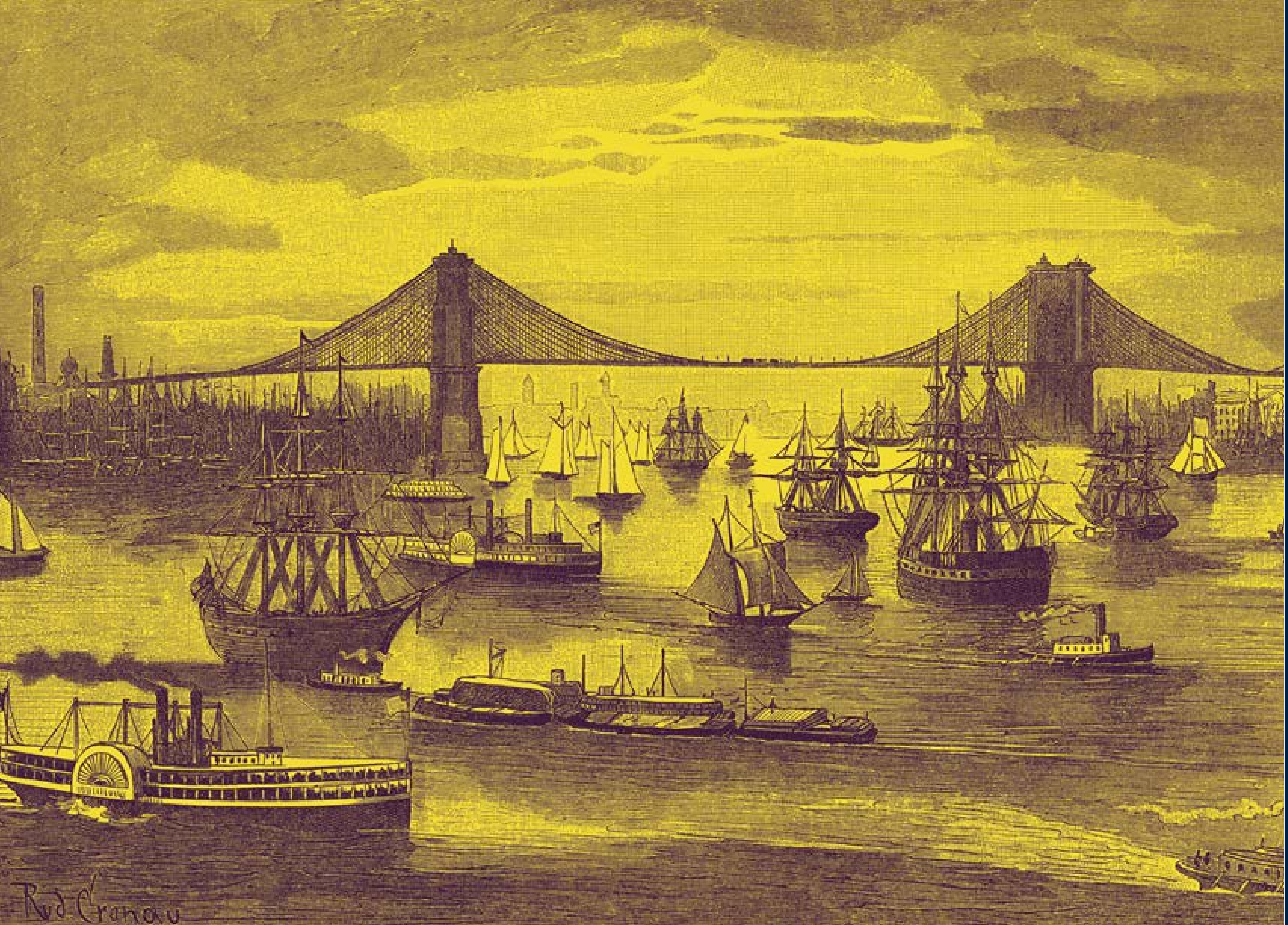
THE "PROJECT OF VAST DESIGN"

that had started this immense effort had been the opening of the Erie Canal in 1825. In 1808, President Thomas Jefferson had considered the very idea of building a canal to connect the Atlantic Ocean with the Great Lakes as being "little short of madness."

Yet this watery superhighway had, against all odds, been cut through 363 miles of clay, swamp, and rock in just eight years. At a stroke, the cost of conveying freight, produce, and people between New York and the growing Midwest was slashed by 90 percent, and travel time cut from nearly three weeks to six days.[10]



1828



The Bank of New York was at the forefront of this transport revolution.

As early as 1821, it had lent $55,000 to the North River Steamboat Company, which operated three modern paddle-wheeled steamers on the Hudson. Soon afterwards the Bank was closely involved with New York State's Canal Fund, which oversaw the Erie project, serving as both lender and depository. Over subsequent years, it helped fund three other canals throughout the state. Together, they helped establish New York as the country's center of commerce, trade, and industry.[11]

By the outbreak of the Civil War, the great age of the canals was passing and that of the railroad had arrived.

Growth was stupendous. Whereas in 1830 there had been just 23 miles of track in the entire United States, in 1890 there was nearly 130,000 connecting one surf-washed shore to another through mountains, over canyons, and across prairies. The Bank invested in at least 31 regional and transcontinental lines during this time, including the Pennsylvania, Union Pacific, Chesapeake and Ohio, and Long Island Railroads. Later, it would hold positions in New York's subway companies.[12]

Together, these transport systems linked a giant, national market served by a host of new companies. Among the most dynamic of these were the metal producers, often headquartered in Pittsburgh. It was there that in 1869 Thomas Mellon founded T. Mellon & Sons' Bank, a firm directed at financing the ventures that would become Alcoa, Carnegie Steel Corporation, and Koppers.[13] The Mellon family have left a lasting imprint on America, ranging from establishing Gulf Oil and pioneering venture capitalism to shaping the nation's cultural landscape through their generous philanthropic contributions. Notably, Andrew Mellon, a key figure, held the position of Secretary of the Treasury under three U.S. presidents and later helped to establish the National Portrait Gallery and National Gallery of Art with donations from his personal art collection.

By the turn of the twentieth century, electrical power was fast becoming the dazzling energy of the future. Following Edison's invention of the incandescent light bulb in 1879, improvements in power generation accelerated and the campaign to "electrify" cities gained momentum. The Bank accordingly invested in a variety of New York utilities that were converting from providing gas and coal power to electricity.

By 1910, electricity was powering not just lights but such astonishing new household goods as stoves, hair curlers, refrigerators, and coffee urns.[14]

THE AGE OF THE CONSUMER

had arrived, and change was in the air. As early as 1884, the Bank's centenary, nearly a third of its shares was held by women, who in turn made up more than forty percent of its stockholders.[1]

Yet in other ways the Bank refrained from changing too much. Even at the price of no longer being numbered among the city's very largest financial institutions, the Bank stayed true to the types of conservative commercial practices that had defined its existence since Hamilton's day.

This proved a wise policy during the shock of the Great Depression. In its long history, the Bank had survived numerous panics and crashes. There had been speculative manias, followed by the inevitable failures, in 1837, 1873, 1884, and 1893.

But all these storms had been weathered thanks to the Bank's sound captaincy and a confident willingness to stand fast through rough waters. Indeed, the Bank had succeeded in distributing its dividend every single year—aside from one. During the financial crisis of 1837, the state government had forbidden such payments, but the Bank paid double the following year to make up for it.[16]

1837

The Crash of 1929 was of a different order of magnitude.

The American banking system was tested as never before. Hundreds of rural banks shut their doors and in New York, the huge Bank of United States failed disastrously. It took down with it 62 branches and $200-million in deposits. Over the next few years, some 10,000 banks across the nation would meet a similar end.

Yet the Bank of New York and Trust Company (its name after a merger), kept its head above the rising tide of bankruptcies and collapses. Demonstrating its remarkable resiliency, the Bank remained liquid. Its reserves exceeded customary requirements, it was profitable, and it erected an impressive new headquarters at its time-honored corner of William and Wall Streets. The Bank even increased its deposits—a rare feat at the time and a resounding vote of confidence in its management.[17]

After the U.S. emerged from the Depression, however, the Bank of New York found expansion difficult owing to regulation.

As a result, in the decades following World War Two the Bank grew a new branching network via the acquisition of other city institutions, such as Fifth Avenue Bank in 1948 and Empire Trust Company in 1966.[18]

From the 1970s, the Bank began to flower outside its native urban habitat. While remaining rooted in Manhattan, its seeds were soon pollinated across the Hudson into New Jersey, the East River to Long Island, the Sound to Connecticut, and the Bronx into Westchester and upstate New York.

THE ERA OF INNOVATION

As early as 1958, the same year as America entered the Space Age by initiating the Mercury program, the Bank of New York had taken its first steps towards automating bookkeeping practices that had barely changed since the Renaissance, when modern banking had been invented.

It was in October of that year that, for the equivalent of $1.5-million today, the Bank purchased its first computer, an IBM 650. An electronic system for clearing government securities was introduced in 1977, followed by the installation of ATMs in retail branches at a rapid clip from 1980 onwards.[19]

It was in the late 1950s, too, that the advent of plastic credit cards heralded a boom in consumer spending.

The Bank quickly became not only a significant lender to the credit-financing industry but also ventured into the expanding mutual-fund and money-market sectors that were attracting new retail investors.

ANOTHER FRESH FRONTIER

opened by accelerating globalization, was the international market. A London office was opened in 1967, followed by the Cayman Islands five years later and Singapore in 1975. The end of the Soviet Union brought expansion to Eastern Europe and, with an increasing American presence in China, Shanghai in 1994.[20]

1967

In the 1990s, the revolutionary impact of the Internet unleashed potent economic and social forces that had been long bottled up. Changes once latent became patent as the world, locked in bipolar stasis since World War Two, transformed on the eve and dawn of the 21st century.

The banking industry as a whole, which had traditionally moved with almost tectonic slowness, experienced volcanic changes. Comparatively small banks now rapidly grew into giants through mega-mergers. The Bank of New York, for instance, merged with Irving Trust in 1988 to create the 14th-largest bank holding company in the U.S.[21]

This would be among the first in a series of similar tactical and strategic acquisitions—no fewer than 33 between 1993 and 1998, and another ten in 2000 alone—that laid the groundwork for the 2007 integration with Pittsburgh's Mellon Financial Corporation, another conservatively managed financial-services company that had followed a similar path.[22]

The new entity forged from this union was BNY Mellon.

2007

Fortified by its strong balance sheet and a combined 375 years of experience, the Bank's most radical innovation was to divest its retail and commercial operations and reinvent itself as the premier global asset manager and custodian. Today, the Bank oversees nearly $50-trillion in assets for its clients.[23]

With the benefit of nearly a quarter of a millennium's perspective, this shift away from being a universal bank to becoming a global financial-services company critical to the international and domestic economy can be seen as a return to its historical roots.

The Bank of New York had been founded as a specialized bank charged with unique responsibilities to its clients–and today it pays homage to that heritage.

THE PAST PRESENT & FUTURE

On the morning of September 11, 2001, the Board of Directors was scheduled to meet to discuss a number of routine matters. On the agenda was a presentation on financial statements, a report of the Compensation and Organization Committee, and the approval of some lines of credit.[24]

Within hours, the terror attacks on the World Trade Center had created unprecedented tumult and calamity, but the Bank quickly rose to the challenge of protecting its staff and of reassuring international markets.[25] The Great Recession of 2007-09 and the COVID pandemic unleashed crises of almost as great a scale, but the Bank's abiding commitment to Trust, Enterprise, and Innovation gave it the resilience and capacity to overcome them.

Since 1784, BNY Mellon has upheld the ideals of Alexander Hamilton by Making Money Work for the World, helping companies and institutions access the money they need, supporting governments in funding local projects, and safeguarding investments for millions of individuals.

As a result, today, 240 years later, BNY Mellon is privileged to serve on average eighty nine percent of Fortune 100 companies, the Top 100 investment managers worldwide, the Top 50 U.S. life/health insurance companies, and the Top 100 banks globally.[26]

ABOUT THE AUTHOR

Alexander Rose is the bestselling author of Washington's Spies: The Story of America's First Spy Ring, which was made into the AMC drama series, Turn: Washington's Spies, on which he served as a writer and producer. His other books include The Lion and the Fox: Two Rival Spies and the Secret Plot to Build a Confederate Navy and Empires of the Sky: Zeppelins, Airplanes, and Two Men's Epic Duel to Rule the World. He runs the Substack newsletter, Spionage, and is currently working on a book about a World War Two spymaster and a rogue Navy captain who together audaciously sought to capture a U-boat. In 2020, Dr. Rose was awarded a Guggenheim Fellowship and he is a Fellow of the Royal Historical Society. His website is www.alexrose.com.

BNY MELLON

FOOTNOTES

[1] E. Schaukirk, Occupation of New York City by the British (New York: Arno Press, 1969), p. 28, diary entry of November 29, 1784, orig. pub. Pennsylvania Magazine of History and Biography, I (1887), pp. 418-45.

[2] On New York during the Revolutionary War and in the aftermath of Evacuation Day, see E.G. Burrows and M. Wallace, Gotham: A History of New York City to 1898 (Oxford: Oxford University Press, 1999), pp. 259-61, 265-76.

[3] The establishment of the Bank and related matters are covered in H.W. Domett, A History of the Bank of New York, 1784-1884 (New York: G.P. Putnam's Sons, 1884), pp. 7-15; A. Nevins, History of the Bank of New York and Trust Company, 1784-1934 (New York: Priv. Prt., 1934), pp. 1-4, 7-9, 15-18. On Hamilton's rules, they are outlined in the 1786 edition of The New York and Brooklyn Directory; namely that "money lodged at the bank may be re-drawn at pleasure free of expense; but no drafts will be paid beyond the balance of the account." On the payment of dividends, see H.S. Parmet, 200 Years of Looking Ahead (Rockville, MD: History Associates Incorporated, 1984), p. 18.

[4] The parlous state of American public finances is discussed in J.S. Gordon, An Empire of Wealth: The Epic History of American Economic Power (New York: HarperCollins, 2005), Transition: The American Revolution and Chapter 4. The total amount of the loan, known as U.S. Treasury Warrant No.1, was $20,000, agreed August 20, 1789. It was paid in instalments of $20,000. See pamphlet issued by BNY, "The Story of United States Treasury Warrant No. 1" (undated, but probably 1920s). The most authoritative examination of the financial situation and Hamilton's reforms is R. Sylla, "Financial Foundations: Public Credit, the National Bank, and Securities Markets," in D. Irwin and R. Sylla (eds.), Founding Choices: American Economic Policy in the 1790s (Chicago, IL: University of Chicago Press, 2010), pp. 58-88.

[5] Gordon, Empire of Wealth, Chapter 4.

[6] Stock Exchange and city newspaper, Burrows and Wallace, Gotham, pp. 310-12. On BK being the first stock listed, see transcript of Perspectives discussion between Todd Gibbons and Richard Sylla, "Founding to Future: BNY Mellon's 237 Years of Trust and Innovation," July 3, 2021. This page has been deleted from the BNY Mellon website, but the podcast version may still be found at https://ivy.fm/podcast/bny-mellon-perspectives-1138388.

[7] American exports, Burrows and Wallace, Gotham, p. 333; number of firms in New York, ibid., p. 337 ("In 1790 the city directory listed 248 merchants; by 1800 there were over eleven hundred"); Louisiana Purchase financial details, L. Potter, K. Needles, and M. Wilairat, "The Purchase of the Louisiana Territory," Social Education, 67 (2003), 2, pp. 100-04; and on size of country, J. Lepore, These Truths: A History of the United States (New York: W.W. Norton & Co., 2018), p. 251. On revenue, Sylla, "Financial Foundations," Table 2.1, "Federal Tax Revenues by Year, 1789-1800," p. 73.

[8] R.W. Emerson, "The Young American," lecture read before the Mercantile Library Association, Boston, February 7, 1844.

[9] "Three weeks": J.J. Ellis, The Quartet: Orchestrating the Second American Revolution, 1783-1798 (New York: Alfred A. Knopf, 2015).

[10] M. Lind, Land of Promise: An Economic History of the United States (New York: HarperCollins, 2013), Chapter 3, contains an insightful overview of the Erie Canal project.

[11] Parmet, 200 Years, pp. 40-41. See also BNY Archive document, "The Early Days of the Bank of New York" (Privately printed, undated, perhaps 1860s), p. 18, which notes that "in 1840 the Bank loaned $400,000 to the State Commissioners of the Canal Fund."

[12] For BNY's investments in the railroads, see Parmet, 200 Years, pp. 64-65. On railroad growth, see C. Depew (ed.), One Hundred Years of American Commerce, 1795-1895 (New York: D.O. Haynes & Co., 2 vols., 1895), I, p. 111, Table, "Mileage Increase by Groups of States." In 1856, there were no fewer than 360 railroad stocks being traded on Wall Street. See Gordon, Empire of Wealth, Chapter 10.

[13] For the early history, see the Mellon Bank Corporation publication, One Hundred Years of Banking: The History of Mellon National Bank and Trust Company (Privately printed, 1969), pp. 1-21; the relevant Wikipedia entry; and https://www.referenceforbusiness.com/history2/46/Mellon-Financial-Corporation.html.

[14] The standard work on electrification is L.C. Hunter and L. Bryant, A History of Industrial Power in the United States, 1780-1930 (Cambridge, MA: MIT Press, 3 vols., 1991), III: The Transmission of Power, esp. Chapter 5. On BNY investments, Parmet, 200 Years, p. 65.

[15] Domett, Bank of New York, p. 110, cites this remarkable statistic, as does Nevins, History, p. 95.

[16] Nevins, History, p. 55. On the early history of dividend payments, Parmet, 200 Years, p. 18.

[17] Nevins, History, covers the Great Depression and the building, pp. 145-54.

[18] Parmet, 200 Years, pp. 87, 89. See also the privately printed pamphlet in the BNY Archives, "Window on the Avenue: A Portrait of the Fifth Avenue Bank Office of the Bank of New York, 1875-1955," p. 41.

[19] Parmet, 200 Years, p. 88.

[20] See BNY Archive documents, "BNY Mellon Global Milestones," n.d., and email from C. McKay, "Timeline for International Business," March 1, 2007; Parmet, 200 Years, p. 95.

[21] See R. Sylla, "The Oldest U.S. Banks: Strategies for Reaching a Third Century," in M. Lescure (ed.), Immortal Banks: Strategies, Structures, and Performances of Major Banks (Geneva, Switzerland: Droz, 2016), pp. 27-47.

[22] These figures are taken from "The Bank of New York Company, Inc.—Company Profile, Information, Business Description, History, Background Information," at https://www.referenceforbusiness.com/history2/20/The-Bank-of-New-York-Company-Inc.html#ixzz8IR7Yf2P3.

[23] BNY Mellon had $47.8 trillion in assets under custody and/or administration and $2.0 trillion in assets under management as of Dec. 31, 2023.

[24] Document in BNY Archives, "Agenda for the Board of Directors Meeting," September 11, 2001.

[25] In the BNY Archives there is a large folder containing numerous letters to this effect.

[26] Figures based on BNY Mellon 2022 Annual Report, p. III, at https://www.bnymellon.com/us/en/investor-relations/annual-report-2022.html.