DIRTY WATER

In 1799, Aaron Burr founded The Manhattan Company to provide fresh water to New York City amidst a widespread yellow fever epidemic. That company has since evolved into America's largest bank.

By Maura Ferguson and Sarah Poole

Just prior to New York City closing all non-essential businesses due to the COVID-19 virus, the Museum of American Finance and the NYC Municipal Archives opened a new exhibit, "Ebb & Flow: Tapping into the History of New York City's Water," at 31 Chambers Street. This article has been adapted from a section of that exhibit.

Broad Street looking toward Federal Hall, 1797. Two water pumps are depicted on either side of the street.

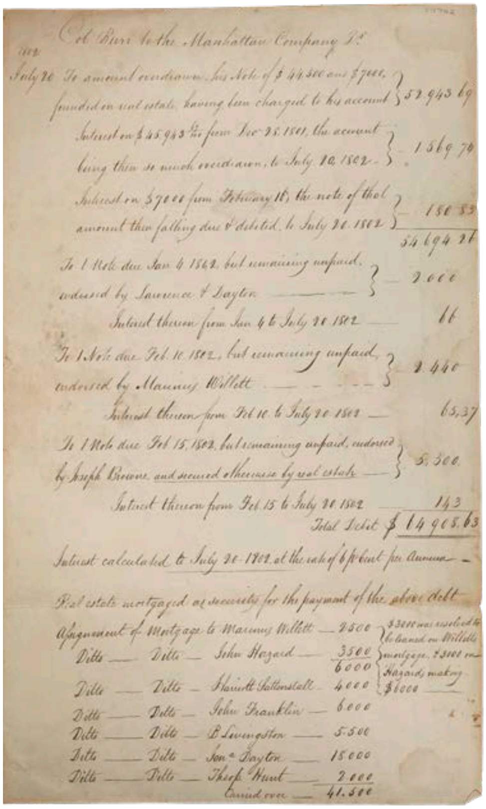
1784–1834

After the Revolutionary War, New York City, growing in population and industry, languished without fresh water. Fires, drought and deforestation had a large impact on groundwater. Sanitation and well maintenance declined, and a famed tea water pump lost popularity. The Fresh Water Pond (often called the Collect Pond), used for drinking water, began filling up with dead animals and waste from laundries, furnaces, potteries and tanneries.

Epidemics returned, and while exactly how diseases such as yellow fever and cholera spread was yet unknown, it soon became clear that clean water was vital for good health. The death toll and tensions ran high. New Yorkers pressed government to bring clean water to the city as a first priority. When it seemed delivering fresh water from Manhattan was no longer a viable option, the Common Council, the city's authority on water matters, received a proposal to bring in water from farther afield.

Browne & Burr

Joseph Browne, a doctor from Westchester, believed the availability of fresh water was vital to the health of the city. In July 1798, he proposed piping in fresh water from "the River Bronx." This plan was priced at $200,000 (over $5.5 million today). Dr. Browne proposed that a



Col Burr to the Manhattan Company Dr

1802

July 20 To amount overdrawn, his Note of $ 44.500 and $7000, founded on real estate, having been charged to his account — 52 943 69

Interest on $ 45 943 69/100 from Dec 25. 1801, the account being then so much overdrawn, to July 20. 1802 — 1 569 74

Interest on $7000 from February 16, the note of that amount then falling due & debited, to July 20. 1802 — 180 83

54 694 26

To 1 Note due Jan 4 1802, but remaining unpaid, endorsed by Lawrence & Dayton — 2.000

Interest thereon from Jan 4 to July 20 1802 — 66

To 1 Note due Feb. 10 1802, but remaining unpaid, endorsed by Marinus Willett — 2.440

Interest thereon from Feb 10 to July 20 1802 — 65,37

To 1 Note due Feb 15, 1802, but remaining unpaid, endorsed by Joseph Browne and secured otherwise by real estate — 5.500

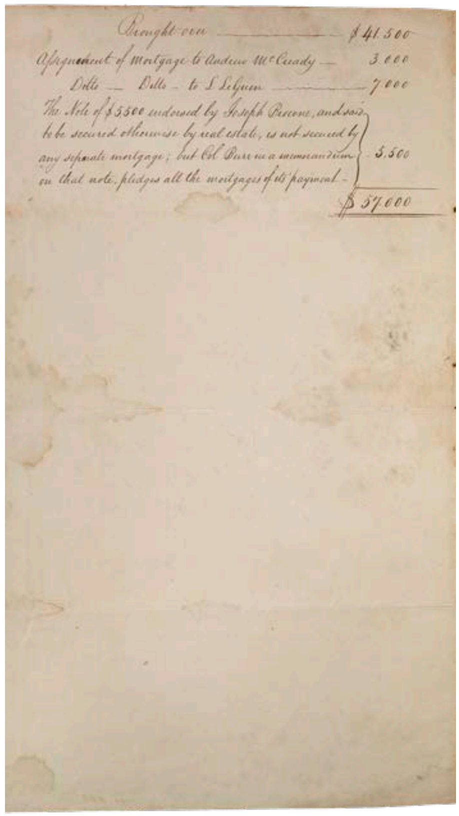
Interest thereon from Feb 15 to July 20 1802 — 143

Total Debit $ 64 905.63

Interest calculated to July 20 1802 at the rate of 6 per Cent per Annum

Real estate mortgaged as security for the payment of the above debt

Assignment of Mortgage	to	Marinus Willett	2500	$3000 was resolved to be loaned on Willett's mortgage, $3000 on Hazard's, making $6000
Ditto	Ditto	John Hazard	3500	
			6000	
Ditto	Ditto	Hariett Saltonstall	4000	
Ditto	Ditto	John Franklin	6000	
Ditto	Ditto	B Livingston	5.500	
Ditto	Ditto	Jon^a Dayton	15000	
Ditto	Ditto	Theo^s Hunt	2000	
		Carried over	41.500	



Brought over — $ 41.500

Assignment of Mortgage to Andrew McCready — 3.000

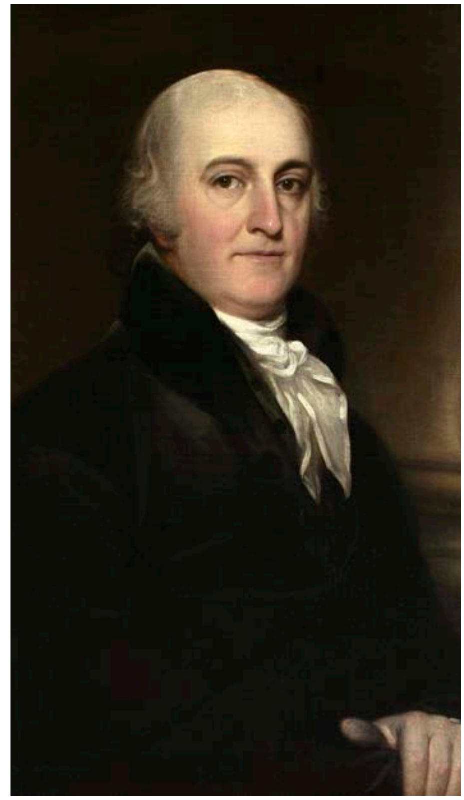
Ditto — Ditto — to L Lefevre — 7.000

The Note of $5500 endorsed by Joseph Browne, and said to be secured otherwise by real estate, is not secured by any separate mortgage; but Col Burr in a memorandum on that note, pledges all the mortgages for its payment — 5.500

$ 57.000

Collection of the Museum of American Finance

Account of Aaron Burr's debt to the Manhattan Company, 1802.



Public Design Commission

Portrait of Mayor Richard Varick

private enterprise operating in the interest of the public might be the best way to quickly bring in the much-needed clean water supply, while accommodating the city's inability to cover such costs.

In his proposal, Browne recommended a company that would issue 2,000 shares of stock at $100 per share with no individual owning more than one share. In return, the company would provide 300,000 gallons of water each day in a way that permitted all the water to be diverted to any location for use in firefighting. Unused water from the daily allotment could be used to clean the streets. Households would be charged $10 per year in exchange for 30 gallons of water piped directly into each house per day; or households could pay $2 per year to forgo hooking into the water system but retain protection from fire. The return on investment of the shareholders was expected to be 13% after 10 years.

The Common Council continued to accept plans for delivering clean water to the city, but made no decision until the summer's bout with yellow fever came to an end in November. Ultimately, the Common Council decided to move forward with a variation on Browne's proposal. Opposed to a private company taking on the project, as it feared the company would gain while the city suffered, the Council proposed state legislation that authorized taxes, loans or auction sales to fund the project. Aaron Burr—attorney, war officer and politician—having previously held the positions of State Attorney General and US Senator, was newly elected to head the New York State Assembly with a wave of fellow anti-Federalists in the spring of 1797. Burr was also Browne's brother-in-law.

An Act

As the head of the New York State Assembly in 1799, Burr was responsible for seeing the bill through the legislative process. Newspapers published conflicting opinions on the quantity and quality of water in the Bronx, as well as the costs of bringing water to New York City. Burr's New York Assembly delegation found it difficult to prepare the bill for a full vote. He pressured other committeemen to allow a private company to run the project as Dr. Browne suggested. He reportedly even intercepted correspondence and excluded delegates from meetings to press his case.

Burr was granted a 10-day leave to return to Manhattan from Albany to get a better sense of the opinions of the Common Council and the public. On February 22, 1799, he visited Mayor Richard Varick with five other notable citizens, including his political rival, Alexander Hamilton (former US Secretary of the Treasury and founder of the Bank of New York). This group convinced the Mayor and Council to endorse Burr's plan. Hamilton, in particular, made the case for a private water company, fearing the city and state would be unable to pay for the venture. The proposed plan was for a private company, incorporated by the state, to be "capitalized at $1 million in $50 shares," of which the city would be entitled to a third. Those shares could be purchased through taxes, loans or state auctions. Seven directors would manage the company, six of whom would be elected plus one city official. This proposal won over the city officials, but Burr had a different idea about who would manage the company.

Meanwhile, Burr gathered public petitions to send back to the Assembly in support of the private company. James Fairlie introduced Burr's petitions in the Assembly on March 27, 1799, along with a draft

NYC Municipal Library

Manhattan Company Reservoir on Chambers Street, 1825. *Manual of the Corporation of the City of New York*, 1855.

bill: "An act for supplying the city of New-York with pure and wholesome water." Instead of the typical debate and full vote, Burr arranged for Fairlie's bill to go to a special committee of three, who approved it the next morning. The bill moved to the State Senate, and on March 30, Burr met with his friend Thomas Morris to help get the bill passed through a similar committee process. The bill officially became law on April 2, 1799.

Burr's Bank

The company the State Legislature authorized was not what the city had agreed to, and it was unlike any other company in America. The Manhattan Company would be capitalized at $2 million—double what Hamilton had proposed—and only a small fraction of its shares would be available to the city. The number of elected directors increased from six to 12, diminishing the power of the city officials. This "water company" was not required to repair streets after laying pipe, it could set rates for service as it saw fit and it was not obliged to provide free water for firefighting. Furthermore, it was granted a perpetual charter if it succeeded in delivering fresh water for the citizens of New York within 10 years. What made this company most unique, however, was a small clause in the ninth paragraph of the charter:

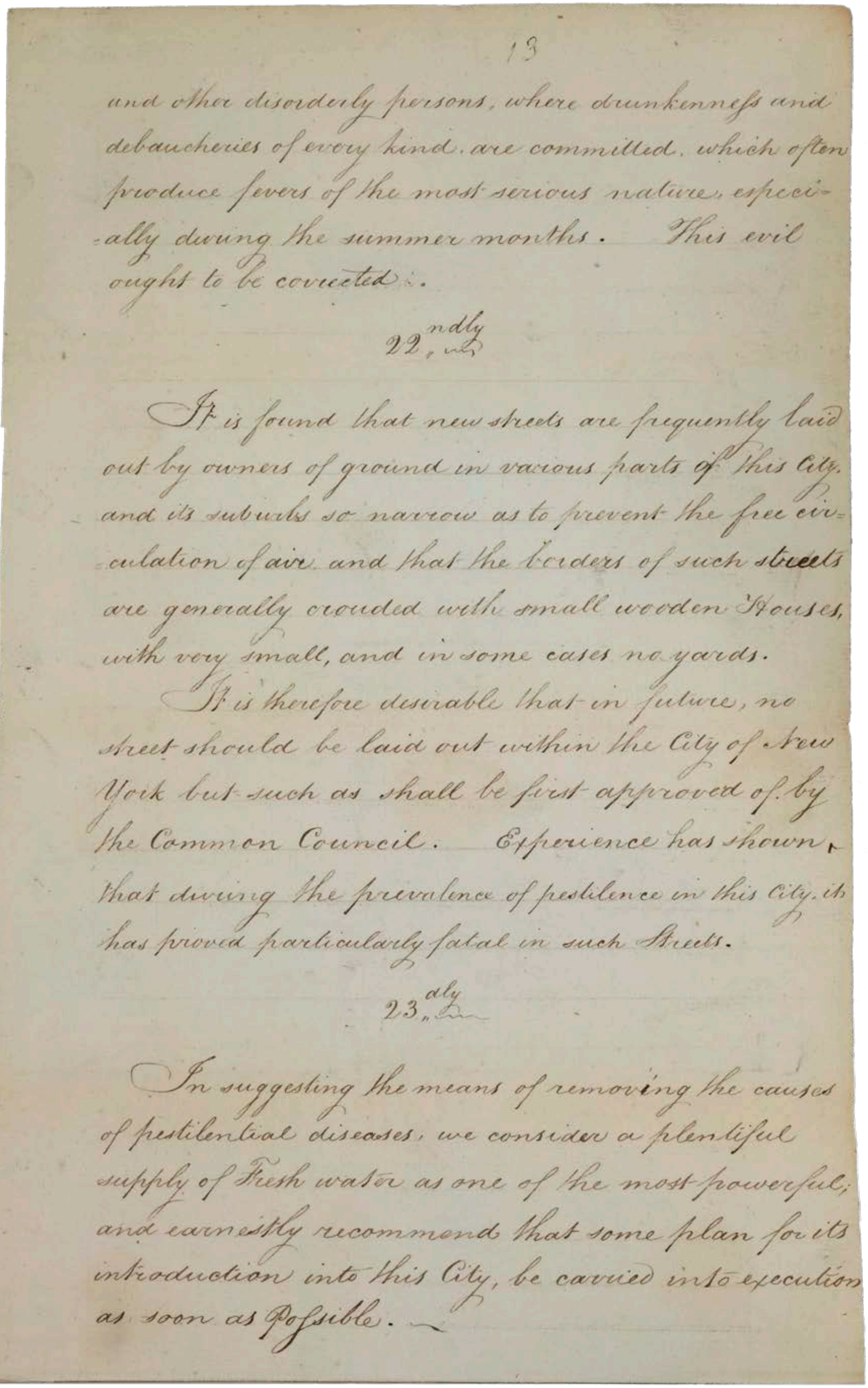
> And it be further enacted, That it shall and may be lawful for the said company to employ all such surplus capital as may belong or accrue to the said company in the purchase of public or other stock, or in any monied transactions or operations not inconsistent with the constitution and laws of this state or of the United States, for the sole benefit of the said company.

This clause allowed the company to invest its surplus capital and engage in lawful financial transactions of its choosing. Shortly after the water company's founding, it opened an office of discount and deposit to direct the use of the company's surplus capital and perform banking functions, including taking deposits and lending money. Ultimately, the company used only $100,000 of the authorized $2 million for the water system. The rest was diverted to start what would become the Bank of the Manhattan Company, which opened at 40 Wall Street in September 1799. In effect, it provided Burr with a Republican bank to rival Hamilton's Federalist Bank of New York.

The Manhattan Company

The Manhattan Company wasted no time in getting started. Its charter was delivered to the Common Council on April 10, 1799, a week after the bill was signed into law, and the company convened its first meeting the next day. Officers decided against Dr. Browne's costly Bronx River plan, which had already been approved by the city. Instead, because it would be fastest (and cheapest), the Board voted to use the already-polluted Collect Pond as the water supply. The Manhattan Company existed because of the outcry for clean water in the face of epidemics and fires, but it did not prioritize and, thereby, did not ultimately fulfill its purpose of providing fresh water.

The company used ground wells within the city, rather than bringing water from the Bronx. It placed ground wells in unsanitary locations and risked mixing sewage with fresh water. It built a waterworks next to the Collect Pond and used horses to work the pumps until they were replaced by a steam engine in 1803. The 100,000-gallon reservoir the company



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and other disorderly persons, where drunkenness and debaucheries of every kind are committed, which often produce fevers of the most serious nature, especially during the summer months. This evil ought to be corrected.

22.ndly

It is found that new streets are frequently laid out by owners of ground in various parts of this City and its suburbs so narrow as to prevent the free circulation of air and that the borders of such streets are generally crouded with small wooden Houses, with very small, and in some cases no yards.

It is therefore desirable that in future, no street should be laid out within the City of New York but such as shall be first approved of by the Common Council. Experience has shown, that during the prevalence of pestilence in this City, it has proved particularly fatal in such Streets.

23.dly

In suggesting the means of removing the causes of pestilential diseases, we consider a plentiful supply of Fresh water as one of the most powerful, and earnestly recommend that some plan for its introduction into this City, be carried into execution as soon as Possible.

Page four of a 1799 report on the "Causes of Pestilential Disease" from the Joint Committee from the Common Council, from the Chamber of Commerce and from the Medical Society with the Commissioner of the Health Office to the Common Council. It reads, "In suggesting the means of removing the causes of pestilential diseases, we consider a plentiful supply of fresh water as one of the most powerful, and earnestly recommend that some plan for its introduction into this City, be carried into execution as soon as possible."

built instead of the planned million-gallon reservoir ensured it would never meet the needs of the growing city. Crudely hollowed out pine logs were used. The logs did not insulate well, and water froze in the winter. They were also easily pierced by tree roots, which caused backups in the system.

Only a small number of households participated. During the height of a yellow fever outbreak in the summer of 1803, the company suspended water service for two weeks for well repairs, with some reporting outages of nine weeks. The number of households drinking Manhattan Company water dwindled.

Tapped Out

Embroiled in a three-year legal battle with the city over payment for the Manhattan Company's damage to the streets after laying pipes, Hamilton defended the company until he died in 1804 in a duel at the hands of the company's creator (and sitting Vice President of the United States), Aaron Burr. Burr's deception about his intentions to start a competitor bank with the Manhattan Company was one of the many disagreements between the two that eventually led to the duel. Burr's career, in politics and otherwise, was all but over after that day. The company settled for $5,000 on a $6,881.14 bill. Burr's relationship with the company had already been severed, as he was ousted in 1802 after his $48,000 loan from the company bank (to pay off old debts) grew to $120,000.

With exclusive water rights, the Manhattan Company continued as the only supplier of water until the 1840s. During this period, New York City suffered two major cholera epidemics. Cholera killed more than 3,500 people in 1832 and another 5,000 in 1849.

In the 1820s, the Common Council attempted once again to create a system to bring fresh water from the Bronx River. Civil engineer Canvass White completed a detailed feasibility survey in 1824, and the New York Water Works Company was created to build the system. The new company never began construction, as its plans conflicted with those of the New-York and Sharon Canal Company, which was chartered a year earlier to construct a canal between Connecticut and New York, and provide drinking water to New York City. The canal company later determined that bringing water from anywhere farther than the Croton River was too expensive. Many other surveys funded by the city came to the same conclusion. Finally, in the 1830s the city embarked on creating a reliable municipal water system, the Croton System.

After the Croton System opened, the Manhattan Company waterworks emptied out and was torn down in the early 20th century. To maintain its state charter, water was pumped by a bank employee at the site every day until 1923. The Bank of the Manhattan Company is the earliest predecessor of today's JPMorgan Chase, the largest bank in the United States. In 1965, Chase Manhattan was granted a federal charter that was no longer dependent on providing clean and wholesome water. $

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