

The Tunnel

"The record of the last four years of banking history in Montana," wrote L.Q. Skelton in 1924, "will read like Jeremiah's Book of Lamentations."

Gov. Joseph M. Dixon chose Skelton to be the state's bank examiner in 1921. Now, three years later, Skelton had to be ruing the day he took the job. He was a "nervous type" anyway, recalled an employee, and his Ninth Annual Report of the Banking Department was a lamentation worthy of old Jeremiah himself.

"A veritable nightmare," Skelton called Montana's banking collapse of the early 1920s. He likened it to an "Egyptian famine," a "reaping of the fruit of the whirl-wind," a "withering scourge."

The disaster was more than a mere financial fiasco, Skelton said; there was "the ruin, the litigation, bankruptcies, the expense, the wrath of the depositors, a suicide or two, the widow's mite gone, business stagnated, confidence shaken, men of reputation sent to prison perhaps..."

Skelton's empathy for destroyed bankers and their terrified depositors that unhappy summer of 1924 was no doubt sincere. Inevitably, however, Skelton and his boss were under heavy political fire as well.

Powerful opponents such as the Anaconda Company, upset by the governor's progressive tax-reform ideas, were on the attack. So also were people who might have been Dixon's natural allies — the thousands of small farmers embittered by bad times.

The company and other opponents said Skelton, "a blind partisan" with little banking experience, never should have been appointed. They accused him of squandering assets that belonged to depositors, and condemned him for choosing bank receivers on the basis of political party.

The Morris State Bank of Pony, which went into voluntary liquidation in 1926, stands as a silent monument to Montana's banking disasters of the 1920s.

Dixon, a Republican, could do no right; at the same time he and Skelton were accused of being too lenient with bankers, they were under fire for coming down too hard on the banks. Republican State Sen. Charles Taylor charged that Sheridan County banks "have been coddled so long that they feel they can do as they please." A little later another Republican legislator, Fred Hanson of Scobey, demanded an investigation of charges that Skelton's deputies were too severe.¹

It seems clear it was the depression, rather than his politics, that ended Dixon's political career in Montana in 1924. At the same time that voters unceremoniously threw him out of office, they also approved his main goal: an initiative raising mining taxes.

But the story of the hard times of 1920-1926 transcended political misfortune. Those years marked a turning point in the history of the state itself. Montana was jolted into maturity. The boom was over, the heady frontier optimism was gone. The dull, rusty blade of depression had severed too many dreams.

Farmers moved on by the thousands. Some 11,000 farms, 20 percent of the total, were vacated. Two million acres went out of cultivation. The average value of farm land was cut in half. Montana, the only state in the nation to suffer a population decline, had the highest bankruptcy rate in the country.

Banking was devastated. Between 1920 and 1926, almost half of Montana's banks — 214 of them — went under. Overall resources of banks in the state dropped by a third during the worst years, from \$235 million in 1920 to \$147 million in 1924. Total earning assets plunged by 44 percent in the period, from \$189.5 million to \$105.6 million.

Amid declining prices and drought, farm income and farm values evaporated. Banks' assets drifted off into the arid sky. Behind closed doors, frozen deposits melted away. Stockholders suffered along with bankrupt farmers and suddenly poverty-stricken depositors. In many cases the stockholders were local farmers and businessmen; even if they survived the general depression, the failure of their banks often ruined them along with their communities.