

# Depression and the New Deal

As Montana banking emerged from the terrible years of the early 1920s, there was reason to believe better times lay ahead.

Rains returned to the arid plains, and wheat waved across golden farm lands. The great national boom, measured most spectacularly by the dazzling, money-making margins possible on Wall Street, finally began percolating into Montana. Dormant industries responded with increased production of ore and lumber. Coal and oil fields also promised wealth.

Gov. John Erickson, greeting legislators in 1929, reported "there is every evidence that our state has entered upon an era of prosperity more general and permanent than it has ever before experienced." Montana was justified, he said, "in regarding the present with satisfaction and the future with optimism."

The honeymoon was mercilessly brief. Even as Erickson spoke, fingers of drought began creeping back into the state. And, far to the east, the stock market danced closer toward October.

A worldwide depression was on its way. It would take no less than a worldwide war to break its grip.

L.Q. Skelton, battered, bruised, politically destroyed, had seen the truth in 1924. "The old methods won't do," Skelton said in his grim, redundant style. "There has been a great change come over the people. 'New times demand new measures and new men.' We are in a new order of things. We are doing business in a new era."

**Interior of the Ronan State Bank in 1934, five years after the bank suffered a brutal robbery.**

But, as always, the shape of those new measures would be forged beyond Montana's borders. As Erickson addressed his conservative, Republican-dominated legislature, the Governor of New York, a Democrat named Franklin Roosevelt, already was plotting his run at the presidency. And in their boardrooms on Marquette Avenue, Twin Cities bankers were planning a different sort of change.

Not all the changes would be welcomed by Montana bankers. Even if a banker could see that desperate times demanded desperate measures, it was hard not to be aghast at the extent of much of President Roosevelt's New Deal legislation — particularly the "socialist" monetary measures that competed directly with bankers for business. And there were those who felt the huge Minneapolis group-banking push into Montana threatened the very existence of small, independent, community-oriented banks.

Yet, in truth, Montana banking needed all the help it could get.

By the beginning of 1926, Montana banks had been reduced to 227 in number — 145 state banks, 80 national banks, and two private banking firms. But the decline was far from over. In the next decade, 15 new banks would be formed, but another 119 would go out of business. Fifteen banks closed in 1926, 17 in 1933, 18 in 1932, and the largest number, 26, in 1930. By mid-1933, the state Banking Department counted 124 banks. They were further reduced to 117 in 1937, and 112 in 1940. The lowest point — 110 banks — came during the years between 1943 and 1947. Most of the reductions in the late 1930s came through mergers, consolidations or voluntary liquidation rather than forced closure.

Combined financial statements reflected the decline. Total