NEW JERSEY
HISTORICAL RECORDS SURVEY

PROJECT COPY OF THE
CALENDAR OF THE S. U. M.
COLLECTION OF MANUSCRIPTS
TABLE OF CONTENTS

1. TITLE PAGE  OPTIONAL
2. PREFACE  MR. Lupton
3. TABLE OF CONTENTS
4. FOREWORD  INDUSTRIAL COMMISSION
5. INTRODUCTION
6. DRAFT OF AGREEMENT FOR INCORPORATION
7. PROSPECTUS
8. CHARTER
9. S.U.M. LITIGATIONS - DECISIONS AND OPINIONS
10. S.U.M. HISTORY - ABSTRACTS FROM DOCUMENTS (ENTRIES NUMBERED 1 - 494 INCL.)
11. INDEX TO S.U.M. HISTORY ENTRIES
12. KEY TO ABBREVIATIONS USED IN S.U.M. ENTRIES
13. BIBLIOGRAPHY
INTRODUCTION

In the latter part of the eighteenth century, Alexander Hamilton, Washington's first Secretary of the Treasury, and a number of his associates, conceived the idea of creating large industrial establishments in America. The war of the Revolution had established the political independence of the Nation, and the aim of Hamilton and his associates was to establish its independence in commerce and manufactures. (1)

The New World had been a producer of precious metals, fur pelts, and other materials in raw state to be turned over to the mother country for manufacturing articles, which the colonists had no choice but to buy at advanced prices. The colonists had made little woolen, cotton, or linen cloth. They had few commercial furnaces and no mills to convert the native iron into steel. (2)

The founders of the Republic understood that, in order fully to enjoy the benefits of their new independence, they must adopt measures looking toward the production of articles of prime necessity. (3) To accomplish this it was necessary to provide instruction for a people unskilled in manufacture, which could best be done by an object lesson, supported by effective Federal legislation. After supplying the home market under the aegis of a protective tariff, the people of the United States could reach out for the world trade. With these two ideas in mind, the object lesson and the tariff, Alexander Hamilton laid before capitalists, statesmen, and publicists his plan for the creation of a great industrial community. (4) To this end, Hamilton's famous "Report on Manufacturing," submitted to Congress December 5, 1791, is still regarded as one of our ablest treaties on government encouragement of manufactures. (5) This was in line with the financier's earlier report

(1) Charles A. Shriner, Paterson, New Jersey, p. 3, hereinafter cited as Shriner, Paterson, New Jersey.
(2) New Jersey Federal Writers' Project, Stories of New Jersey: School Bulletin No. 11, "Paterson, the Federal City," hereinafter cited as New Jersey Federal Writers' Project, Paterson, the Federal City.
(4) Francis Bazley Lee, ed., New Jersey as a Colony and As a State, vol. 4, p. 250, hereinafter cited as Lee, New Jersey as a Colony and As a State.
Introduction

to the President and Cabinet that "America, to be free from British influence, must be industrially free." (6) In this report Hamilton emphasized the practicability of extensively manufacturing cotton goods in the United States and added this bit of information: "It may be announced that a society is forming with a capital which is expected to be at least half a million dollars, in behalf of which measures are already in train for the prosecution on a large scale of making and printing of cotton goods." (7)

In an appeal for the establishment of manufactures in the United States, issued in 1791, the Prospectus of the "Society for Establishing Useful Manufactures" (undoubtedly drafted by Hamilton) stressed the importance of an independent American economy. (8) The Prospectus, which was extensively circulated, set forth the advantages of manufacturing merchandise with Federal subsidy by a corporation having a monopoly in its line. Hamilton used the stationery of his Federal office for the dissemination of his views, and went so far as to give certain New Amsterdam banks a guarantee against loss. In furtherance of the project, he used his influence among the newspapers of Philadelphia and other cities. Strong articles were published picturing the vast enterprise which was to enrich the country. (9) The first public mention of the S.U.M. appeared in Feno's Federalist Gazette of the United States and The General Advertiser, both published in Philadelphia, and in The New Jersey Journal, published in Elizabeth Town on August 17, 1791. (10)

This scheme to supply the country, if not the world, with manufactured goods was both ridiculed and applauded. The plan was widely discussed (11) and $100,000 was subscribed for its establishment. (12) In view of so auspicious a beginning, the Assembly and Council of New Jersey, largely composed of Federalists, gave the promoters of the plan a charter conveying plenary powers. (13) This charter, admittedly the

(6) Newark Sunday Call, Aug. 8, 1936.
(7) Shriner, William Paterson, p. 57.
(9) Shriner, William Paterson, p. 58.
(11) Lee, New Jersey As a Colony and As a State, vol. 4, p. 251.
(13) Lee, New Jersey As a Colony and As a State, vol. 4, p. 251.
work of Hamilton, probably with the assistance of William Paterson, was incorporated into a bill (14) passed by the Legislature on November 22, 1791, "to incorporate the contributors to the 'Society for the Establishment of Useful Manufactures' for the encouragement of the said society." (15) The Legislature also voted the company perpetual exemption from county and township taxes and gave it the right to hold property, improve rivers, build canals, and to raise $100,000 by lottery. (16)

The exemption of the corporation from taxation did not develop any extensive criticism at the time, but there was severe denunciation of the provision granting it the right to construct canals. It was argued that such canals might cut many valuable farmlands into undesirable fractions. (17) However, the Society was granted, by franchise, the right to dig canals and improve river channels with power to condemn land and collect tolls. (18) All arguments and pleadings against the Society were overcome by those who favored passage of the bill. In the foremost ranks of the champions of the measure were Hamilton and Paterson. Hamilton laid special stress upon the announcement of the site of the great national manufacture which was to be named "Paterson" in honor of the chief executive of New Jersey. The bill was signed by Governor Paterson on November 22, 1791, the same day that the Society was organized in New Brunswick. A few days later, a bill was passed to take $10,000 out of the State Treasury and invest it in the stock of the new corporation. (19)

In the charter of the Society for Establishing Useful Manufactures, the capital of the company was designated as one million dollars, there being 10,000 shares at $100 each. Authorized to hold real and personal property to the value of $4,000,000, the Society was permitted to deal and trade in "such articles as itself shall manufacture and the materials thereof, and in such articles as shall be really and truly received in payment or exchange therefor." (20) The place in which such manufactures should be established was not fixed by the charter, but was left to the future action of the Society. (21)

---

(15) Lee, New Jersey As a Colony and As a State, vol. 4, p. 251.
(17) Shriner, William Paterson, p. 60.
(18) Lee, New Jersey As a Colony and As a State, vol. 4, p. 253.
(19) Shriner, William Paterson, p. 60.
(20) Lee, New Jersey As a Colony and As a State, vol. 4, p. 252.
(21) Philemon Dickerson, A Lecture on the City of Paterson, Its Past, Present, and Future, p. 7, hereinafter cited as Dickerson, A Lecture on the City of Paterson.
Introduction

When the Society was organized at New Brunswick, William Duerr, J. Dewhurt, Benjamin Walker, Nicholas Lowe, Royal Flint, Elias Boudinot, John Bayard, John Nelson, Archibald Mercer, Thomas Lowing, George Lewis, More farmans, and Alexander Hascomb were appointed as directors and they chose William Duerr as their first governor. (22)

The name of the proposed manufacturing settlement had been fixed months before the spot was chosen. (23) Soon after its organization, the Society proceeded to examine several localities. (24) Hamilton went so far as to procure the employment of a number of engineers to test the waters of several states with a view to determining the purest and best-adapted for use in manufacturing. It was decided that the waters of the Pequannock Valley, which flow into the Passaic River, were the "purest and safest." It was said that Hamilton had virtually made up his mind long before a decision was reached, that the Society should locate its plant upon the Passaic River. (25) The company finally selected the land surrounding the Great Falls of the Passaic River, which at that time had "no more than ten houses." (26) Visitors came to see and marvel at the Falls, but it remained for one man, who visualized the power behind the great cataract, to translate dreams into action. (27) Although Hamilton had favored this place, which he had seen (28) while serving as an aide to General Washington during the Revolutionary War, (29) he "did not make public this idea of his at the time, for fear that some of the men who did not live near the Falls might not contribute." (30) The abundant water power of the Great Falls and its nearness to tidewater and the New York market were powerful factors in influencing the decision. (31)

On May 18, 1792, the Society passed a resolution authorizing the purchase of land adjacent to the Passaic Falls. (32) The directors of the Society convened at New Brunswick on May 23, 1792, and resolved unanimously that the town of Paterson should be on the Passaic. They appointed Mr. Lowe, Mr. Bayard, and Mr. Boudinot to locate the town and make the necessary purchase of land. Colonel Hamilton attended the meeting and promised the infant institution his countenance and support. (33)

(22) Dickerson, A Lecture on the City of Paterson, p. 7.
(24) Dickerson, A Lecture on the City of Paterson, p. 7.
(31) Lee, New Jersey As a Colony and As a State, vol. 4, p. 252.
(33) Urquhart, A History of the City of Newark, p. 507.
Introduction

According to the early plans of the Society, two canals were to tap the Passaic River above the Falls. One of these canals was to end in Newark; the other at what was designated in the maps as Aquackanock Landing, near the head of tide water, where Dundee Dam is now located. Traffic was to be conducted from this point by vessels plying the Atlantic. The water in these canals was to serve for "domestic purposes" and to supply motive power for the "numerous manufacturing establishments" which the early pioneers envisaged as springing up along the canals. (34)

In order to fully avail themselves of the benefits of the water power, the members of the Society purchased a tract of about 700 acres adjoining the Falls, on which all the mills and the principal part of the city now stand. In selecting this place, they took into consideration the fact that artificial reservoirs could be easily formed at the several lakes or ponds on the head waters of the streams tributary to the Passaic. This would serve to retain a supply of water for dry seasons. (35)

The Society appropriated $20,000 of its resources for a canal (the Falls had an elevation of 104 feet above tide water); $5,000 for a weaver shop and equipment; $5,000 for a cotton manufactory, and $12,000 for a print works. These appropriations were expected to be sufficient to launch the manufacturing of cotton in New Jersey. (36) Up to this time all cotton yarns in the United States had been spun by hand. Cotton fabrics were selling at 50 cents per yard. Under such conditions, this one field of operation for the Society was well nigh limitless. (37)

There was in the United States at the time of the incorporation of the Society, a French engineer, Major L'Enfant, who had recently laid out the plans of the new Federal city, Washington. Major L'Enfant was an enthusiast, who saw in Paterson the possibilities of an industrial capital. He seized upon the broad rights of the charter as an excellent field for operation and involved the society in endless expense, particularly in attempting to construct a canal between Paterson and the city of Passaic. (38) His ideas were too grand for the men who had put up the capital for Paterson, however, and he was succeeded by Peter Colt of Hartford, who had been engaged to come down and work with L'Enfant in the hope of restraining his extravagances. (39)

(35) Dickerson, A Lecture on the City of Paterson, p. 1.
(37) Lee, New Jersey As a Colony and As a State, vol. 4, p. 252.
(38) Ibid., p. 254.
Introduction

Four months after the incorporation of the Society, the first American financial panic occurred, and many S.U.M. subscribers were involved. (40) Among the evils with which the Society was assailed was the dishonesty of several of its officers who occupied positions of special trust. (41) The chief officers and directors of the Society were leaders also in the speculative boom in New York at this time and with their attention thus absorbed, they had no time to devote to putting the Society on its feet. Then Duer, Macomb, Flint, and Dewhurst were plunged into bankruptcy, the Society lost many of its leaders and its sources of funds were materially curtailed. Furthermore, the Society's paid-in funds were largely in the hands of these very men and were somewhat involved in their private operations. (42)

At a meeting held on October 2, 1792, it was reported by a committee of investigation, appointed to inquire into the defalcation of John Dewhurst, that he had been intrusted with $50,000 to purchase materials in England, including plain cloths for printing, and that he had failed to fulfill his mission, owing to insolvency of parties to certain bills of exchange. A grave discussion followed and a "special boat" was ordered to proceed to England with a reliable representative of the Society to endeavor to recover the large sum in jeopardy. This was done, but without avail. (43)

The speculative activities of its leading and most responsible directors and the financial collapse in the spring of 1792 involved the Society directly in loss of funds. (44) In 1793, the first cotton thread was spun in the new industrial community by means of ox-driven machinery, in what later became known as the "Bull Mill." (45)

The changes made in the area surrounding the Falls, since the Society began its operations, are almost inconceivable. At first, a slender dam was built about 200 yards higher up stream than the present one, which is located just above the Falls. This was at La Fontaine's Gap near the bend of the river. The ravine was converted into a reservoir, out of which the

(41) Trumbull, A History of Industrial Paterson, p. 36.
(43) Trumbull, A History of Industrial Paterson, p. 36.
current passed into what is now the middle raceways. It ran 150 yards through this stream to the Society's first factory. The immediate neighborhood, then consisting of a low swamp, is now the populous portion of Paterson. (46)

In 1794, the Society established a shop for printing, bleaching, and dyeing. (47) Spinning by water power was introduced with a celebration. The new mill measured 90 x 40 feet and was four stories high. (48) When the S.J.M. originally planned the town of Paterson, it selected textiles for its chief industry. This industry, which continued through the reverses of several decades, evolved from the small shops which did carding and fulling. (49) During the months that followed, considerable yarns and fabrics were made. Bleached and unbleached muslin goods bought in New York were on hand ready to be made into salice prints and other materials. (50) The Society had a more or less turbulent existence. It did little actual manufacturing and in January of 1796 closed its only mill and ceased to manufacture. (51) Thereafter, the Society rented its machinery to others, (52) and private concerns were invited to lease its land. (53) The mill was leased to John Park in 1800 (54) for spinning candle wick and coarse yarns. In 1807, it was destroyed by fire and was never rebuilt. (55) Henceforth, the activities of the Society were confined to the management and occasional improvement of its extensive estate in Paterson, including the valuable water-power rights on the Passaic which it enjoyed as riparian owner. (56)

The fact that the important water franchise and a great part of the land on which the city of Paterson is built were held by the Society under perpetual charter with the privilege of tax exemption and the right to exercise municipal government has been regarded by some as having retarded the early growth of the city. Although it appeared desirable to

---

(46) Trumbull, A History of Industrial Paterson, p. 35.
(51) Shriner, William Paterson, p. 62.
(52) Journal of Industry and Finance, June, 1940, p. 10.
(54) Journal of Industry and Finance, June, 1940, p. 10.
(55) Dickerson, A Lecture on the City of Paterson, p. 8.
Introduction

fortify the corporation with liberal and even extraordinary powers in order to build up an important manufacturing interest, many said it was not wholesome to have the shadow of a single association hanging over the place, even though there was clearly a unity of interest. The Society was nearly always the subject of criticism and complaint. It was claimed that the high rates demanded on leased water privileges discouraged and drove away the strong corporations which otherwise would gladly have located in the vicinity. (57)

Although the Society found it necessary to discharge its numerous employees, sell its raw materials and other personal property, and to discontinue entirely the business of manufacturing, it did not abandon its water works and other improvements. The company constructed a second canal in 1807 and a third in 1827. (58)

The transformation of the company's character, however, did not affect the original tax exempt charter and for more than a century, the city of Paterson tried in vain to levy taxes on the land and power rights of the S.J.M. (59) The charter provisions, making a voluntary dissolution difficult and preventing forfeiture of privileges for "non-users," insured the company's continued existence, and its career, though on the whole rather quiet, has been intimately interwoven with the development of Paterson. (60) At a stockholders' meeting held in October, 1796, a movement for dissolution was unsuccessful and a new board of directors was elected. In default of further elections, this board continued to hold office for eighteen years, but during this interval only three meetings were held. The dates of these meetings were March 7, 1797; February 15, 1803; and April 5, 1814. Throughout this period, the corporate body remained practically dormant and repeated legislative investigations failed to arouse it. (61)

Then the factories closed, the city of Paterson, already depleted, was left almost deserted. (62) Most of the 1,500 inhabitants of the city moved elsewhere. Paterson presents, however, an admirable example of how the Industrial Revolution revived dying communities. (63)

---

(57) Trumbull, A History of Industrial Paterson, p. 36.
(61) Ibid.
(62) Trumbull, A History of Industrial Paterson, p. 40; Dickerson, A Lecture on the City of Paterson, p. 24.
Introduction

Paterson's early industrial history is linked intimately with the Colt Family. (64) The credit for taking advantage of the opportunities which this period presented, belongs to the two sons of Peter Colt, (65) who put the S.U.M. on its feet after the first reverses. (66) The Falls of the Passaic had attracted Roswell Colt during the second war with England. In order to further develop the water-power he purchased the principal shares of the defunct Society. (67) In 1808, Roswell Colt began buying up the shares, which sold at $12.50. In 1810 he bought, at $40 a share, all or most of Elisha Boudinot's holdings, which amounted to approximately 550 shares. He soon had a majority of the entire outstanding stock. In April of 1814, the board of directors, on Roswell Colt's recommendation, voted land for a church and a school. (68) The S.U.M. continued to be a close corporation of the family, Roswell himself serving as its governor from 1814 to 1850. (69)

At the close of the War of 1812, Paterson had one card and wire factory, one saw-mill, one rolling mill, and eleven cotton mills. The tariff of 1816, however, brought new hopes and soon the looms and shuttles began to move and the operatives to reassemble. (70) The town continued to grow as an industrial center. Then one industry failed, others replaced it, and in 1825 Paterson became known as the "Cotton Town of the United States." (71) New industries were soon established. (72) One of these was Passaic Mill No. 1, known as Colt's "Duck Mill." It was at this mill that John Colt manufactured cotton and flax products and later improved cotton duck sailcloth. He substituted power for hand looms and by 1827 Paterson had what was probably the largest duck factory in the country. Naval contracts were given the Paterson canvas industry to insure a domestic supply in case of war. The Colt mill made the sails for the yacht, "America," which won the celebrated race in England in 1851. (73)

---

(64) New York Herald Tribune, Nov. 23, 1941.
(69) Ibid., p. 508.
(70) Dickerson, A Lecture on the City of Paterson, p. 8.
(71) New Jersey Federal Writers' Project, New Jersey, p. 353.
Introduction

The success of cotton served to discourage most of the attempts to manufacture woolen goods. Silk, however, introduced in 1840 by John Ryle, soon gave signs of replacing cotton. (74)

Before 1830, the Society estimated its property to be worth $800,000 and in 1845, the figure given was $1,000,000. (75)

As the city of Paterson flourished, it became known during various periods as “The Cotton Town of the United States,” “The Silk Center of America,” and “The Strawberry City of the World.” (76) It had several epochs of stagnation at intervals of 20 years, beginning in 1796, and on each occasion Paterson recovered more rapidly than during the preceding period. (77)

Because of its wealth, its perpetual charter, and its control over so much of the basic natural resources of the city, the Society was subject to much criticism. The current method of leasing, for a term of 21 years, with a right of purchase, was regarded as pernicious in the degree that under this system the Society had the power to exact higher rates than were equitable or profitable to purchasers. In 1845, however, the Society removed the barriers by selling outright in fee, and taking in payment United States Bank notes at par. These notes could be obtained at a discount of 50 cents on the dollar. Extensive sales were made under this arrangement. An open market and a proper criterion of the value of real estate were established, dealing a heavy blow to the holders of property at the old leasehold rates. The effect upon the young city was, however, most salutary. The Society lost its control over the price of all its real estate, except the land bounded by the raceways. (78)

When wood was displaced by iron as the basic material for building machinery, the Paterson shops which had been making bobbins, spindles, looms and other light equipment were easily converted into shops for manufacturing tools, locomotives, and general machinery. It was natural in a community such as Paterson, where a high percentage of the female population was employed in the mills, that men should find

(76) New York Herald Tribune, Nov. 23, 1941.
(78) Trumbull, A History of Industrial Paterson, p. 36.
work in the machine shops which were maintained to keep the mills running. The men of Paterson were among the first in the country to qualify as machinists and were ready when the opportunity came to do metal work. (79)

When the passenger locomotive was exhibited at the great exposition in Paris, the Engineer, published in London, reported: "The passenger locomotive exhibited by the Grant Locomotive Works of Paterson, N. J., is doubly interesting inasmuch as it is the first locomotive sent by the West to the East, and is typical both of the wants of a still new country and the general design which experience has suggested for meeting them. The engine presents an appearance most striking to English, and in fact, to European eyes. Elaborately ornamented, highly, thoroughly well finished in detail, it is a worthy climax to the extremely interesting collection of machinery furnished by the U. S. to the International Exposition." (80) Paterson, a deserted village in 1800, became a prosperous locomotive center in 1860. (81)

While teaching in Paterson, John P. Holland designed his first submarine in 1878 and had it built at a local machine shop. After many failures, his underwater craft was finally accepted by the government. (82)

The Society was in frequent litigation with the Morris Canal and Banking Company over water-power and the Society finally lost some of the privileges which it had hitherto enjoyed. Eventually most of its real estate was sold to a related land company incorporated in 1887, and its water rights were leased to the East Jersey Water Company. The Society's stock, however, became a highly profitable investment and the corporation proved itself no insignificant factor in promoting the development of a "considerable manufacturing town." (83)

The S.J.M. still exists, an amazing structure in the modern economic world. It owns water rights and property in Paterson valued at some $4,000,000 and, under the terms of its extraordinary charter, pays not one cent to the city in taxes. Controlling stock in the Society is believed to be owned by the First National Bank of New York. (84)

(80) Hurts, Paterson, Its Works and Ways, p. 185.
(82) New York Herald Tribune, Nov. 23, 1941.
(83) Davis, Essays In the Earlier History of the American Corporations, vol. 1, p. 518.
(84) Newark Sunday Call, Aug. 9, 1936.
Introduction

The one hundred and fiftieth anniversary of the signing of the corporation's charter occurred almost unnoticed in November of 1941 and Paterson, the silk city, now a defense center, this year is celebrating the founding of the Society. (85)

The most brilliant chapter of the story of Paterson's industrial revival is the growth of the Wright Aeronautical Corporation, the world's largest manufacturer of aeroplane motors. (86) The corporation employs a personnel of 17,000 in its plants at Paterson, Fairlawn, East Paterson, Caldwell, and Clifton. The current payroll aggregates more than $23,000,000 annually. In July, 1941, the Wright factories of Paterson and adjacent suburbs reached a production mark of 1,780,000 horse-power monthly and the figure was growing steadily. The company's output at that time was 1,500 engines per month. (87)

A ruling such as that recently issued by the Office of Production Management, restricting the delivery and processing of raw silk, would have ruined Paterson a few years ago, but so far has Paterson advanced in diversification and so reduced the role of silk in the city's economy that the effect of the order was comparatively slight. Paterson has not completely lost its rating as one of America's great silk centers, however. The city still has about 12,500 people employed in the throwing, weaving, and dyeing of silk. This represents about 25 percent of all persons employed in the Paterson area. Outside of the hosiery industry, it is believed Paterson used about 40 percent of the remaining raw silk in this country last year. The city is still a leader in manufacturing hatbands, woven labels, and fine Jacquard ribbons. (88)

The shift of emphasis from silk manufacturing to a diversified and well-planned program has been aided materially by the Industrial Commission of the City of Paterson, which was organized in 1936 for the purpose of obtaining additional industries for the community, and retaining those already there. Since that time, approximately 140 new industries have been attracted to the city. Many of these plants are now operating day and night to produce materials essential to the war effort. (89)

(85) New York Herald Tribune, Nov. 23, 1941.
(88) Ibid.
Introduction

Thus, the City of Paterson, long encompassed by the provisions of a charter which had given it life and fame, if not fortune, has achieved a character and prominence in the national economy undreamed of by its founders. (90) The city owes its existence, in a large measure, to Alexander Hamilton, founder of the S.U.N., who helped to clarify all the confused views of his time concerning the stimulation and subsequent protection of home manufactures. Through all its history has stood the S.U.N., which in its early days was the boldest private enterprise ever conceived in the United States. (91)

(91) Lee, New Jersey As a Colony and As a State, vol. 4, p. 250.