

Did You Know.... By Clem Dougherty

Did you know that silver from the mines of Virginia City, Nevada, built much of the city of San Francisco? Yes, it's true. You may recall that the California Gold Rush started on January 24, 1848, and that the gold panning part of the Gold Rush (the individual miners panning for gold) lasted approximately 12 years from 1848 to 1860. Just as the gold panning part of the Gold Rush was playing out in California, silver was discovered in Nevada. These Nevada mines were called the Comstock Mines named after Henry Comstock, an early discoverer of the silver, and they were located principally at Virginia City, Nevada. Thus, beginning in 1860, many of the California gold miners rushed to Virginia City to strike it rich. But the type of mining in Virginia City was not gold panning. This was hard rock mining with the silver mines tunneling deep into the sides of mountains. And this type of mining demanded lots of capital to finance the construction and operation of the mines. Into this picture with capital to invest, stepped the banks and heavy investors of San Francisco. And chief among them were William Ralston and the Bank of California located in San Francisco.



William Ralston

On June 13, 1864, Ralston founded the Bank of California with himself as chief executive officer, Darius O. Mills as president, and William Sharon as the on-site representative of the Bank in

Virginia City. Ralston lavishly lent bank money to the mines producing the silver ore and to the stamp mills that processed the silver ore being excavated from the mines. Dominating the mining process still further, Ralston lent money to the railroads carrying the processed ore to the Carson Valley and to the owners of the horse and mule wagons carrying the ore over the Sierra Nevada to San Francisco. Soon Ralston, Mills, Sharon, and a circle of friends known as “Ralston’s Ring” or the “Bank Crowd” had a virtual monopoly over the wealth coming from Virginia City to San Francisco. Over the next 25 years, the Comstock mines produced silver ore amounting to \$350 million (\$6 billion in today’s money) . There were so many investors wanting to buy and sell shares in the Comstock mines that San Francisco soon had its own mining stock exchange upon which the mining shares were traded. Ralston’s Ring controlled the mining exchange.

As the wealth from the Virginia City mines poured into San Francisco and, in particular, into the Bank of California, Ralston lavishly lent the money out to such San Francisco businesses as woolen mills, silk mills, gas works, iron foundries, machine shops, furniture shops, and carriage shops. As a result, a building boom went on in San Francisco in which the owners / operators flush with money lent by Ralston and the Bank built thousands of new buildings to accommodate all the new business and all the people working in those businesses. As part of the new building taking place, Ralston then built a new headquarters for the Bank of California located on the northwest corner of Sansome and California streets and attracting other financial businesses to locate nearby. The San Francisco Stock Exchange sat across the street. Thus was born the financial district of San Francisco located north of Market Street with the Bank of California at its center. California Street became the Wall Street of the West. (see Lavender, David, Nothing Seemed Impossible: William C. Ralston and the City of San Francisco, p. 203)

Market Street now became the dividing line between the financial

district on the north and the manufacturing district on the south. There operated south of Market all the factories financed with money from Ralston and the Bank of California. Principal among these businesses was the Union Iron Works producing all equipment needed by the Comstock mines such as pumps, drills, hoisting machinery, ore cleaners, and boilers. More than a thousand men worked in these south-of-Market factories and with their families lived in dwellings close to their workplaces. South of Market became an Irish working man's stronghold. The newly rich fled from south of Market to build mansions on San Francisco's hills, particularly Nob Hill. Thus, a new circle of wealth ran from Virginia City to north of Market St. and from north of Market St. to south of Market Street, and from south of Market St. back again to Virginia City. Thus, Virginia City became a colony of San Francisco. (see Bretchin, Gray, Imperial San Francisco, University of California Press, 2006, p. 39)

Ralston did not limit the Bank's investments and his investments to San Francisco. Ralston heavily extended the Bank's resources to ocean going steamship lines and to railroads, particularly the Central Pacific which became the Bank's principal debtor. Ralston also spent lavishly creating the new Palace Hotel on Market Street (the largest and most luxurious hotel in the West) and a sprawling mansion for himself and his family in Belmont south of San Francisco.

But disaster struck in 1875. Ralston had over extended himself and the Bank in loans. A number of financial matters adverse to Ralston and the Bank came together at one time, so that when the Ophir mine in Nevada, in which the Bank had invested much money began to dry up, the Bank and Ralston found themselves unable to meet their obligations. By then the Bank's obligations exceeded its assets by \$4.5 million. William Sharon, the Bank's agent in Virginia City, inexplicably dumped hundreds of Ophir mining shares for sale on the Stock Exchange. Suddenly panic developed among the City's investors who began to withdraw their money from the Bank. The Bank could not meet all the demand for withdrawals and closed its doors. The next day,

August 27, 1875, the Board of Directors of the Bank asked Ralston to resign. He did. And then he went for a swim in Aquatic Park. He never returned, apparently a drowning victim in the Bay. Whether it was a suicide or stroke that killed him has never been satisfactorily answered. He was 49 years old.

William Ralston and the Bank of California, using money derived from silver in the Virginia City mines, launched San Francisco on to what the City became in the 19th and early 20th centuries: the financial, manufacturing, shipping, and cultural capital of California. San Francisco was well on its way to becoming the Queen City of the Pacific Rim.

(Sources: Lavender, David, *Nothing Seemed Impossible: William C. Ralston and the City of San Francisco*, American West Publishing Co., 1975; Bretchin, Gray, *Imperial San Francisco*, University of California Press, 2006, pp.38-46; Rand, Richards, *Historic San Francisco*, Heritage House Publishers, 2005, pp. 99-105; Wilson, Neil, *400 California St.* 2nd edition, pp.1-51)