Chapter P18
by
Peter Huntoon

Wyoming National Bank Massacre of 1924

Figure 1. The First National Bank of Parco, now Sinclair, was the only national bank chartered in Wyoming during the Post-WW I Agricultural Depression. It was a non-issuing bank that was liquidated three years later. Wyoming State Archives, Museums and Historical Department photo.

Abstract

Rural economies throughout the country sustained two serious shocks following the end of World War I. Paramount was the collapse of farm commodity prices. Unemployment also was a scourge because the tightening rural economies couldn't absorb the returning war veterans.

Hardest hit were the emerging western agrarian economies that had been newly opened to homesteading at the turn of the century. They experienced a wartime boom as their residents were encouraged to ramp up production as demand for stock and grain outstripped supply in support of the war effort. Wyoming was perfectly postured to experience this boom-bust cycle.

Bank failures with both the state and national systems within the state serve as an excellent barometer for the impact of the Post World War Depression. A comparison between the yearly total numbers of banks versus yearly total bank resources reveals that the failures and closures disproportionally were borne by small rural banks. The shakeout started among the state-regulated banks in 1921 and a year later in the national system. The worst year was 1924 where there was wholesale slaughter as banks failed outright, were forced into mergers, or simply liquidated. The shakeout was so thorough among the national banks in Wyoming that none of the survivors failed during the Great Depression. The picture in the state system was more dire. State regulated banks continued to hemorrhage from that system throughout the 1930s, but the devastation experienced during the three-year period 1923-5 was the worse.

Federal deposit insurance for bank accounts was a New Deal program that came along in 1933. Consequently, the impact on the rural citizens who were depositors in the failed banks of the 1920s was catastrophic. Not only were their farms foundering in the collapsing economy, their savings in the failed banks were tied up in receiverships that often paid pennies on the dollar when the final accounting was made years later. Many of these suddenly impoverished people walked from their farms to join the migration of broken rural poor to distant cities.

One major reason that the bank failures during the Post World War I Depression disproportionately impacted rural communities was that the small banks that served them were under-capitalized so they couldn't weather the storm. Things looked great as everyone was riding the wartime agricultural boom, but this capitalization flaw was lurking to emerge as a serious contagion when things went south. Of course, it was not the only ill. As the boom developed during the war, everyone—rural farmers, stockmen and bankers alike—became speculators believing that the good times were here to stay. They did that human thing; they invested in expansion rather than setting something aside for a rainy day.

Purpose

This piece will provide an overview of the severe impact of the Post World War I Agricultural Depression on Wyoming banking, with particular attention to national banking within the state.

Overview and Set-Up

The Great Depression for the typical Wyomingite began in the early 1920s—not with the later collapse that precipitated the bank holiday in 1933. A severely overheated agricultural economy, which had been fueled by high demand and prices during World War I, and feverish land and commodity speculation imploded. Bankers had a significant role in this boom-bust cycle because they had optimistically over-loaned the agricultural expansion in what now appears to have been speculative fervor rather than sound business judgment.

Wyomingites who lived through the depression years repeatedly recalled that they felt more suffering in the twenties than in the thirties. To them, the thirties just seemed like more of the same. Beyond the borders of Wyoming, this situation prevailed in just about every area of the country dominated by an

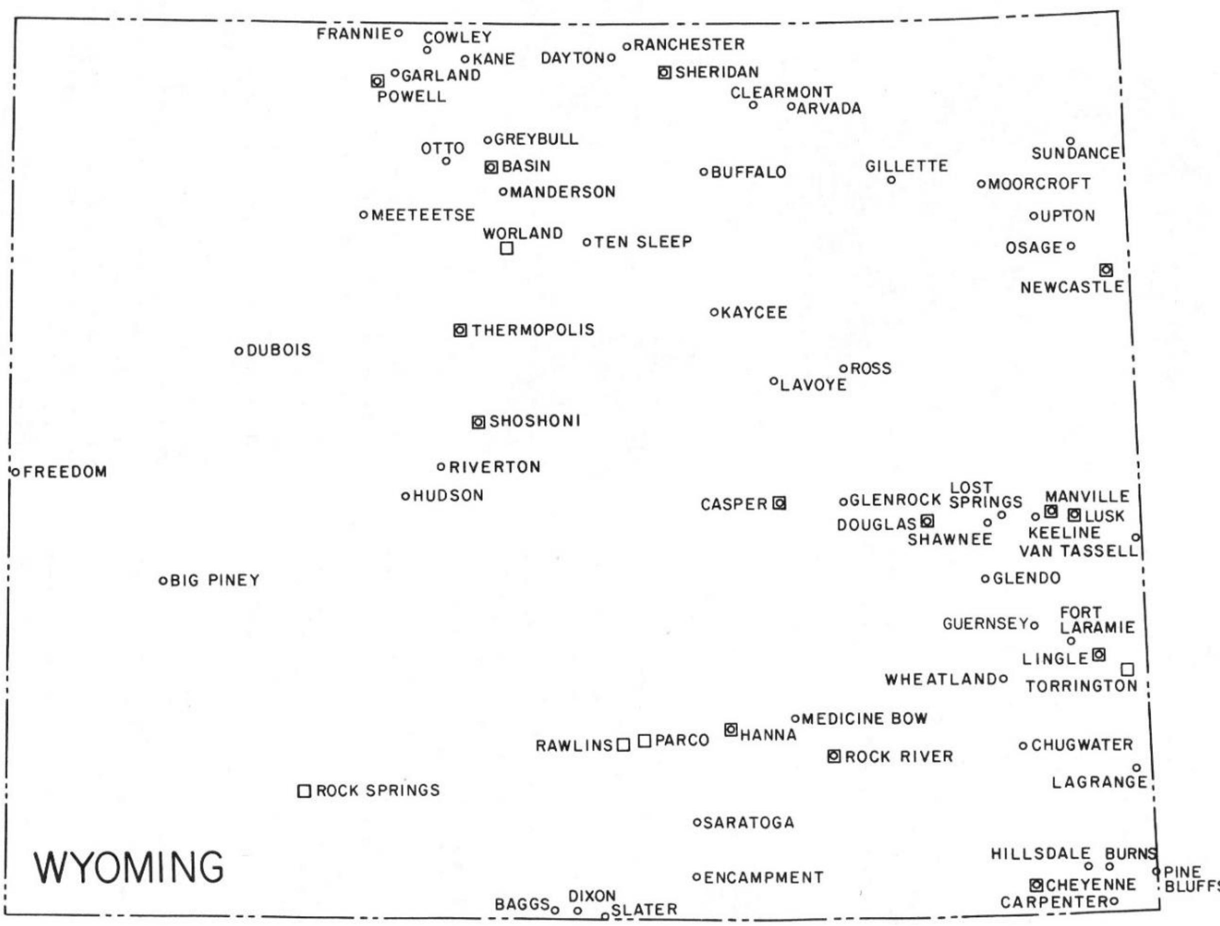

Figure 2. Wyoming towns that lost banks between 1920 and 1930 to failures, mergers or liquidations. Squares = national banks. Circles = state banks.

agricultural economy.

Federal Deposit Insurance was not instituted until 1933, therefore the agricultural collapse of the twenties was nothing short of a disaster for Wyoming bank depositors. Each time a depositor added to his account, he made an investment in the business judgment and personal integrity of his banker. His money was truly at risk.

Banking at the time, both in the state and national systems, was dominated by so-called unit banks where each was a standalone entity. There was no pooling of risk among banks so if trouble came to one, those bankers had to fend for themselves. Exacerbating the problem was the fact that the banks were brittle; specifically, once set trigger points were breached, the bank was obligated by law to close. Among the triggers for national banks were cash reserves backing its note issues and demand deposits dropping below a rigid threshold or being unable to redeem a note issued by the bank, regardless of the underlying soundness of the loan and bond portfolios held by it. Runs made things particularly precarious because the sudden withdrawal of money by panicky depositors was instantaneous, which depleted reserves, whereas the ability of the bankers to liquidate assets, especially loans, to replenish reserves was a slow process.

A ticking time bomb was inherent in the national bank system that dated from passage of the Gold Standard Act of March 14, 1900, that famously placed the nation on the gold standard. Passage of that legislation was a win by the hard money Republicans who advocated for currency redeemable in gold coin. National currency was considered soft because technically it was redeemable in lawful money, which early on consisted of fiat legal tender currency that represented circulating Civil War debt with a promise to pay at some unspecified future date. After resumption of specie payments on January 1, 1879, the U. S. Treasury would exchange its legal tender notes for gold on request. Previously, on May 31, 1878 caving to populist pressure, an act was signed into law that forbade the Treasury from retiring the outstanding legal tender currency so it became a fixture in the nation’s money supply that was reviled by the hard money faction.

Circulation of soft money in the form of legal tender notes and national currency was generally favored by populist rural interests, particularly westerners and southerners, who perceived it as a means to inflate the currency supply. They believed this facilitated the growth of their budding economies. They championed the idea that the money supply should not be totally based on gold, which they perceived was largely controlled by hard money eastern bankers who lent it at high interest rates.

To placate the soft money crowd in order to win passage of the Gold Standard Act, a sop was included to amend the National Bank Act to allow for the organization of national banks capitalized at $25,000 in towns with fewer than 3,000 people. This was half the minimum capitalization previously required. The response was immediate. There was a rush to organize minimally capitalized national banks in small towns. The fact was that many of the rural banks organized after passage of the act were too small to prosper and in too many cases, the bankers who were drawn into such marginal ventures did not possess the savvy to handle an economic downturn. Thus, instability was built into the national banking system that would wreak havoc when bad times came to those communities following World War I.

Chain banking was in vogue where one individual, groups of individuals and even bank holding companies established and operated numerous banks wherein each was a standalone entity. These operators had the ability to move assets between their banks but when trouble developed at one, their customers knew the connections and runs would bring down the entire chain.

Thus, much of the blame for the bank failures of the 1920s rests squarely on the institution of banking. What happened to the Wyoming national banks was repeated many times over in the state banking system. In fact, focusing on the mess with the national banks is too narrow a perspective to appreciate the full extent of what happened. The statistics and graphs that follow illustrate the impact of the Post World War I Agricultural Depression on all banking in Wyoming. The Wyoming national banks will be examined first, then the state banks.

One conclusion to be drawn is that the collapse of the 1920s resulted from the very foundation of American success and greatness—unbounded optimism. Cynics might claim that the root of the problem was greed, but there is little difference when it comes to matters of money. The bankers who operated those

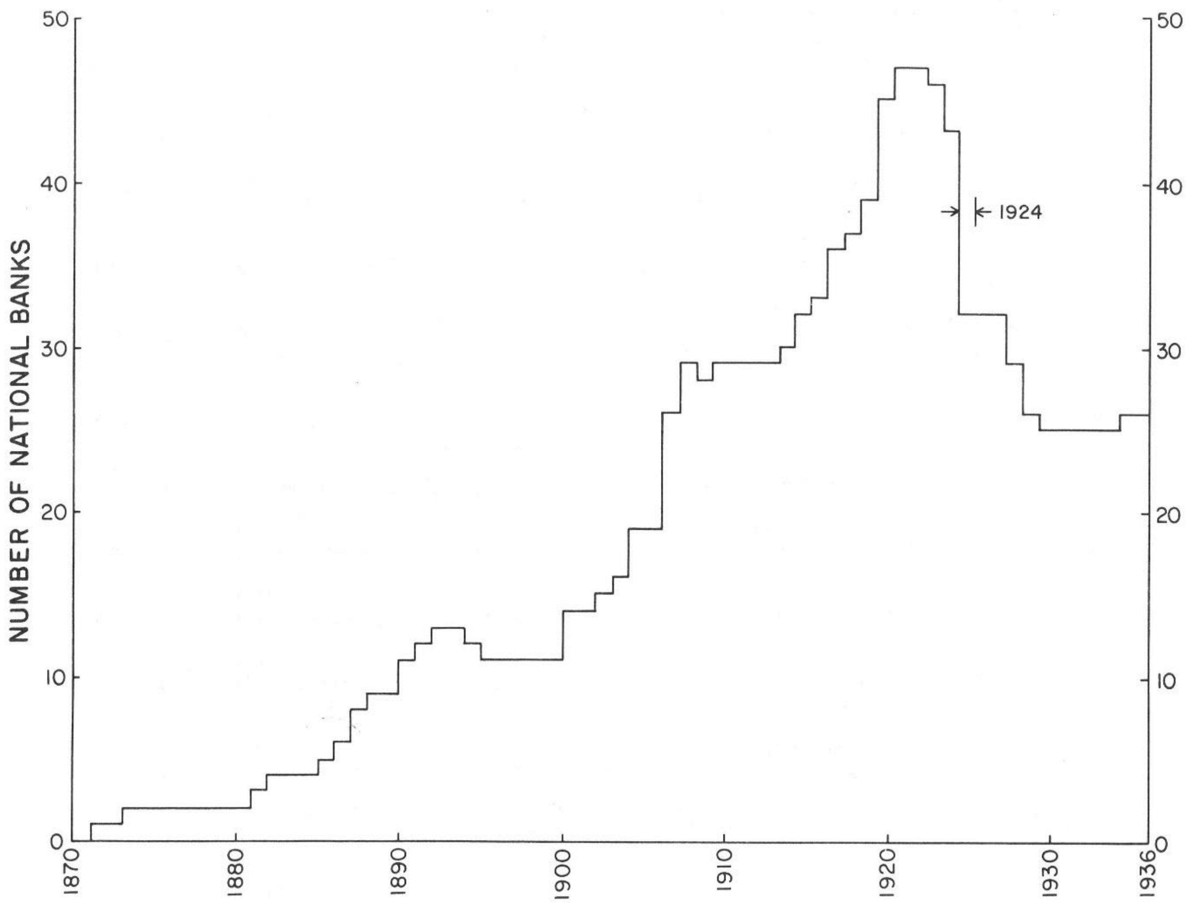

Figure 3. Numbers of national banks in operation yearly from 1871 through 1936 in Wyoming. Data from Comptroller of the Currency (yearly).

undercapitalized banks enjoyed prosperity as long as times were good. With the advent of the overheated agricultural economy of World War I many started to behave as if the party would never end.

Gross National Bank Statistics

Figure 3 illustrates the number of Wyoming national banks in operation for each year during the National Bank Note issuing period. As 1921 came to a close, there were 47 operating national banks in Wyoming. During the next eight years, one new bank would open (The First National Bank of Parco) and one faltering bank would totally reorganize under a slightly altered name (The First National Bank of /First National Bank in Thermopolis). In contrast, 23 would go out of business, 10 as failures. All the failures were compressed into the years 1923-1924. Many of the other 13 banks were so weakened during this period, they had to seek exits through the merger or liquidation route before the end of 1929. See Table 2.

Nothing dominates Figure 3 more than the precipitous number of closures in 1924. In that year alone national bank casualties included nine receiverships and four consolidations or liquidations. Thirteen banks in all, or 30 percent of the 1923 total, were gone in just eleven months. One of the receiverships, The Powell National Bank, was restored to solvency but remained sufficiently crippled that its president, J. E. Dowling, resumed business only to wind up its affairs in order to honorably liquidate in 1929.

Figure 4, which shows the total resources of the national banks, illustrates that the 1924 dip was severe, down $15.7 million or 25 percent from year end 1923 figures. The reality that resources were down 25 percent as compared to a 30 percent decline in the number of banks illustrates that losses were disproportionately borne by the over-extended smaller banks. This was in fact the case. See Figure 5 for the impact on the total Wyoming national bank note circulation resulting from the 1924 contraction.

Table 1. Wyoming national banks that failed during the post-WW I agricultural depression listed in the order of

Percent dividends are percentages of deposits at the time of failure that were repaid to depositors.
Data from Comptroller of the Currency (yearly).

Town	Bank	Ch. No.	Chartered	Receiver App't	Reason for Failure
Rock River	The First National Bank of	11342	Apr 30, 1919	Jun 14, 1923	large losses, defalcation of officers
Manville	First National Bank of	11352	May 16, 1919	Dec 11, 1923	heavy withdrawals
Lusk	The First National Bank of	11390	Jul 7, 1919	Feb 7, 1924	depleted reserve
Lingle	The First National Bank of	11231	Aug 30, 1918	Mar 19, 1924	unable to realize on assets
Torrington	The Torrington National Bank	11309	Mar 1, 1919	Mar 19, 1924	heavy withdrawals
	succeeded The Torrington State Bank				
Powell	The Powell National Bank	10565	Jun 20, 1914	Mar 27, 1924	heavy withdrawals
	succeeeded The First State Bank of Powell				
	restored to solvency May 31, 1924, liquidated Feb 2, 1929, succeeded by Park County Bank, Powell				
Newcastle	The First National Bank of	7198	Apr 4, 1904	Jun 12, 1924	large losses, withdrawals, and insufficiient credit
	absorbed The Newcastle National Bank (11079) on Dec 1, 1922				
Basin	The First National Bank of	10858	May 26, 1916	Jun 14, 1924	depreciation of securities
	succeeded The Pioneer Trust & Savings Bank of Basin				
Cheyenne	The First National Bank of	1800	Mar 7, 1871	Jul 9, 1924	injudicious banking
Cheyenne	The Citizens National Bank of	8089	Feb 14, 1906	Jul 21, 1924	unable to realize on assets
Torrington	The First National Bank of	9289	Dec 10, 1908	Dec 16, 1924	local financial conditions

a. Capital as reported on date of charter.
b. Sentenced Mar 25, 1925 to 15 months in jail for embezzlement.
c. Fined Apr 28, 1927 for $300 for misapplication and abstraction.

Table 2. Wyoming national banks that were incorporated or liquidated during the 1920s.

Data from Comptroller of the Currency (yearly).

Town	Bank	Ch. No.	Chartered	President	Cashier
Incorporated:					
Parco	The First National Bank of	12558	Jul 1, 1924	Patrick J. Quealy	Otto Frederick
Thermopolis	First National Bank in	12638	Feb 14, 1925	R. J. Ireland	W. T. Bivin
Liquidated:					
Newcastle	The Newcastle National Bank	11079	Sep 28, 1917	W. D. McKeon	C. F. Morrison
Douglas	The First National Bank of	3556	Sep 13, 1886	G. W. Metcalf	C. C. Browning
Casper	The National Bank of Commerce of	11490	Oct 25, 1919	Arthur K. Lee	R. F. Kamman
Rawlins	The Stock Growers National Bank of	9557	Oct 7, 1909	E. M. Tierney	H. Breitenstein
Shoshoni	The First National Bank of	7978	Nov 16, 1905	A. J. Cunningham	S. H. Megown
Worland	The First National Bank of	8253	Jun 7, 1906	H. B. Gates	R. G. Culbertson
Thermopolis	The First National Bank of	5949	Aug 27, 1901	R. J. Ireland	W. T. Bevin
	succeeded Bank of Thermopolis				
Casper	The Citizens National Bank of	11683	Apr 16, 1920	M. J. Burke	J. R. Schlueter
Hanna	The First National Bank of	11666	Apr 1, 1920	John Quealy	S. D. Briggs
	succeeded Carbon State Bank of Hanna				
Rock Springs	The First National Bank of	3920	Aug 17, 1888	M. S. Eccles	B. J. Carollo
Parco	The First National Bank of	12558	Jul 1, 1924	Patrick J. Quealy	Otto Frederick
Casper	The Stockman's National Bank of	7083	Jan 2, 1904	C. H. Townsend	L. B. Townsend
Sheridan	The Sheridan National Bank	8275	Jun 23, 1906	A. K. Craig	A. J. Ham
Powell	The Powell National Bank	10565	Jun 20, 1914	J. E. Dowling	. . .

a. Capital as reported on date of charter.

their date of failure.

President	Cashier	Capital[a]	Circulation	Deposits	Affairs Closed	% Div.
Alvy Dixon	Lewis C. Butler[b]	25,000	13,700	158,539	Dec 31, 1929	30.5
B. F. Yoder	G. J. Church	25,000	25,000	64,463	Mar 2, 1927	59.0
G. Tinnin	Elmer E. Grebe	50,000	48,500	82,343	Mar 21, 1927	66.0
William L. Connelly	C. E. Weymiller	25,000	none	54,763	Oct 31, 1929	22.4
B. F. Yoder	A. H. Woolever	35,000	none	67,468	Apr 30, 1931	92.0
J. E. Dowling	J. E. Moses Jr.	25,000	24,600	188,432		
John L. Baird	Jay C. Baird	25,000	24,300	442,668	Sep 8, 1928	47.7
Artrhur K. Lee	J. C. Stewart	25,000	35,000	174,795	Sep 13, 1929	75.5
George E. Abbott	A. D. Johnson[c]	75,000	200,000	4,498,121	Nov 2, 1931	57.8
C. W. Hersig	Wesley I. Dumm	100,000	99,995	1,214,862	Jul 27, 1928	72.9
H. S. Clarke Jr.	E. P. Perry	25,000	6,100	254,693	Mar 1, 1930	85.9

Capital[a]	Circulation	Liquidated	Successor
25,000	none		
50,000	50,000		
25,000	none	Dec 1, 1922	absorbed by The First National Bank of Newcastle (7198)
75,000	73,500	Dec 15, 1923	absorbed by Commercial Bank and Trust Co., Douglas
125,000	125,000	Jul 18, 1924	absorbed by Wyoming Trust Co., Casper
75,000	74,100	Oct 28, 1924	absorbed by The First Naitonal Bank of Rawlins (4320)
50,000	25,000	Nov 29, 1924	succeeded by First State Bank, Shoshoni
25,000	10,000	Dec 29, 1924	absorbed by Farmers State Bank, Worland
25,000	50,000	Feb 21, 1925	succeded by First National Bank in Thermoposlis (12638)
100,000	100,000	Apr 19, 1927	absorbed by Wyoming Trust Co., Casper
40,000		May 2, 1927	succeeded by Hanna State & Savings Bank
50,000	98,800	Nov 7, 1927	succeeded by First Security Bank, Rock Springs
25,000		Dec 31, 1927	absorbed by Parco State Bank
50,000	50,000	Feb 11, 1928	absorbed by The Casper National Bank (6850)
50,000	49,995	Mar 10, 1928	succeeded by Sheridan Trust & Savings Bank
25,000	24,600	Feb 2, 1929	Succeeded by Park County Bank, Powell

The remarkable fact for Wyoming was that the national bank shakeout during the 1920s was so complete, there were no failures or liquidations in the depression years of the thirties. This record was attained even though the percentage dip in resources in the early 1930s recorded on Figure 4 was somewhat greater than that of the 1924 period. By the 1930s, Wyoming's national banks and surviving bankers were financially postured and sufficiently case hardened to weather the storm. By the end of 1936, national bank resources had rebounded to pre-bank holiday conditions, indicating intrinsic strength in the surviving banks as well as gains in economic recovery, or at least a new stability in the adjusted New Deal Wyoming economy.

State Bank Statistics

If things looked bleak on the national bank front in Wyoming during the early 1920s, they were nothing short of horrendous for the state and private banks as illustrated on Figures 6 and 7. Figure 6 reveals that the purge involving the state supervised banks began in 1920 and lasted well into the 1930 depression years with but a slight lull in 1928 and 1929.

On February 28, 1920, the Wyoming State Examiner (periodic) reported a record 110 state and private banks in operation. This number

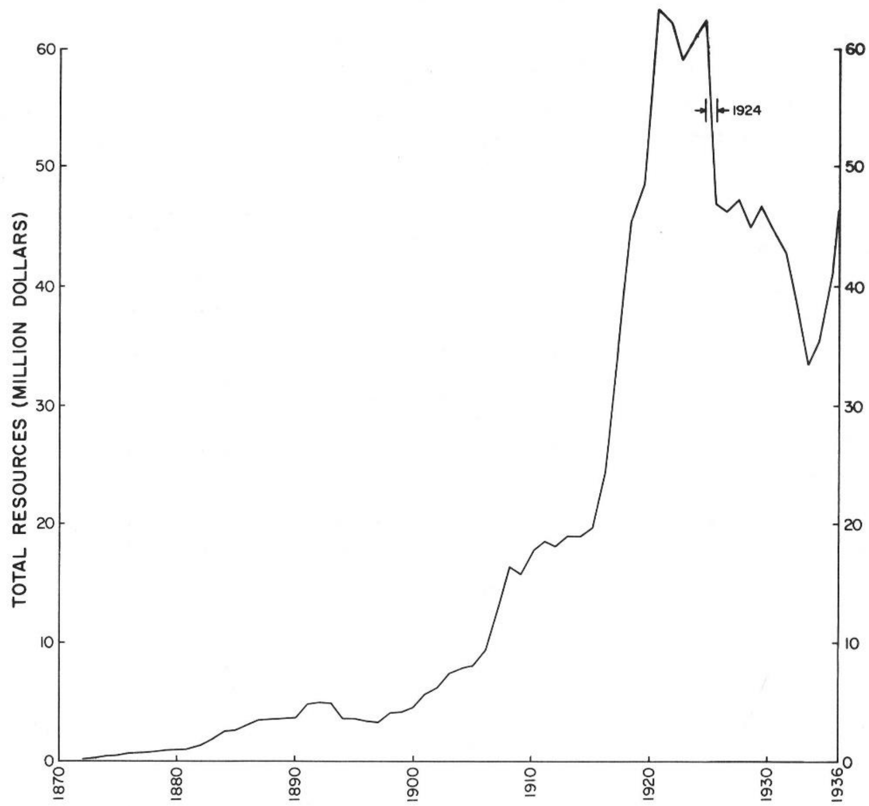

Figure 4. Total resources of the Wyoming national banks between 1870 and 1936. Data from Comptroller of the Currency (yearly).

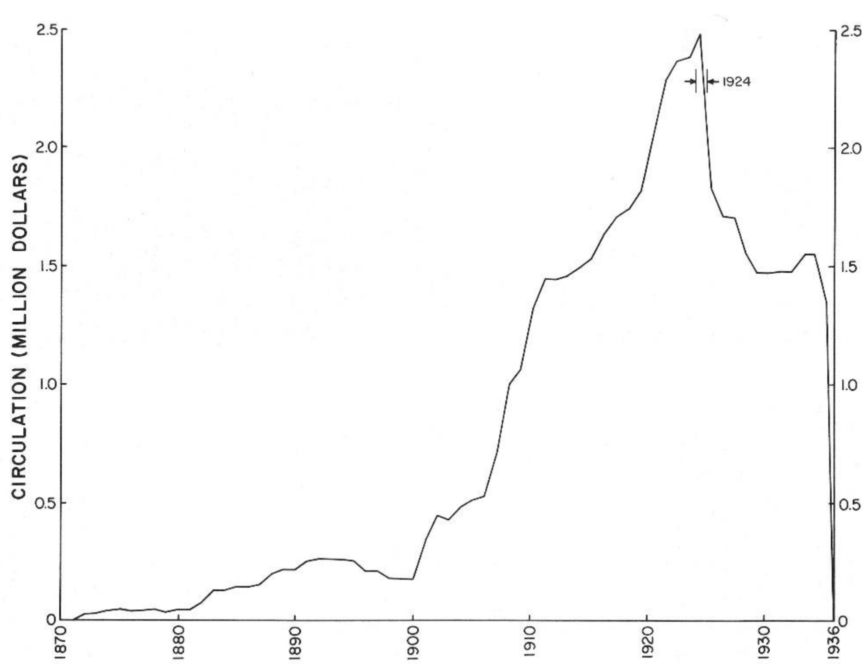

Figure 5. Circulation of national bank notes by the Wyoming national banks between 1870 and 1936. Data from Comptroller of the Currency (yearly).

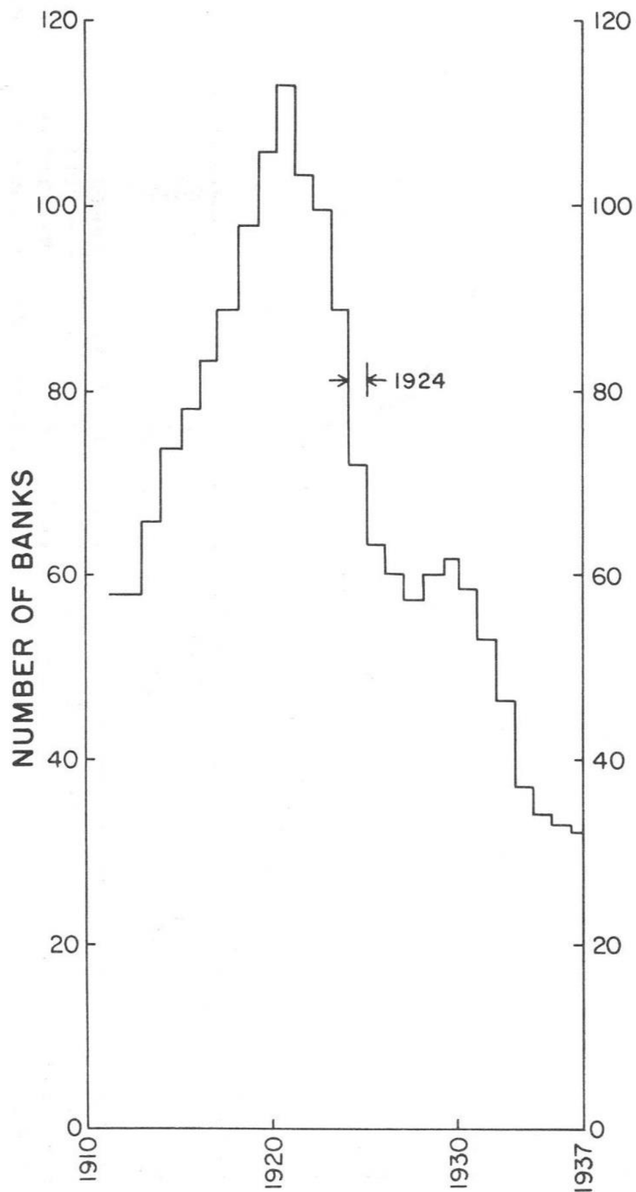

Figure 6. Numbers of state banks in operation yearly from 1871 through 1936 in Wyoming. Data from Wyoming State Examiner (all).

continued to grow with the chartering of five more banks before May 4, 1920. However, during that short period two banks went out of business through liquidations or mergers. The number of active state and private banks therefore stood at 113, a record figure that would hold only through the first week of September.

During June, 1920, a harbinger of events to come descended when the Bank of Arvada failed. This marked Wyoming's first bank failure since December, 1903 (Hoffman, 1920). Between February 20, 1920 and December 31, 1927, a grand total of 133 state and

Table 3. Wyoming state banks that went out of business during the eight years 1920 to 1927.

F = failure, C = consolidated with another bank, L = liquidation.

Data from Wyoming State Examiner (periodic, various dates-a, various dates-b)

Year	Town	Bank	Reason and Date if Known
1920			
	Arvada	Bank of Arvada	F
	Casper	Citizens State Bank	C or L
	Hanna	Carbon State Bank	C or L
	Lusk	Bank of Lusk	F
	Meeteetse	State Bank of Meeteetse	F - Dec 22
	Otto	Otto State Bank	C or L
	Rosa	LeRoy Moore, Banker	C or L
1921			
	Dayton	The Dayton Bank	C or L
	Garland	Garland State Bank	F
	Gillette	Citizen's State Bank	F
	Guernsey	Guernsey State Bank	F
	Kaycee	Powder River State Bank	F - Oct 20
	Moorcroft	Moorcroft Bank	F - Aug 5
	Moorcroft	People's Bank	F - Oct 29
	Powell	Farmer's State Bank	C or L
	Rock River	Rock River State Bank	C or L
	Slater	Farmers' State Bank	C or L
	Sundance	Citizens' Bank	C or L
	Upton	Citizine's State Bank	F - Oct 27
1922			
	Basin	Big Horn County Bank	F - May 15
	Cheyenne	Wyoming Trust and Savings Bank	C or L
	Frannie	Bank of Frannie	
	Greybull	Commercial Bank	C or L
	Kane	First State Bank	
	Manville	Bank of Manville	C or L
1923			
	Big Piney	Marbleton State Bank	F - Jul 5
	Buffalo	Stockgrowers Bank	
	Chugwater	State Bank of Chugwater	
	Dixon	Stockgrowers' Bank	
	La Grange	Stockgrowers State Bank	F - Jun 14
	Lusk	Wyoming State Bank	
	Medicine Bow	Stockmen's State Bank	F
	Ranchester	Ranchester State Bank	
	Sheridan	Sheridan Trust and Farmers Bank	C
	Wheatland	Platte County State Bank	F - Feb 17
1924			
	Buffalo	Johnson County Bank	F - Sep 10
	Carpenter	Bank of Carpenter	F - Jul 9
	Cheyenne	Cheyenne State Bank	F - Dec 10
	Clearmont	Clearmont State Bank	F - Apr 23
	Cowley	Cowley State Bank	F - Jul 9
	Douglas	Commercial Bank and Trust Company	
	Ft. Laramie	Ft. Laramie State Bank	
	Glenrock	Bank of Glenrock	
	Guernsey	Commerical State Bank	
	Hillsdale	Hillsdale State Bank	F - Jul 9
	Kaycee	First State Bank	F - Nov 24
	Keeline	Bank of Keeline	F - Jul 10
	Lavoye	Salt Creek State Bank	
	Lingle	Lingle State Bank	F - Dec 10
	Manderson	Manderson State Bank	F - May 25
	Newcastle	Weston County Bank	F - Feb 2
	Osage	Osage State Bank	F
	Riverton	First State Bank	
	Sheridan	Citizens' State Bank	F - May 15
	Thermopolis	Thermopolis State Bank	F - Jun 10
	Upton	Bank of Upton	F - Jul 9
	Van Tassell	Bank of Van Tassell	
1925			
	Baggs	First State Bank	F - Jan 27
	Burns	Burns State Bank	C
	Hudson	Farmers and Merchants Bank	
	Lavoye	Bank of Salt Creek	F - Jan 17
	Shawnee	Bank of Shawnee	
	Sheridan	Sheridan Banking Company	C
	Sheridan	Seridan County Savings Company	C
	Shoshoni	Shoshoni State Bank	F
	Ten Sleep	Stockgrowers' Bank	
1926			
	Freedom	Freedom State Bank	
	Glendo	Glendo State Bank	
	Lost Springs	Citizens State Bank	
	Pine Bluffs	Pine Bluffs State Bank	
	Saratoga	Stockgrower's State Bank	
1927			
	Dubois	Amoretti, Welty, Helmer and Company	
	Encampment	Encampment State Bank	
	Greybull	First State Bank	
	Riverton	Farmers' State Bank	
	Shoshoni	First State Bank	

private banks would engage in business in Wyoming (Wyoming State Examiner, periodic). But the grim reaper already had arrived with a voracious appetite in 1920, and would begin dropping his checkered flag over no less than 76 (57 percent) of these institutions within the next seven years. See Table 3. Forty-seven of the closures were outright failures, not counting three banks that failed but were later restored to solvency. The remaining 29 left through mergers or liquidations.

The appetite of the reaper remained unsatiated, so failures in the state banking system continued to wreak havoc through the mid-1930s. Depositors found their funds tied up in receiverships that paid dividends slowly and returned only fractions of the original deposits. By the end of 1927, the 1920 total of 113 state and private banks was pared to 57; by the end of 1936 the total was down to 32 (Wyoming State Examiner, periodic).

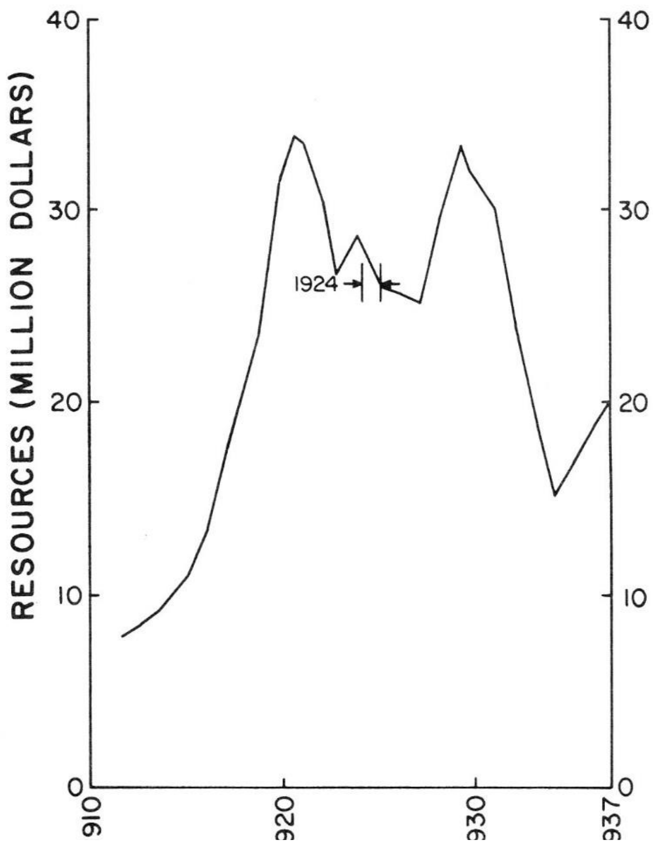

Figure 7. Total resources of state, private and savings banks and trust companies in Wyoming between 1911 and 1936. Notice that the state banks felt the Post World War I Agricultural Depression before the national banks. Data from Wyoming State Examiner (all).

Agricultural Boom

The major impact of World War I on the frontier state of Wyoming was an unprecedented boom in agriculture. The number of cattle almost doubled between 1914 and 1918 (Larson, 1977, p. 134), and prices went through the roof. By 1920, steers were selling for $150 per head. Another factor contributing to the boom was the fact that Wyoming was still open to homesteading. In fact, incentives to homestead non-irrigable lands were increased by an Act dated February 19, 1909, that doubled the free land available under the original 1862 Homestead Act to 320 acres (Larson, 1977, p. 134). Vast tracts were brought into production through homesteading throughout the west. As prices for grains began their spiraling climb in response to the war effort, Wyoming dryland homesteaders found it profitable to plant crops such as wheat.

The boom was fueled by feverish speculation in banking and real estate. The inflation in agricultural commodities, coupled with euphoria that prosperity was here to stay, created a climate where banks loaned readily to dryland homesteaders on the promise of continued production and to stockmen on vastly inflated range stocks that now heavily populated the state. Dozens of new banks were organized on shoestrings in order to capitalize these ventures. Inflation multiplied the values of the land, livestock and grain, which could be credited on the positive side of bank ledgers as collateral against loans.

The Bubble Bursts

The overheated frontier economy had sufficient momentum that it careened unabated for a year after the armistice on November 11, 1918. However, after the war two particularly unfavorable factors ensued. One was the horde of returned soldiers thrust into an economy totally unprepared for their return. No federal programs awaited them to ensure their orderly assimilation into their homeland economy. Unemployment became a problem.

A major shock was the shattered European economy. Left to its own devices, the recovery of the devastated European economy foundered. Without even a hint of prosperity in Europe, that major

Figure 8. The First National Bank of Cheyenne, Wyoming's first national bank, went under on July 9, 1924. The then president, George Abbott signed this territorial note as cashier.

agricultural market dried up overnight. By the end of 1920, the peak of prosperity had passed, so American agriculture in general and western agriculture in particular, began reeling from the severe contraction as overproduced agricultural commodities competed with themselves for a seemingly bottomless floor.

John T. McDonald, eastern Wyoming banker, lamented in his 1924 address as president of the Wyoming Bankers Association, that Wyoming $150 steers fell to $60, cows went from $85 to $25, choice farmland from $250 to $75 an acre, and Torrington potatoes were a glut at forty cents per hundred lbs (McDonald, 1925). In retrospect, McDonald's anxiety was particularly poignant. Every one of the banks in which he held major interest was gone by the end of the year, including the flagship of the chain, The First National Bank of Torrington.

During this period the plight of the bankers was being recorded and we can sympathize (Henderson, 1925). But what of the farmers who plowed the eastern Wyoming prairie in response to patriotic urgings and profit incentives during the war years? Many, faced with bank loans based on boom land and commodity prices, and sales of crops at below cost, quietly walked away from their farms, a precursor of the great Midwestern migration that would occur in the next decade. Wyoming bankers were left holding the bag, and they searched frantically for scapegoats.

Banks Go Under

A second level headline on the front page of the Wednesday, July 9, 1924, *Wyoming State Leader of Cheyenne* announced "Two National Banks Closed in Cheyenne." The casualties were The First National Bank of Cheyenne, which was the first national bank chartered in Wyoming, and The Citizens National Bank of Cheyenne. George Abbott, president of The First National, stated in an interview that there were three reasons for his failure: (1) depreciation in cattle, agricultural commodities, and land; (2) excessive taxation; and (3) the policy of his bank of going to the aid of other faltering banks in the region. Faltering they were, for the next day, the *Leader* reported the closing of four more Wyoming state banks, and one in a nearby town in Colorado.

Other reasons for the economic blight were advanced. R.W. Collins (1925), who when addressing the Wyoming Bankers Association, saw roots of the problem in the dry summer of 1919 and severe winter that followed (see Figure 12). He concluded that this stunned the agricultural sector, a reverse that was compounded with the bad luck of falling prices. In his address he also complained of the inadequacy of bank examinations, both state and national, which could have aided the banker. Collins stated with regard to the national bank examiners: "They were not qualified to give us the words of caution that most of us needed at the time." The words of caution that Collins, the experienced Wyoming banker, wanted from the examiners were in his words: "Had our loans of 1919 and 1920 been based on livestock values covering a period of years, had the loans been made only to men who understood the business and who were equipped to properly take care of their stock, had we always kept in mind normal values in place of the inflated values of the period, we would have escaped the headaches that came to us."

The perspective of State Bank Examiner Newlin (1918) was one of foresight in 1918. He recommended legislation forcing directors of state banks to own at least 5 percent of the capital stock of their banks rather than the current 1 percent, thus encouraging them to look after their investments more seriously. He also favored a law that prohibited officers and directors from borrowing amounts in excess of 10 percent of the capital and surplus of their banks.

The word surplus was missing from the vocabularies of many state bankers. It was common practice for state banks to declare dividends to shareholders that wiped out all accumulated surpluses. Newlin wanted to see a provision whereby banks would over a period of time be forced to accumulate surpluses amounting to at least 50 percent of their capital, thus protecting depositors from the full risks of bad debts incurred by the bankers.

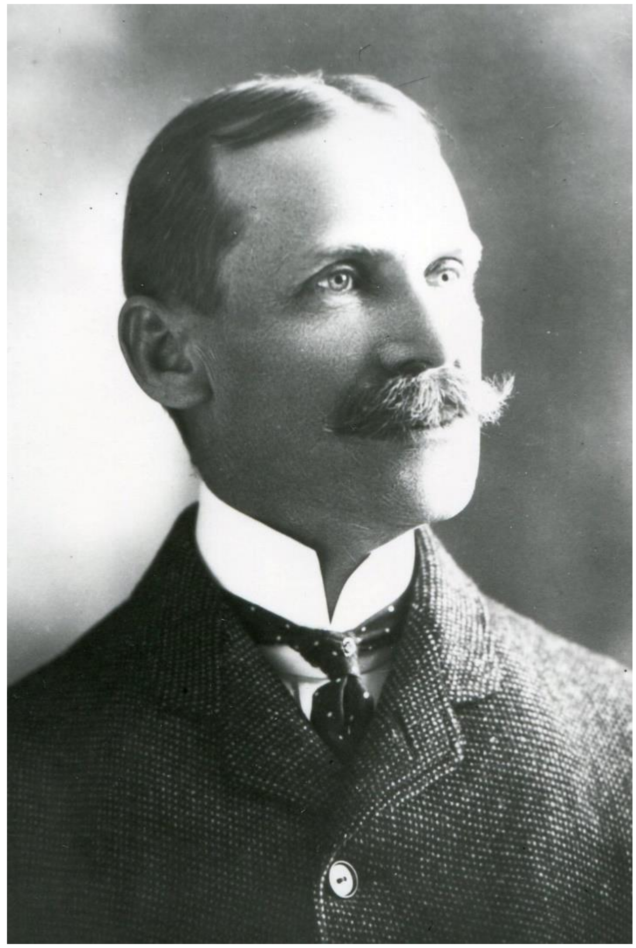

Figure 9. Seasoned banker George Abbott, First National Bank of Cheyenne cashier 1890-1907, president 1916-1924, and state treasurer 1893-1903. American Heritage Center, University of Wyoming, photo.

State Examiner R.J. Hoffman reiterated these legislative pleas in 1920, further requesting that the banks pay a fee for examinations, thus facilitating the duties of his department in supervising the banks (Hoffman, 1920). By the time of Hoffman's report, the dry summer of 1919 and bad winter of 1920 were history. He wrote "The banks throughout the state have been placed under a severe strain in order to meet the credit demands of their customers. They were obliged to finance them in shipping stock into other states where feed was available and in buying feed at high prices for stock held in the state. As a consequence, the banks were obliged to strain their credit to the limit and borrowed large amounts through rediscounts and bills payable. About half the state banks have been running on low reserves during the present year."

By the time Hoffman filed his 1922 biennial report in October, he had seen eleven bank failures, compared to one from his preceding biennium. He could only report (Hoffman, 1922): "This period has undoubtedly been one of the hardest through which the banks of this state have ever gone. * * * The experience of this department for the last two years has brought out many weaknesses of our present banking laws." He recommended: (1) increasing capital required to organize a state bank from $10,000 to $25,000, (2) placing a limit on the amount of business that could be conducted by banks based on capital invested, (3) fixing limits on the rediscounting of assets and practice of endorsing paper "without recourse," (4) requiring that officers and employees furnish security bonds, and (5) making it impossible for a stockholder to sell his stock in a failing bank in an effort to escape liability. The previous calls for legislation to create surplus accounts and restrict loans to officers and directors were again reiterated.

It is unfortunate that I was unable to locate the State Examiner's reports for years 1923 and 1924 when the banking system of Wyoming imploded. Such an insider's perspective could have added greatly

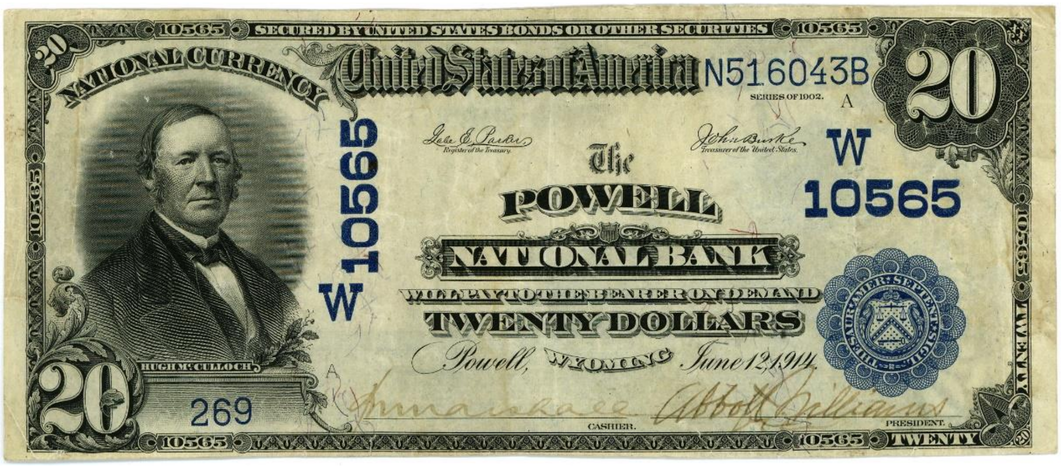

Figure 10. The Powell National Bank in the Bighorn Basin of northern Wyoming failed March 27, 1924, but was restored to solvency May 31, 1924.

to this story.

The fact is that banking in Wyoming, both state and national, suffered enormous damage. The crunch centered on banks heavily extended to the eastern dryland farmers and banks throughout the state that carried stock growers involved in both cattle and sheep. The burden fell predominantly on under-capitalized rural banks and heavily on banks formed during the rising curve of the World War I years. National banks as well as state banks in similar circumstances suffered equally.

Wyoming Bankers Association president McDonald, on the eve of his own tragic bank failures, was driven to new insights. He observed: “The past three annual meetings of this Association have been filled with lugubrious moans of the deflated, those in course of deflation, and those about to be deflated, plus the loud assurances of wise men out of the East that deflation is good for the soul, and that a little hair of the dog that bit it will cure the pain” (McDonald, 1925). McDonald went on with wry cynicism: “It has been said that a period of depression is nothing more than a state of mind. This saying is supported by biblical authority: ‘As a man thinketh, so is he.’ According to this reasoning, all that we of the Northwest have to do to bring about an unprecedented era of prosperity is to vote Republican, wear a silly smile and chant sweetly with Coue: ‘Every day in every way, we are getting better and better.’” As McDonald spoke on September 5, 1924, the system upon which he had optimistically built his own house of cards was pulling the rug from under him.

Surprising Alliances

Because banking is a human endeavor, it is never sufficient to develop a simple list of the banks involved in a period such as described here. The true fascination comes in discovering who was involved, how they operated, and who they associated with. As I began to research the state banks for this piece, I discovered that the existing record is skeletal at best. Missing are minutes of board meetings that would provide the clues to interpersonal interactions and motives. Rather we are forced to search for vague hints—often incomplete—that drop a few names here and there to titillate our curiosity.

Of the 76 Wyoming state banks that failed, consolidated or liquidated during the 1920 to 1926 period, I was able to develop a list of 1920-1921 presidents and cashiers for all but one bank from state examiner reports (Wyoming State Examiner, various dates-b; Newlin, 1918, Hoffman, 1920, 1922). I located two boxes of old, mixed records in the State Examiner’s office that proved to be a real bonanza (Wyoming State Examiner, various dates-a). These contained incorporation papers for 36 of the 76 deceased 1920-1926 banks and spanned the years 1894 to 1922. Although these records involved only about half of the banks of interest, the initial lists of incorporators and shareholders turned out to be most revealing. In the same boxes, I discovered charters for 31 of the 76 banks, some for banks other than those represented by articles of incorporation. Names and dates gleaned from these sources could be compared to national bank data to help flesh out the total scene (Comptroller of the Currency, various dates).

Figure 11. Wyoming Bankers Association president E. P. Perry cashier of The First National Bank of Torrington when Clarke's chain of national and state banks in the North Plate Valley of eastern Wyoming failed in 1924.

In the majority of cases, the state and national banks were separate entities, each with independent officers and shareholders. However, in a number of cases I discovered similar lists of shareholders, interlocking officers, and surprising alliances between members of distinctly different groups of bankers who joined in new ventures. In the terse summaries that follow, realize that these findings are necessarily incomplete because they are based on the incomplete data developed from the sources cited above.

Henry S. Clarke Jr. and Associates

On October 6, 1908, Henry S. Clarke Jr., John T. McDonald and E.P. Perry organized The First National Bank of Torrington. It appears that this was the first bank that they became involved with in Wyoming, so the bank would serve as the flagship for their future chain. Torrington is located along the North Platte River just west of the Nebraska state line and is the center of a large farming region comprised of both dryland and irrigated crop land. This district appears to have been the most seriously impacted of the boom-bust agricultural fortunes to come.

Clarke, apparently always in the company of McDonald, and usually with Perry, founded or gained a controlling interest in the following state banks: Torrington State Bank, Lingle State Bank, Fort Laramie State Bank, Commercial State Bank of Guernsey and finally the Cheyenne State Bank. With the exception of the Cheyenne State Bank, each of these enterprises was situated in towns along U.S Highway 26 where it parallels the North Platte River from Torrington westward.

The Torrington State Bank, their self-made competitor to The First National, did not fail, but rather it went out of business in the winter of 1918-1919. I presume it was merged with The First National Bank. All the

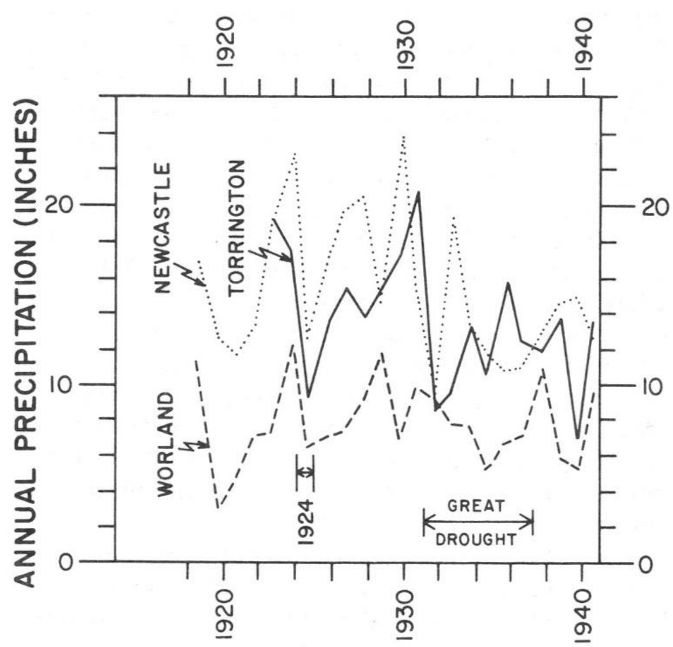

Figure 12. Annual precipitation at three agricultural centers in Wyoming between 1918 and 1940. Notice the sharp decrease in 1919-1920 and 1924, which exacerbated the stabilities of the banks in those regions. Data from Water Resources Data System (undated).

Figure 13. B. F. Yoder's Manville and Torrington national banks succumbed to runs respectively on December 11, 1923 and March 19, 1924.

banks in the chain were rather modest in terms of total resources for their settings, including The First National Bank of Torrington. Each was feeding off the speculative boom in agriculture taking place in the North Platte Valley. I interpret the move to acquire control over The Cheyenne State Bank in the capital city to the south as a sign of growing confidence as these men rode to the crest of the boom.

The post-1920 deflation in agriculture seriously depleted reserves and suddenly in 1924 Wyoming was overtaken by one of its worst drought years on record (see Figure 12). Depositors began to panic as they realized that banks containing their funds could not realize on loans.

The Fort Laramie State Bank disappeared early in 1924. I don't know its fate. The Lingle State and Cheyenne State banks went into receiverships on December 16. The Commercial State Bank of Guernsey also was gone by the end of December but how and why remains a mystery. I presume it failed along with the others in mid-December. J.T. McDonald, president of the Wyoming Bankers Association, was no longer in banking.

B. F. Yoder, Bank President

Benjamin Franklin Yoder joined the eastern Wyoming banking fraternity in a big way between 1917 and 1919. This was the height of the boom and a period during which people had convinced

Figure 14. Benjamin Franklin Yoder assembled a chain of national and state banks in the Platte River Valley of eastern Wyoming. Photo from Peterson (1915).

Figure 15. The Citizens National Bank, onetime flagship of B. F. Yoder's eastern Wyoming bank chain, failed July 21, 1924 after he sold his control interest in it.

themselves that prosperity was here to stay. Like the Clarke group, Yoder focused his attention on the agricultural belt surrounding the North Platte Valley, but his influence spread to towns more distant from the river.

Yoder's style was highly visible. He usually installed himself as president of the banks that he controlled. In 1922 his chain included the Glendo State Bank and Bank of Glenrock, both founded in 1917; The Torrington National Bank and The First National Bank of Manville, both organized in 1919; and The Citizens National Bank of Cheyenne, which he took over in 1918. He also was a principal in the Platte County State Bank of Wheatland, but apparently was not its president. Yoder appears to have sold his controlling interest in The Citizens National Bank of Cheyenne in 1924.

The Platte County State Bank, capitalized at $20,000, was the first of Yoder's banks to fail. It closed on February 17, 1923. The First National Bank of Manville, capitalized at only $25,000, was the first of Yoder's national banks to run into trouble. The bank sustained a run and was forced into receivership on December 11, 1923. It holds the distinction of being the first of Wyoming's national banks to succumb solely to the forces of the post-war depression, although plenty of state banks had already gone under by that time. Notice from Table 1 that The First National Bank of Rock River, which had failed the previous June, had been looted from within as well as suffered depreciation of assets.

Next to fail, on March 19, 1924, was The Torrington National Bank, also closed by a run. This closure was followed in short order on July 9 by The Citizens National Bank of Cheyenne. The Citizens National Bank found itself in the hands of a receiver on July 21, 1924. The Bank of Glenrock disappeared early in 1924, fate unknown, and the Glendo State Bank was placed in a receivership at the same time. However, the Glendo State Bank was restored to solvency and operated until 1926 when it expired of unknown causes. It is possible that Yoder was able to unload it along the way.

These sad events left B. F. Yoder a dispirited man with his hands full of litigation. Gladys Jones (1981) of Cheyenne remembers well that July 9th summer day when both The First National Bank of Cheyenne and Yoder's former Citizens National Bank closed. Her father returned home early from his job and advised his daughter and the rest of the family to stay away from the business district that afternoon. The crowds gathering downtown around the two closed banks looked rowdy and potentially volatile.

The Newcastle Chain

The picturesque town of Newcastle lies south of the Black Hills a few miles inside Wyoming's eastern border. If you take U.S. Highway 16 west to Devils Tower, you pass through scenic rolling country and through the small towns of Osage, Upton and Moorcroft. These towns were the domain of John L. Baird, a banker who was instrumental in founding The First National Bank of Newcastle on March 23, 1904. The dominant figure in the early history of the bank was Thomas A. Cosgriff, an entrepreneur who established or owned stock in a host of state and national banks in the region. Baird served as cashier of the

Figure 16. The First National Bank of Newcastle became the flagship in J. L. Baird's Black Hills chain, where in 1904-1905 he served as cashier and signer of this note. He took over as president from 1911 until the bank failed in 1924.

bank in 1904 and 1905, then apparently bought out Cosgriff to become president in 1911, a post he held until the bank failed in 1924.

Baird, following the example of Cosgriff by investing in other banks. He became president of The First National Bank of Worland in 1912 and served in that capacity until 1914 when he seems to have sold it. He also helped incorporate the Bank of Moorcroft on December 28, 1909, along with T. A. Cosgriff, and George Abbot and A.D. Johnson of The First National Bank of Cheyenne. I have been unable to determine the ultimate fate of this bank. It is possible that it never opened.

By 1921, Baird was serving as president of the Osage State Bank, Bank of Upton, and The First National Bank of Newcastle. Trouble overwhelmed these banks in 1924. The First National Bank of Newcastle sustained a run that combined with large losses and insufficient credit forced it into receivership on June 12, 1924. The Osage State Bank failed at about the same time and the Bank of Upton failed on July 9. The Baird

Figure 17. John L. Baird built a chain of banks in the Black Hills region of Wyoming in company with other prominent regional bankers such as the Cosgriffs and George Abbott. Photo from Peterson (1915).

banking enterprise had cratered, and most of the citizens of northeastern Wyoming were without banking services as a result.

Speculation

From the lists of shareholders on the incorporation papers and officers listed on the examiner's reports of 1910-1922 vintage, a number of names appear time and time again. Because a director was required to own only 1 percent of the capital stock of a state bank, a person could become a director in a small bank capitalized at $10,000 for only $100. Some enterprising investors in numerous banks did quite well, others not so well.

In 1921, A. H. Marble is listed as the president of The Cheyenne State Bank (later taken over and lost by the Clarke group), Wyoming Trust and Savings Bank of Cheyenne, Stockgrowers Bank of La Grange, Farmers State Bank of Slater and the important Stockgrowers National Bank of Cheyenne. If this was not enough, I discovered that Marble also was president of The Montana National Bank of Billings. The State Bank of Slater and Wyoming Trust and Savings Bank of Cheyenne were liquidated under honorable circumstances in 1921 and 1922, respectively. The Stockgrowers Bank of LaGrange failed on June 14, 1923, but at the time Marble may have disassociated himself from it as he had of the ill-fated Cheyenne State Bank. In any event, Marble's major interests, The Stockgrowers National Bank of Cheyenne and Montana National Bank of Billings survived and he continued to serve as their presidents well beyond the depression years.

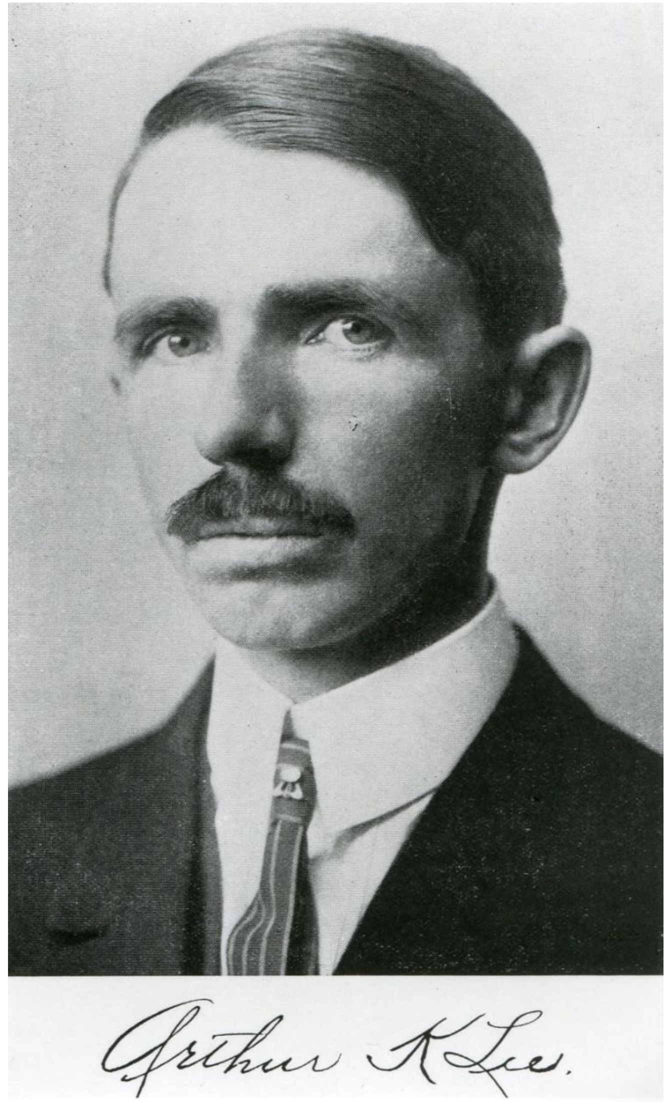

Figure 18. Arthur K. Lee was president of The First National Bank of Basin, 1918-1924, and The National Bank of Commerce in Casper, 1920-1924. Photo from Peterson (1915).

George Abbot, president of The First National Bank of Cheyenne, was financially involved in numerous Wyoming state banks, sometimes with his cashier A. D. Johnson. In general, these investments did not work out well and this may have helped to propel The First National Bank of Cheyenne to its grave in 1924. Interestingly, Abbot sometimes appears on the same shareholder lists as Thomas A. Cosgriff. Thomas A. and sons John B. and James E. Cosgriff seem to hold the record for investing in and establishing banks throughout Wyoming and contiguous states in the 1900 to 1930 period. In contrast, the Cosgriff banking empire grew and prospered.

Conclusion

The Post World War I Agricultural Depression devastated rural economies throughout the country, with this Wyoming example being the perspective from just one state. Especially hard hit were the newly homesteaded regions in the western states. The bank failures wiped out banking capital and depositor savings, thus demonstrating conclusively that the safety of the banking system had been undermined through lax bank legislation.

Figure 19. Arthur K. Lee was president of both of these banks in 1924 when trouble hit. The receiver arrived at the Basin bank on June 14, 1924. The Casper bank was salvaged and taken over by the Wyoming Trust Co., Casper, and formally liquidated July 18, 1924.

The most notable failure of the national bank system was the provision in the Gold Standard Act of 1900 halving the capital requirement to $25,000 for the organization of national banks in small towns. The first such bank chartered in the country was The First National Bank of Ridgefield, Connecticut (5309), according to the *Bankers Magazine* (Apr 1900, p. 584).

The Wyoming state banking laws required even less capital; specifically, $10,000. All the investment that was required of a director was one percent of this amount, or $100, not sufficient to ensure that directors would pay serious attention to the operation of the bank. Missing from the state requirements were provisions for the creation of surplus accounts, restrictions of loans to bank officers and directors, and adequate examinations by state auditors.

The Post World War I Agricultural Depression was, of course, followed by the Great Depression, which simply heaped on more misery. The failures of the hundreds of small rural unit national and state banks directly contributed to the impoverishment of rural America. Gone were the accumulated savings and hopes of what had been an emerging middle class in the agricultural belts in our country. It would take emergency New Deal banking legislation including institution of deposit insurance in 1933 and the economic stimulus of World War II for confidence and prosperity to return.

However, by then the wealth had been redistributed out of the agricultural sector into other pockets. The bulk of the nation's banking resources became even more heavily concentrated in urban areas. Significantly, the result was a major migration of the rural population to the cities chasing the opportunities that it created there.

Figure 20. The First National Bank of Rock River was the first Wyoming national bank to go under during the Post World War I Agricultural Depression. It suffered depreciation of assets but also looting from within by the cashier. Jess Lipka photo.

Postscript: A Vanishing History

My trip through this era led me to every Wyoming state agency even remotely involved with banking. I was cordially received in the Governor's office, every state repository of historical or official documents and the State Examiner's office. Several old timers took time to give me a personal perspective.

There exists no complete list, let alone historical account of state and private banks organized in Wyoming. In fact, no source tells exactly how many banks have operated in Wyoming since the territory was formed in 1868. My search for data pertaining to the early 1920 banks led me to the State Archives in Cheyenne where we retrieved some typewritten biennial reports of the State Examiner (Newlin, 1918; Hoffman, 1920, 1922) and miscellaneous reports of conditions (Wyoming State Examiner, various dates-b). These did not cover all the years of interest to this article. Consequently, I can't tell you how most of the deceased Wyoming state and private banks of that period bit the dust.

When the State Examiner opened his doors to me, I discovered two boxes of articles of incorporation, state charters and examiners reports in a storage closet (Wyoming State Examiner, various dates-a). These records were far from complete, but they did fill in many holes. However, no comprehensive

Figure 21. The First National Bank of Lusk, which served stockmen and wheat producers in the high-plains of eastern Wyoming, failed February 7, 1924.

statistics emerged. Fortunately, the State Examiner (periodic) had published periodic lists of banks and their resources. These compilations have found their way into a few libraries, and the State Archives has a fairly complete set for the 1920s. Many of the statistics presented here come from those sheets. These reports don't list the officers or information about when the banks were organized or how they faded from the scene. If a bank went out of business for whatever reason, it simply was dropped from the list.

Obviously much of the early history associated with the state banks has vanished from official sources.

Reference Cited and Sources of Data

Bankers Magazine, Apr 1900, Money, trade and investments: Bradford Rhodes & Co., New York, v. 60, p. 584-585.

Cheyenne State Leader, Jul 9, 1924, Two national banks closed in Cheyenne, p. 1.

Cheyenne State Leader, Jul 10, 1924, Local banking situation now nears normal, p. 1.

Collins, R. W., 1925, untitled address: Proceedings of the 16th Annual Wyoming Bankers Association Convention held at Riverton, Wyoming, Sep 5, 1924, p. 8-9.

Comptroller of the Currency, yearly, Annual reports of the Comptroller of the Currency: Government Printing Office, Washington, DC.

Henderson, H. B., 1925, Report of Secretary H. B. Henderson: Proceedings of the 16th Annual Wyoming Bankers Association Convention held at Riverton, Wyoming, Sep 5, 1924, p. 16-23.

Hoffman, R. J., 1920, Biennial report of the State Examiner from Oct 1, 1918 to Sep 30, 1920: Typewritten report to Governor Robert D. Carey, Wyoming State Archives, Cheyenne, WY.

Hoffman, R. J., 1922, Biennial report of the State Examiner from Oct 1, 1920 to Sep 30, 1922: Typewritten report to Governor Robert D. Carey, Wyoming State Archives, Cheyenne, WY.

Jones, Gladys, 1981, Interview with long-time resident of Cheyenne.

Larson, T. A., 1977, Wyoming, a bicentennial history: W. W. Norton & Co., New York, 198 p.

McDonald, J. T., 1925, Address of President McDonald: Wyoming Bankers Association, Proceedings of the 16th Annual Wyoming Bankers Association Convention held at Riverton, Wyoming, Sep 5, 1924, p. 8-9.

Newlin, I. C., 1918, Biennial report of the State Examiner from Sep 30, 1916 to Oct 1, 1918: Typewritten report to Governor Frank L. Houx, Wyoming State Archives, Cheyenne, WY.

Peterson, C. S., compiler, 1915, Men of Wyoming, The national newspaper reference book of Wyoming containing photographs and biographies of over three hundred men residents: C. S. Peterson, Denver, CO, 322 p.

Water Resources Data System, undated, Digitized U. S. Weather Bureau data for Wyoming: Water resources data system and state climate office, Dept. of Atmospheric Science, University of Wyoming, Laramie, WY.

Wyoming State Examiner, periodic, Abstracts of reports made to the State Examiner, showing the condition of state, private and savings banks, and loan and trust companies, in the State of Wyoming: Wyoming State Archives, Cheyenne WY, and American Heritage Center, University of Wyoming, Laramie, WY.

Wyoming State Examiner, various dates-a, Miscellaneous files containing articles of incorporation for state banks, state bank charters, examiner's reports of condition, and other documents: State Examiner's office, Cheyenne, WY.

Wyoming State Examiner, various dates-b, Miscellaneous examiners reports of conditions of state banks: Microfilm records, Wyoming State Archives, Cheyenne, WY.

This chapter is from The Encyclopedia of U. S. National Bank Notes published jointly by the National Currency Foundation (www.nationalcurrencyfoundation.com) and Society of Paper Money Collectors (www.spmc.org).