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THE ECONOMIC DEVELOPMENT OF THE MISSION VALLEY:  
1910 - 1930

by

PHILIP L. DRISCOLL  
B. A. Carroll College, 1967

Presented in partial fulfillment of the requirements  
for the degree of

Master of Arts  
UNIVERSITY OF MONTANA  
1973

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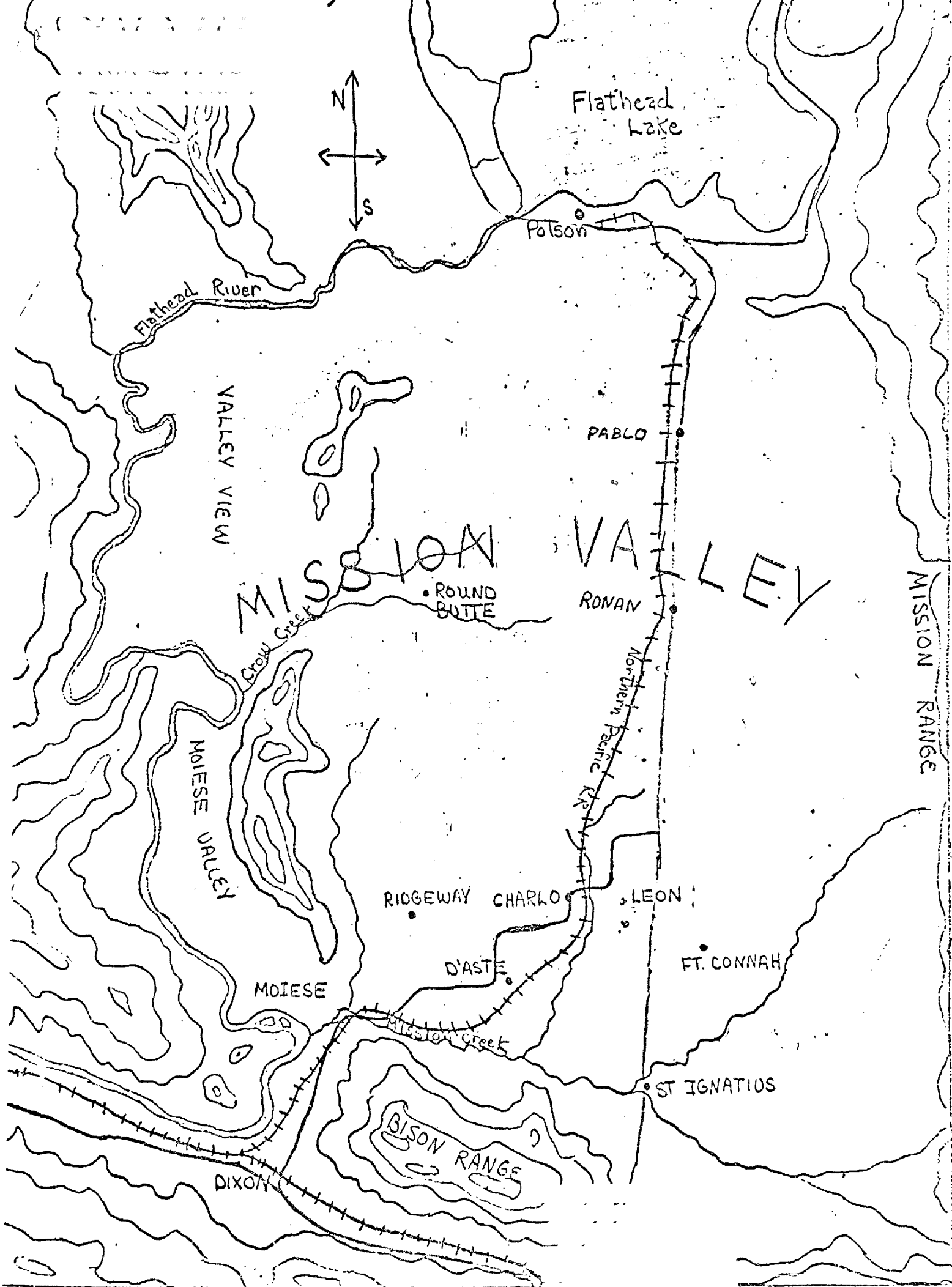
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## PREFACE

Historical analysis of the Rocky Mountain Region of the United States has largely been confined to broad, sweeping generalizations of the cultural, social and economic changes within the area. To provide a valid interpretation of the history of the area and perhaps correct past speculations, a study of the scope of Walter Prescott Webb's brilliant book The Great Plains (1931), is needed. Webb suggests that the geographical characteristics of the Great Plains forced man to make radical changes in sweeping innovations in his way of living. The dry, flat, and treeless conditions of the plains rendered the old institutions of the East useless, and in their place new traditions and institutions grew up supported by the new economic base provided by the Great Plains. Borrowing Webb's method of analysis one may speculate that the environment of the Rocky Mountain Region, with its closed valley areas, rugged terrain, and varied natural resources, provided stimulation in economic development (and consequently also cultural development) not experienced either in the Great Plains Region or in other sections of the American nation.

The difficulty in making this kind of analysis of the Rocky Mountain Region in the past has been an insufficient amount of information readily available on the mountain valleys. Yet, until individual studies of these valleys

are made, the region's effect upon its settlers will be limited to speculation. It is the author's hope that this study of the development of the economic base in the Mission Valley of Montana will contribute to the body of regional material which will eventually allow for an overall study of the Rocky Mountain Region.

As was true of settlers of the Great Plains area, the people of the Mission Valley experienced difficulties in settling and making a living on their newly acquired land. With few exceptions, the patterns of settlement during prosperity, depression, and recovery closely followed those which evolved on the Central Plains. This valley study, however, indicates there were also significant differences. The chief contrasts developed from the presence of timber resources and the potential for irrigation projects which allowed for diversification in agriculture and the development of a lumber industry. These contrasts became even more pronounced as time passed. This paper is also a commentary on those later economic changes within the Mission Valley between 1910 and 1930.

This paper is based largely upon research in unpublished manuscript sources, newspapers, and government documents. The author also conducted a series of oral history interviews with long-time residents of the Mission Valley. Unfortunately statistical data of the valley is difficult to obtain because of changing county boundaries within the

Federal census. As a result contemporary newspaper accounts are the sole existing sources for this type of statistical information.

The author's gratitude goes to those "old timers" in the Mission Valley who granted interviews and provided information necessary for the completion of this study. In addition, the author wishes to thank Dr. K. Ross Toole for his continued interest and support and Dale L. Johnson of the University of Montana Archives for his aid in the location of original sources.



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## CHAPTER I

### BACKGROUND

To understand the economic history of the Mission Valley, one must consider the physical factors that have influenced its development; physical setting, native vegetation, and climate. The Mission Valley<sup>1</sup> is approximately fifteen miles wide and thirty-five miles long. With the exception of two mountain passes, it is bounded by Flathead Lake to the north, the Mission Range to the east, and the Flathead River to the west, and the Jocko Mountains to the south. Two stony ridges, reaching a height of three hundred to four hundred feet above the valley floor, extending southward from below Crow and Polson Creeks, divide the Mission Valley into two additional subordinate areas, namely Moiese Valley and Valley View. The Flathead River, the western boundary, extends the whole length of the valley.<sup>2</sup> The Mission Valley has a temperate climate, an average precipitation of about 16.15 inches

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<sup>1</sup>Hugh J. Biggar, "The Development of the Lower Flathead Valley," (Unpublished M.A. Thesis, University of Montana, 1951) 1-17. Cited hereafter as Biggar, Lower Flathead. The Mission Valley is a part of the region called the Lower Flathead Valley. The Lower Flathead is made of four large valleys, the Mission Valley, the Little Bitterroot Valley, the Jocko Valley, and that which is occupied by Flathead Lake. The most important valley for economic and agricultural development is the Mission Valley.

<sup>2</sup>Ibid,. 13-14.

per year (significantly this may vary from 10 to 25 inches per year), and moderately to highly productive soil.<sup>3</sup> The natural vegetation on the valley floor varies from sagebrush to wheatgrass to bluegrass, depending upon the elevation within the valley, the soil, and the amount of rainfall. On the eastern boundary, the Mission Range, the natural vegetation includes forests of yellow pine, lodge pole pine, spruce and tamarack.<sup>4</sup>

### The Indians

The original inhabitants of the Mission Valley at the turn of the 19th century were members of three Indian tribes: the Salish, commonly known as the Flatheads; the Kalispel, commonly known as the Pend d'Oreille; and the Kootenai.<sup>5</sup> Their origins, their cultural and social environments, and their economic systems prior to the white man's arrival in the valley, are not of major importance in an economic history of the Mission Valley before the advent of the fur traders in 1812.

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<sup>3</sup>W. De Young and R.C. Roberts, Soil Survey of the Lower Flathead Valley Area, Montana. U.S. Department of Agriculture, Bureau of Chemistry and Soils and the Montana Agricultural Experiment Station, Series 1929, No. 22 (Washington D.C., 1934), 15-48.

<sup>4</sup>Biggar, Lower Flathead, 1-17.

<sup>5</sup>Harry H. Turney-High, Memoirs of the American Anthropological Association (Washington D.C., 1941), 17-38.

After the coming of the fur trader, the history of the Indians gradually became interwoven with that of the white man.<sup>6</sup> Thereafter the Indians were an important influence in the economic growth of the Mission Valley, and they will be treated as an integral part of the history of the valley.

### The Fur Trader

While the fur traders made only a small impression on the Mission Valley between 1812-1871, they were the first to open the area to the influence of the white man. The first white person in the valley was David Thompson who arrived at Crow Creek on March 1, 1812.<sup>7</sup> From 1812 until 1846, fur traders actively traded with the Indians in the Mission Valley. Their trading posts such as the Flathead House, the Spokane House, and the Kootenai House, were located, however, outside the Mission Valley.<sup>8</sup>

In the summer of 1846, Neil McArthur, clerk of the old Saleesh House, moved into the Mission Valley to construct a trading post for the Canada Hudson Bay Company, north of

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<sup>6</sup>Biggar, Lower Flathead, 17-30.

<sup>7</sup>Catherine M. White, ed., David Thompson's Journals, Relating to Montana and adjacent Regions, 1800-1812 (Missoula: State University Press, 1950), 215-216.

<sup>8</sup>The Hudson Bay Company had the old Saleesh House, commonly known as the Flathead House, which was located on the mouth of the Thompson Falls River, approximately 60 miles west of the Mission Valley. The Spokane House was farther west and the Kootenai House was in Canada.

Post Creek. Because of his inability to get along with the Indians, the company replaced him with Angus McDonald. With the aid of George Simpson, McDonald completed the post during the winter and spring of 1847. McDonald named the trading post Fort Connen, which was later changed to Fort Connah.<sup>9</sup>

The new post supplied horse trappings, bison hair ropes, tallow, and pemmican to other trading posts of the Hudson Bay Company.<sup>10</sup> People came from as far as the Deer Lodge Valley (160 miles) to secure not only these items but also powder, lead, percussion caps, clothing, and blankets which were not available elsewhere.<sup>11</sup> The Hudson Bay Company closed the post in 1871 after the United States and Great Britain reached a settlement on the Canadian holdings in the Northwest.<sup>12</sup>

After the closure of Fort Connah, the influence of the fur trader all but disappeared in the Mission Valley. Other

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<sup>9</sup>Albert J. Partoll, "Fort Connah: A Frontier Trading Post, 1847-1871," Pacific Northwest Quarterly (Washington, 1939), XXX, 399-415. Fort Connah was named by Angus McDonald after a river in his native Scotland. This fort was the last of the series of trading posts or forts to build by the Hudson Bay Company south of the 49th parallel. Cited hereafter as Partoll, "Fort Connah."

<sup>10</sup>Ibid., 399-415.

<sup>11</sup>Paul C. Phillips, ed., Forty Years on the Frontier as Seen in the Journals and Reminiscences of Granville Stuart (Cleveland: Arthur H. Clark Co., 1925), I, 155.

<sup>12</sup>Partoll, "Fort Connah," 399-415.

influences, however, which were to be more important in the economic growth of the Mission Valley, had already appeared. The arrival of the Jesuits at the St. Ignatius Mission in 1854 and the Indian Agents in 1856, marked the end of the influence of the Hudson Bay Company and the emergence of a more complex economic structure.

### The Missionaries and the Indian Agents

The Jesuits and the government Indian agents constituted the most influential forces in the growth of the Mission Valley until 1910. Together, these two groups completely changed the economic structure of the valley. Although their main concerns were settling and civilizing the Indians, they were also responsible for establishing patterns for future white settlement. By the time the Mission Valley opened to official white settlement in 1910, they had introduced various crops and farming methods, converted the Indians to a predominantly agrarian way of life, and had started an irrigation system for the valley in cooperation with the Indian agents. In addition, they built roads and promoted the fledgling lumber and cattle industries.<sup>13</sup>

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<sup>13</sup>W.H. Smead, Flathead Indian Agent, "Annual Report to the Commissioner of Indian Affairs, 1904," Annual Report of the Secretary of the Interior (Washington D.C.: Government Printing Press, 1904), 15. Bids were given out for fallen and dead timber by the Indian agency.

The Jesuits arrived in the valley and began construction of the St. Ignatious Mission in 1854. During the period 1855-1900 the Jesuits' progress was slow, but their influence upon the Indians, especially the Pend d'Oreille,<sup>14</sup> was extensive in the fields of education and agriculture. With the aid of government appropriations for education and agriculture, the Jesuits changed the Indian from a nomad to a farmer.

The Indian agents controlled most of the major economic development of the valley from 1856-1908. Throughout this period they were able to restrict white settlement and prohibit prospecting. In addition, they secured appropriations for construction of roads and introduced a comprehensive engineering project for irrigation. They also promoted the cattle industry and oriented the valley development toward an agricultural economy.

The Stevens' Treaty (1855) established the Flathead Indian Reservation which included the Mission Valley within its boundaries. This act provided for the removal of the Indians from the Bitterroot Valley to the Flathead Indian Reservation and for the appointment of H.M. Chase as an Indian agent of the Kalispel and Kutenai in the Lower Flathead. It also provided funds for Indian education and

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<sup>14</sup>The Pend d'Oreilles were concentrated in the area of the St. Ignatious Mission, and thus were the group of Indians most influenced by the missionaries and the Indian agents.

agricultural implements.<sup>15</sup>

Attempts to remove the Flathead Indians from the Bitterroot Valley were not completely successful until 1892. In 1869, General Alfred Sully, Superintendent of the Montana Indian Affairs, failed in his attempt to remove the Indians from the Bitterroot to the Jocko Valley. Two years later on November 14, 1871, President Grant ordered the removal of the Indians from the Bitterroot Valley. This order was officially supplemented by the Act of Congress of June 5, 1872,<sup>16</sup> and the majority of the Flathead Indians moved as a result of this act. However, three attempts were required to move Chief Charlot's band from the Bitterroot. The first was by Senator Vest in 1883, the second by Indian agent Peter Ronan, and the third by General Carrington in 1889. Largely through the efforts of Father Jerome D'aste, the Carrington Mission was successful, and Charlot's band finally left the Bitterroot in 1892.<sup>17</sup>

The establishment of an agricultural community in the Mission Valley was a gradual process. By 1867, the Pend

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<sup>15</sup>Albert J. Partoll, "The Flathead Indian Treaty Council," Pacific Northwest Quarterly (Washington, 1938), XXIX, 184-203. The Stevens' Treaty was ratified in 1860. In addition, the Jocko Reservation became the Flathead Indian Reservation.

<sup>16</sup>Carrington Manuscript, [2686], Doc. 70, 11. Also refer to W.L. Davis, The History of St. Ignatius Mission (Spokane, 1954), 68. Cited hereafter as Davis, St. Ignatius.

<sup>17</sup>Ibid., 89-101.



d'Oreilles had 70 farms of from 5 to 60 acres. These farms produced 100 bushels of corn, 1000 bushels of potatoes, 900 bushels of oats, and 3000 bushels of wheat. The Indian farmers also had 100 hogs and 800 cattle on farms located along Mission, Crow, and McDonald Creeks.<sup>18</sup> With the exception of corn, their crop production steadily increased. By the 1880's the Indians had become a self-reliant and self-supporting agricultural community, and their principal products of grain, hay, and cattle were those adopted as the basis of the white agricultural community after 1910.

Also instrumental in the growth of the Mission Valley were acts passed by Congress for the Flathead Indian Reservation and for reservations in general. The first of these acts was the Dawes Act of 1887 which led to nullification of the Stevens' Treaty.<sup>19</sup> This act allowed for white settlement, which eventually doomed tribal organization, and for irrigable and non-irrigable allotments. These allotments were to be surveyed after individual reservation lands were approved for agricultural or grazing purposes.<sup>20</sup>

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<sup>18</sup>Peter Ronan, "Annual Report to the Commissioner of Indian Affairs, 1876," Annual Report of the Secretary of the Interior (Washington, D.C.: Government Printing Press, 1876), 492-494. Ronan was the Flathead Indian Agent.

<sup>19</sup>Davis, St. Ignatius, 116.

<sup>20</sup>U.S. Code Revised (1964), 25 para. 331.

Although the Dawes Act allowed for white settlement, various circumstances impeded white settlement in the Mission Valley for 23 years. These included the Indian agents' protective concern for the Indians, the refusal of Chief Charlot's band to move to the reservation from the Bitterroot until 1892,<sup>21</sup> and the prohibition against prospecting.<sup>22</sup> In addition, appropriations for surveying the irrigation project proved to be insufficient, and affairs surrounding the creation of the Bison Range delayed official white settlement for two years.<sup>23</sup> Acts passed in 1904 and 1910 extended the Dawes Act to the Flathead Reservation. The Act of April 23, 1904, provided for surveying of the reservation and for allotment for the Indians. All other lands were to be disposed of by existing laws.<sup>24</sup> The Act of April 23, 1910, officially opened the Flathead Indian Reservation to white settlement.<sup>25</sup>

Throughout the period between 1856 and 1910, various Indian agents had emphasized the importance of developing an

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<sup>21</sup>Davis, St. Ignatius, 116.

<sup>22</sup>W.H. Smead, Lands of the Flatheads (St. Paul: Pioneer Press, 1905), 69.

<sup>23</sup>J.F. McAlear, The Fabulous Flathead (Polson: Tres, St. Pub. Co., 1962), 80-94, Cited hereafter as McAlear, Fabulous Flathead.

<sup>24</sup>United States Statutes at Large (1904), XXXIII, 302.

<sup>25</sup>Ibid., (1910), XXXVI, 222.

extensive irrigation system in the Mission Valley. Their aspirations were partially fulfilled with the passage by Congress of the Act of April 3, 1908, which appropriated \$50,000 "for preliminary survey, plans and estimates of an irrigating system to irrigate the allotted lands of the Flathead Indian Reservation in Montana and the unallotted land of the Indians to be disposed under the Act of April 23, 1904."<sup>26</sup> One year later the Act of March 3, 1909, provided for an appropriation of \$250,000 for the development of irrigation on the Flathead Indian Reservation.<sup>27</sup>

Reconnaissance and preliminary surveys of the irrigation project were made in 1907. In June 1909, construction of the project, authorized by the Act of April 30, 1908, commenced with the Newell Tunnel in the Polson division. It was followed by the Pablo feeder canal in 1910, and the Kickinghorse feeder canal in 1911.<sup>28</sup> The Kickinghorse canal was completed by 1912--giving little indication that the project would not be completed until 1938.<sup>29</sup>

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<sup>26</sup>Ibid., (1908), XXXV, 83.

<sup>27</sup>Ibid.

<sup>28</sup>Helen F. Sanders, History of Montana (Chicago: The Lewis Publishing Company, 1913), I, 529-532. The percentages of work done on the projects in the Mission Valley in 1913 were the Post division 34.7 per cent; Crow division, 3 per cent; Pablo division, 36.3 per cent; and Polson, 14.5 per cent.

<sup>29</sup>McAlear, Fabulous Flathead, 80-94.

Transportation, 1800-1910

The modes of transportation used by Indians were foot travel, horseback, and canoe. Because the use of the canoe had been limited to the Flathead River and Flathead Lake, the most extensively used form of travel by the Indians in the Mission Valley was by horseback over primitive trails. Originally the fur traders' methods of travel were by necessity similar to the Indians. After the establishment of Fort Connah and the St. Ignatius Mission, the necessity for greater movement of supplies brought horse-drawn carts and wagons into use. As towns sprang up after 1910 an even greater emphasis was placed upon the movement of goods by carts and wagons. Through more frequent use trails evolved into roads, and the already existing network of roads received further improvements.<sup>30</sup> The Indian agents' reports frequently commented upon road construction, maintenance of roads, and bridge construction at such points as Fort Connah, the Mission, the Jocko Agency, and points south of the valley.<sup>31</sup>

Travel routes into the valley experienced similar development. To the traveler from the south, the Jocko

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<sup>30</sup>Verified in various reports of the Indian agent. Refer to the Annual Report of the Secretary of Interior, 1876-1910.

<sup>31</sup>Ibid.

Mountains, the Jocko River, and high steep ridges served as barriers. At the entrance to the valley, near the confluence of the Jocko and Flathead Rivers, a bridge had to be built, and near Ravalli, a high ridge formed an obstacle to road construction. Steamboat travel on Flathead Lake was never of major importance to the Mission Valley because north-south travel was never exceedingly heavy before 1910. Before construction of the Northern Pacific Railroad to Ravalli in 1883, the principal modes of travel south of the valley were the roads evolved through the hauling of produce and supplies in and out of the valley. After the completion of the Northern Pacific Railroad to Ravalli, larger shipments of cattle and produce to principal southern markets such as Missoula, Butte, Anaconda, and other mining and lumber towns became possible. By 1910, fresh produce had been brought from Missoula to Ronan in one day's time by the use of the railroad and the stagecoach, and by the limited use of the automobile.<sup>32</sup>

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<sup>32</sup>The Ronan Pioneer, June 16, 1910. This issue came out before a fire destroyed the building of the Ronan Pioneer in 1911. Mr. Robert Sterling of Missoula retains a copy.

## CHAPTER II

### WHITE SETTLEMENT, IRRIGATION, AND AGRICULTURE

The problems which confronted agriculture in the Mission Valley during the droughts and the world-wide, agricultural depression of the 1920's originated in the early phases of white settlement (1910-1917), the administration of the Flathead Irrigation Project, and government policies concerning irrigated land allotments. Prior to 1917 the sources of these problems such as the lack of crop diversification, capital shortage, inefficient farm management, lack of irrigation, and allotments were not readily apparent. When the droughts and dry cycles began, however, these problems interacted, causing the overall conditions of the twenties to worsen. Not until the inhabitants of the Mission Valley took steps to overcome these problems did they become less vulnerable to droughts, to low prices and to poverty.

#### White Settlement

The settlement of the Mission Valley occurred in three phases. After the Flathead Indian Reservation was officially opened in May 1910, the first phase of settlement occurred by means of a government lottery. The second came through a land run which peaked between 1914 and 1916, and the third

phase came through commercial development by business organizations such as the Northern Pacific Railway and the Great Western Land Company. Of these, the land run proved the most successful of the attempts to lure farmers into the valley.

The homesteaders coming into the Mission Valley had similar characteristics. Evidence indicates these settlers came with optimistic aspirations for their success but also with inadequate knowledge of the problems which confronted them. The vast majority knew little of dry land farming methods, and even fewer had experience with irrigation. They settled on plots of land too small to furnish a living income and overestimated the possibilities of receiving irrigation on these plots within the immediate future. In addition, the majority arrived with insufficient funds to make payments on the land they had purchased, let alone the equipment, cattle, and other necessities of farming operations. Unfortunately these penniless individuals were too inexperienced to prepare for future problems and when droughts and bank failures occurred, few homesteaders survived bankruptcy and the loss of homes and savings. Some farmers managed to keep their homesteads through outside jobs in lumber mills or through various government jobs, or through easy bank credit. Many more, however, suffered not only the loss of their property, but also their optimism and dreams for the future.

Homesteaders were lured into the Mission Valley by various pamphlets describing the valley and the state. Like numerous other pamphlets about Montana, they gave glowing reports of the unsettled area, but omitted information on the climate, the cycle of droughts, or the lack of water. In 1909, a pocket manual of the Flathead Country drew this distorted report of the Mission Valley and the Indian Reservation. "Now comes the opportunity for thousands to make good. There are 4,000 allotments of good land. For a paltry sum which even the poorest man can raise should he draw within the 4,000, one can secure land worth all the way from \$50 to \$500 per acre."<sup>1</sup> The pamphlet reported that numerous individuals had camped in towns bordering the reservation for two years awaiting for a chance to draw. "These people had expended their resources, yet awaited for the final settlement. The allotment of land would give them back what they had lost and make them wealthy besides."<sup>2</sup> No comments, however, were made on the irrigation project, the necessary payments for land and irrigation, or operating capital.

Influenced by these reports, the first homesteaders made applications and secured allotments on the Flathead Indian

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<sup>1</sup>"Pocket Manual of the Flathead Country." (Butte: Montana Press Bureau, 1909) 7.

<sup>2</sup>Ibid.



Reservation under the lottery system created by presidential proclamation in 1909.<sup>3</sup> When the reservation was opened in May 1910, 403 of 5,000 of these applicants filed on their selections. In addition, some of the land had been taken up by squatters. They could not legally claim their land, however, until selections had been completed by the applicants of the lottery.

The process of the lottery<sup>4</sup> determined only the order of settlement. Thus applicants in the first phase of settlement came from varied occupational backgrounds such as mining and lumbering as well as from the professional areas. Most of these settlers soon found themselves stranded on 40-160 acre tracts of non-irrigated land without means for develop-

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<sup>3</sup>"Annual Report of the Commissioner of General Land Office, 1910," Annual Report of the Department of Interior (Washington D.C.: Government Printing Press, 1911), II, 42.

<sup>4</sup>J.F. McAlear, Fabulous Flathead, 86-94. Flathead Courier, May 5, 1910 and September 15, 1910. Also see Biggar, "Lower Flathead," 130. The applicants of the lottery of the Flathead Project were from all parts of the country. The applications were sent to Superintendent James H. Witten at Couer d'Alene. When they were thoroughly mixed in a large container, the envelopes were drawn one at a time and numbered consecutively as drawn. The first 3,000 names were notified and posted at the land offices in Missoula and Kalispell. Also the names were printed in local newspapers. On May 2 and May 3, 1910, fifty names were called and one hundred per day for the rest of the week in Kalispell. The same list was repeated in Missoula. Until the 3,000 names were called, the process was used six days a week with Missoula first one week and Kalispell the first on the other.

ment.<sup>5</sup> For example, Irish miners from Butte on 160 acre plots near D'aste had minimal knowledge of dry land farming methods and irrigation. The majority of these Irishmen ultimately succeeded, not from their farming income, but because of their willingness to work in the mines at Butte, for the reclamation project, and for the Bison Range.<sup>6</sup> The settlers of the Mission Valley, like many other settlers in Montana, suffered from their incomplete knowledge of farming methods, their failure to use irrigation,<sup>5</sup> and their excessive use of credit. Yet throughout the decade of 1910, these inexperienced farmers remained. Narrowly missing financial disaster, they succeeded only by adapting to the region during the 1920's.<sup>7</sup>

The second phase of the lottery was much more successful than the first. Beginning on September 1, 1910, the lottery selected allotment numbers 3,001 to 6,000. The first number claimed was 3,055, held by Fred Murdick of Warsaw, Indiana, who selected a homestead in Valley View on the first day of filing. Evidence indicates that neither of the drawings were as successful as later settlement which came

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<sup>5</sup>Sherman E. Johnson, "An Economic Analysis of Production Problems on the Flathead Irrigation Project," Bulletin No. 237. Montana Agricultural Experiment Station (Bozeman: University of Montana, 1930). Cited hereafter as Bulletin No. 237.

<sup>6</sup>Interview with Lawrence J. Driscoll, April 4, 1971.

<sup>7</sup>After 1920, the settlers in the Mission Valley adapted irrigation more fully and gradually began to rely less on dry land farming.

in the form of a land run.<sup>8</sup>

Although the lotteries in the Mission Valley had been successful to an extent, they did not begin to exhaust the number of available homestead units. At midnight on October 31, 1910, the remaining tracts of land were thrown open to the public with squatters' rights prevailing,<sup>9</sup> and a land run developed. Doctors, lawyers, laborers, merchants, numbered among those who participated in the event.<sup>10</sup> Six months after the first lottery on December 9, 1910, the Lake Shore Sentinel reported that there were 1,400 settlers on the Flathead Indian Reservation.<sup>11</sup> Of these, the majority had come during the second lottery and the land run.

Statistics indicate the Mission Valley was in the midst of an economic "boom" during this period. Towns and villages grew swiftly. For example, population in Polson in 1909 was 200, but by September 9, 1910, it had climbed to 1500.<sup>12</sup> People lived in any available shelter, such as tents, shacks, and log cabins; and for a short time, the demand for business building and dwelling was so great that carpenters earned

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<sup>8</sup> McAlear, Fabulous Flathead, 88.

<sup>9</sup> Ibid., 89.

<sup>10</sup> Ibid.

<sup>11</sup> Lake Shore Sentinel, December 9, 1910.

<sup>12</sup> Ibid., September 9, 1910.

\$5.00 a day and laborers earned \$3.00 per day.<sup>13</sup> The Flathead area, however, had still not been settled to capacity.

The largest influx of homesteaders into the Mission Valley came after the lottery program had been discontinued with the introduction of commercial development of the area. The Northern Pacific Railroad, the largest promoter, advertised the Flathead Indian Reservation for the Great Western Land Company. From 1921 to 1923, this company secured options on more than 40,000 acres of land.<sup>14</sup> Early in 1922, after securing reduced passenger rates from the Northern Pacific, the company began bringing in prospective settlers.<sup>15</sup> The local communities in the valley readily supported the land company's efforts, for they believed this was necessary for population growth. In August 1923, however, the Great Western Land Company folded with a loss of over \$100,000 due

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<sup>13</sup> McAlear, Fabulous Flathead, 88.

<sup>14</sup> Ronan Pioneer, December 16, 1921. The Great Western Land Company purchased the holdings of a local company, the Flathead Farms Company. Letter from Great Western Land Company to Governor Joseph M. Dixon, dated 1922. (Governor's Papers, 1893-1935, processed collection of the University of Montana) stated that the Northern Pacific and this land company worked together to settle the Mission Valley.

<sup>15</sup> Ibid., March 17, 1922. The Northern Pacific reduced freight rates from 83 1/7 cents to 50 cents from St. Paul to the Mission Valley. Flathead Courier, March 16, 1922.

to improper management and the prevailing world-wide conditions.<sup>16</sup> Apparently their efforts failed to extensively settle the Mission Valley.

The most successful attempt in land colonization of the Mission Valley by commercial enterprise was that of the Northern Pacific Railroad's agricultural department. After the building of the spur line into the valley in 1917, the railroad became interested in developing the area. In an effort to reap returns on their investment in the spur line, they advertised the Flathead Country heavily. Their agricultural development department created an extensive advertising campaign to interest settlers from the Midwest and the Northeast in locating on the Flathead Project.<sup>17</sup> Between 1917 and 1935, the Northern Pacific sent special home-seekers trains to the reservation and arranged tours of the Flathead Project. By 1935, the railroad had located a total of 732 farm families in the valley, of which 610 families still remained in the community.<sup>18</sup>

As a result of this intensive settlement in the valley, towns and villages grew rapidly. The largest towns, however, were those in existence before 1900--Ronan, St. Ignatius, and Polson. Between 1910 and 1916 they grew

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<sup>16</sup>Ibid., August 30, 1923.

<sup>17</sup>McAlear, Fabulous Flathead, 116.

<sup>18</sup>Ibid.

rapidly as business and social centers of the surrounding agricultural community. Each had the typical array of grocery stores, false front banks, pool halls, hardware stores, churches, blacksmith shops, and land offices. In addition, each had its schools and local newspaper. Ronan, the most centralized town in the valley, and Polson both boasted several sawmills. After the coming of the railroad in 1917, Charlo and Pablo also grew swiftly. All the towns in the valley saw the beginning of new retail businesses and banks, and for a time a prosperous future appeared likely for all of these communities. The Pablo Times quoted a pioneer Pablo merchant who confidently predicted that his village would grow to the size of Spokane, Washington.<sup>19</sup>

As transportation and better roads evolved, however, the smaller centers, such as Leon, D'aste, Round Butte, Charlo, and Pablo, gave way to the larger established towns of Ronan, St. Ignatius, and Polson. Their growth, similar to that experienced by other boom towns, was propelled by local agricultural success, prior existence, and to some extent, by the growth of the lumber industry. These boom days ended with world-wide, agricultural depression of the 1920's. As in all boom areas, the economy rapidly deflated, and all towns in the Mission Valley lost population and resources as banks and businesses folded.

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<sup>19</sup>Flathead Courier, October 26, 1967.

Irrigation

The Flathead Irrigation Project was a necessity for crop diversification, sustained economic growth, and protection against droughts and insufficient annual rainfall. Throughout the period 1910-1930, the incompleting project accentuated other agricultural problems such as inefficient farm management and capital shortage. Small wonder then that Stanley Scarce, a prominent businessman, stated in 1920 that the reservation should have never been opened "until water was on the land."<sup>20</sup>

Prior to white settlement in the Mission Valley the irrigation project provided for by the acts of 1904 and 1910 had been surveyed and actual construction had been started. Between 1910-1930, the administration of this project caused hardships to the farmers who had expected their small plots of land to receive irrigation soon after settlement. Originally the Flathead Reclamation Project received support from Republican Senator Joseph M. Dixon, but after the Democratic party gained power within the federal government in 1912, appropriations for irrigation in the Mission Valley were cut from approximately \$500,000 to \$100,000 per year.<sup>21</sup>

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<sup>20</sup>Daily Missoulian, April 1920.

<sup>21</sup>Shirley J. Coon, "The Economic Development of Missoula, Montana" (Unpublished thesis, University of Chicago, 1926), 209-210. Cited hereafter as Coon, "Missoula".

Fortunately a succession of wet years and newly acquired dry land farming methods mitigated the effects of the lack of irrigation. Indeed many settlers who had earlier abandoned their claims returned to harvest their volunteer crops.<sup>22</sup>

The valley had been originally divided into plots with irrigation in mind. Because of the potential for irrigation the plots were then subdivided into 40, 80, 120, and 160 acre lots. Even with proper irrigation, however, later experience indicates that the original lots were too small to furnish a living income. The irrigation project proceeded very slowly due to poor construction management and inadequate congressional appropriations. Obviously the delay came at the farmers' expense. Not only did the farmers lose money on the actual cost of construction through higher taxes, but they also lost profits from potentially better crops.

The project, originally under the sponsorship of the Republican Party, received no major appropriations from 1912 until 1917 apparently for partisan reasons. However, with the beginning of World War I in 1917 and its increased demands on agriculture, 100,000 acres in the Mission Valley had ditches dug for irrigation. This appropriation, however, did not include provisions for construction of sufficient reservoirs to serve the area, and only 30,000 acres received

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<sup>22</sup>Ibid. Volunteer crops are those crops which are grown without cultivation.



water for irrigation.<sup>23</sup> Regardless of the pressure put on the Federal Government by the Northern Pacific, Senator Dixon, and others, the reclamation construction was not finished until 1938, 31 years after the first survey. Unfortunately, it was too late to aid the farmers who had suffered and endured the world-wide, agricultural depression, drought, and financial disaster.

### Agriculture

Prior to 1900, the Flathead Indian agents had already oriented the Mission Valley toward an agricultural community. Thus, when white settlement began in 1910, much of the economic planning for the white settlers had been done in the actual surveying of the Flathead Irrigation Project and in land allotment. However, the federal government's errors in giving small allotments and not having the irrigation project readily available accentuated the general problems of the inexperienced settlers in agriculture. These were lack of crop diversification, over-expansion, and inefficient management. Only when irrigation combined with technological advances in the late thirties did the Mission Valley overcome these deficiencies.

If the settlers were to maintain an adequate living in the Mission Valley, they had to practice proper management,

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<sup>23</sup>Coon, "Missoula," 210.

irrigation, marketing, and the use of capital. The vast majority of the farmers until the 1920's had very little experience in any of these areas. Although it was not apparent prior to the onset of the droughts in 1917, irrigation was the key factor for a successful operation. During those years dry land farming methods and moderate rainfall masked their inefficient use of irrigation. Even those farmers with experience prior to coming to the Mission Valley had difficulty in applying irrigation to the novel features of the valley terrain, and as a result, huge tracts of land within the completed areas of the Flathead Irrigation Project received no water. In addition, many farmers failed to make any use of the existing irrigation facilities.<sup>24</sup>

Full use of the completed section of the project would, no doubt, have had a beneficial effect upon the economy of the Mission Valley during the period 1917-1938. Although it would not have solved the valley's overall agricultural, marketing, and capital problems, it would certainly have allowed for greater crop diversity and crop yields. Moreover, if the irrigation project had been completed by 1920, the valley's ability to bear the effects of the world-wide, agricultural depression would have been much greater.

Prior to the opening of the reservation in 1910, crop yields on wheat averaged 40 bushels to the acre and 60 for

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<sup>24</sup>Bulletin No. 237.

oats.<sup>25</sup> In 1910, the wheat crop was 175,000 bushels. By 1911, wheat had become the predominant agricultural product. In that year, the Flathead Indian Reservation produced 850,000 bushels of wheat. In addition, the valley produced 450,000 bushels of oats, 6,000 bushels of barley, and 50,000 tons of hay.<sup>26</sup> In that year A.E. Rowley of Ronan averaged a crop yield of 53 bushels of wheat to the acre.<sup>27</sup> The next year crop yields trebled, and the Mission Valley marketed over 2,000,000 bushels of grain<sup>28</sup> with a gross income of \$871,000.<sup>29</sup> Potatoes and hay represented \$12,550 of the total, while wheat alone, at 65 cents per bushel, earned \$585,000.<sup>30</sup> From 1910 to 1916, farmers received a progressively higher income for wheat. Dry land farming apparently proved so profitable for them that few considered possible production declines through dry cycles or drought.

The first hint of these dry years coincided with the United States' entry into World War I in 1917. Although Congress then willingly increased appropriations for irrigation in the Mission Valley, it was too late. Farmers who

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<sup>25</sup>Lake Shore Sentinel, September 9, 1909.

<sup>26</sup>Ronan Pioneer, May 8, 1911.

<sup>27</sup>Ibid., August 8, 1911.

<sup>28</sup>Ibid., April 12, 1912.

<sup>29</sup>Ibid.

<sup>30</sup>Ibid.

had been urged to plant large acreages for the increasing needs of the United States and Europe during the war now received crops of 10 to 12 bushels of wheat per acre compared with their previous yield of 25 to 30 bushels. Bankers in the valley gave easy credit and gambled on the returns of the following year. Between 1917 and 1920 the situation steadily worsened. In 1920, the price of wheat dropped drastically, and grasshopper plagues destroyed the already low crop yields. Not only did farmers lose their entire wheat crop, but they also had to pay \$50 per ton for hay from Minnesota and other parts of the United States to feed their livestock.<sup>31</sup>

However, the Mission Valley was not the only area suffering from the agricultural depression. In 1920 the wheat crop had declined by \$25,000,000 in Montana. The gross spring wheat crop in 1920 was \$30,426,000 for 23,700,000 bushels. In 1922, this crop decreased financially by 33 per cent while the crop yield had risen.<sup>32</sup>

The successive droughts and the agricultural depression after the war made evident the errors of the farmers in the Mission Valley, Montana, and the Great Plains region. Farm after farm went into bankruptcy, business communities declined, and banks closed. The effects of the drought were

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<sup>31</sup>McAlear, Fabulous Flathead, 115.

<sup>32</sup>Flathead Courier, January 12, 1922.

further accentuated by the lack of capital, inexperienced farmers, inadequate acreage, the slowness of the federal government to aid stricken farmers, and the predominant one-crop system.

Between 1920 and 1924 crop prices continued to drop, and the farmers went deeper and deeper into debt. In an effort to keep afloat both themselves and the farmers who were in their debt, banks extended loans to the farmers. Then in 1924, the final disaster struck when five banks closed in the Mission Valley. Foreclosure after foreclosure put farmers out of business.

Between 1920 and 1930, the total farm acreage in the Mission Valley increased as smaller farm owners either sold their holdings or went bankrupt.<sup>33</sup> The average size of the farms in the valley was 253 acres in 1925.<sup>34</sup> By 1930, the average farm unit had increased to 338 acres.<sup>35</sup> Not only did the acreage of the farms increase during the period, but the number of farmers also increased. In 1925, there were

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<sup>33</sup>The Stanley Scarce Corporation had \$150,000 of assessed farm lands in 1921. Letter from Stanley Scarce to C.H. McLeod, December 14, 1921, C.H. McLeod Papers. Also see Civil Service Case Number 144, 1924, at the Lake County Court House in Polson, Montana. Other indications that farmers were in very poor financial shape were the number of Mission Valley businesses that were also in bad financial condition. The A.M. Sterling Co., of Ronan owed the Missoula Mercantile between \$20,000 and \$60,000 by 1927.

<sup>34</sup>Bulletin No. 151.

<sup>35</sup>Ibid.

749 farms in the valley compared with 901 in 1930.<sup>36</sup>

Larger farms held a distinct competitive advantage in the Mission Valley.<sup>37</sup> With their larger acreages, these farms achieved a variety of livestock and crop combinations and became less dependent upon a single crop economy.<sup>38</sup> In addition if these larger farms had adequate personnel, they enjoyed the best gains. S. R. Logan, who had 160 acres, testified to the difficulties of those with smaller holdings

The experts had been wrong. They had laid out the project in 40 to 80 acre units to be farmed with horses and small inexpensive equipment in the manner of Europe. Mute testimony that they were wrong were the abandoned houses, many no more than shacks, that dotted the reservation. Within a few years as some homesteaders sold out and more moved on, others acquired enough addition land to make purchase of tractor and power equipment feasible.<sup>39</sup>

One of the largest operations in the Mission Valley prior to 1925 was Joseph M. Dixon's farm.<sup>40</sup> Because of its size,

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<sup>36</sup>E.A. Starch, "Montana's Dry Land Agriculture," Bulletin No. 318, Montana's Agricultural Experiment Station (Bozeman: University of Montana, 1932), cited hereafter as Bulletin No. 318.

<sup>37</sup>Bulletin No. 351.

<sup>38</sup>Ibid.

<sup>39</sup>S.R. Logan, "These Things Shall Be: Memories of a Non-Conformist," Unpublished autobiography of S.R. Logan. Retained by his wife at Charlo, Montana.

<sup>40</sup>Joseph M. Dixon served Montana as United States Senator, and governor, and was editor of the Missoulian. The Flathead Project aroused a great interest in Dixon, and he was a persistent advocate in Washington of irrigation and development of the Flathead Valley.

access to capital, diversity, and management, the Dixon Ranch was not a typical farm in the valley. Dixon purchased a farm of 155 acres of patented land to which he added 240 acres of Indian lease land. In 1920, the ranch had an assessed value of \$13,240.00 of which \$7,790 was personal property.<sup>41</sup> Dixon's most expensive structure was his barn which cost approximately \$8,000 - more than the total value of a typical farm in the valley.<sup>42</sup> In addition, his operation differed from other dairy farms who sold their milk to creameries in that he sold and bottled milk to people on the reservation. Through this process, Dixon's farm became even further diversified. In 1920 Dixon seeded 60 acres of alfalfa, 130 acres of fall wheat and rye seed. Moreover, by 1924 he had 14 registered Holstein cattle, 120 grade cattle, 12 horses and pigs, bees, and chickens.<sup>43</sup>

The operation of this farming unit, however, was far from ideal. Because of his other interests, Governor Dixon

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<sup>41</sup>Attained from the private papers and records of Neil McAlein, present owner of the Dixon ranch.

<sup>42</sup>In addition to the barn, Dixon had a dwelling of nine rooms, a two-story dairy and ice house, a hog house, two silos, a machine shed, a horse barn, chicken house, smoke house, and a tenant house. Also he owned extensive machinery, a silage cutter, corn and wheat binders, drill discs, plows, and one tractor and lead horses.

<sup>43</sup>Joseph M. Dixon attempted to sell the ranch in 1924. Information on his ranch holdings is abstracted from an advertising sales leaflet.

had to rely on hired help, and although his financial records are fragmentary, indications are that the Dixon ranch never operated with a large profit margin.<sup>44</sup> Regardless of the financial state of this operation, Governor Dixon gave the Mission Valley a picture of what was to come: larger farming units with better capitalization, wider diversity, and increased use of the new types of machinery and equipment.

One of the factors which kept many farmers in the Mission Valley from going bankrupt and which allowed others to diversify crop and stock combinations was the effect of the technological revolution during the first two decades of the twentieth century. Power farm equipment became less expensive as a result, and the use of horses in the Mission Valley dropped steadily during the period from 1910 to 1927.<sup>45</sup> With the use of power equipment such as trucks, tractors, and automobiles, the need for hired help also dropped rapidly. Farmers were able to maintain large operations with lower costs. In 1927, Lake County had 12 tractors<sup>46</sup> on approximately 825<sup>47</sup> farms in the valley compared with 98 for 901

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<sup>44</sup>Interview with Neil McAlein, present owner of the Dixon ranch.

<sup>45</sup>Bulletin No. 318.

<sup>46</sup>Ibid.

<sup>47</sup>Bulletin No 151. The number of farms in 1925 was 753, and in 1930 it was 901. Splitting the difference the author arrived at an average of 825 farms in 1927.



farms in 1930.<sup>48</sup> In addition, there were 229 farms in 1930 that owned trucks.<sup>49</sup>

The use of technological advances occurred as both a cause and effect of the movement toward larger farming units. The use of power equipment was necessary to operate the large units at a profit, but it also spurred the farmers toward an even greater use of larger, diversified units. Undoubtedly the use of power equipment and large farming units was the chief factor in allowing the Mission Valley and other areas in Montana to enter the modern agricultural market.<sup>50</sup>

Another serious problem in the Mission Valley was the lack of crop diversification. Diversification had been hindered from the onset of settlement by the small land allotments and the lack of irrigation. Even during times of prosperity a 300 acre, nonirrigated tract was insufficient for a living income. Under these conditions wheat, the crop most adaptable to dry land farming methods and hence the most profitable, was the basis of a virtual single crop economy. In 1912 wheat accounted for 92 percent of the income in agriculture in the valley.<sup>51</sup> In the same year the

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<sup>48</sup>United States Bureau of the Census, 1930, Vol 3, Part III, 75.

<sup>49</sup>Ibid.

<sup>50</sup>Bulletin No. 318.

<sup>51</sup>Ronan Pioneer, August 30, 1912.

yield of wheat in the Mission Valley was 900,000 bushels<sup>52</sup> compared with an average yield of 350,434 bushels between 1919 and 1934.<sup>53</sup> As irrigation developed and the price of wheat fell, the valley raised less wheat. The yield per acre in 1912 was approximately 50 bushels to the acre<sup>54</sup> compared with an average yield of 21.08 bushels to the acre during the decade of 1920.<sup>55</sup> At the same time Montana averaged 11 bushels of wheat per acre.<sup>56</sup> In 1924 the Valley seeded 50.25 percent of its acreage in wheat compared to Montana's 63.92 percent.<sup>57</sup>

However, the Mission Valley was not alone in this situation. During the years following World War I, the farmers throughout Montana and the United States had to reorganize their businesses. As readjustment occurred, the farmers attempted to diversify and gain higher cash yields per acre through better irrigation, efficient management, larger farms, and decreased reliance upon the predominant wheat crop.

The decades of 1910 and 1920 were critical periods for the agricultural development of the Mission Valley. In the

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<sup>52</sup>Ibid.

<sup>53</sup>Bulletin No. 318.

<sup>54</sup>Ronan Pioneer, August 30, 1912.

<sup>55</sup>Bulletin No. 318.

<sup>56</sup>Ibid.

<sup>57</sup>Ibid.

first fifteen years after extensive settlement in the valley, agricultural growth had suffered from lack of capital, inexperienced farmers, small plots of land, droughts, the world-wide, agricultural depression, and inadequate irrigation. The period between 1925 and 1930 set the tone for what was to come -- larger farms, extensive capital, and the greater application of machinery. Thus, after 1930 larger farms became prevalent, and crop diversification was made possible. Although the economy of the area, as was true of Montana generally, was still poor after 1930, the machine age and technological advances were well on their way to improving the farmer's lot. During this period dairy farms would increase in number, and cultivated crops would become more prevalent. In addition, after 1930, farmers would depend less and less on credit. Thus as the period 1910 to 1930 ended, the Mission Valley was about to begin a period of new agricultural prosperity.

The record of the federal government in the agricultural development of the Mission Valley was very poor throughout the first three decades of the twentieth century. Slow appropriations for irrigation, initial small plots of land, and insufficient agricultural aid doomed many of the original homesteaders and cause undue hardships between 1910 and 1930. Government financial aid finally arrived in 1933, and the irrigation

project administrators completed the project in 1938, only three long decades after its conception. The period between 1910 and 1930 ended in agricultural growth, but most of the responsibility for this must be attributed to the self-reliant farmers who endured financial disaster, drought, and depression, and who emerged still optimistic about their valley.

CHAPTER III  
TRANSPORTATION

Commercial transportation and good roads were almost nonexistent in the Mission Valley prior to 1910. The only roads consisted of primitive trails evolved by continuous traffic, some improved dirt roads built by the Indians, and a few bridges. To the south of the valley, the Northern Pacific Railroad had constructed a spur line to Ravalli in 1883. To the north steamboats operated on Flathead Lake. Before 1910 one could travel in the valley by horseback or horsedrawn vehicles -- buggies, wagons, carts, and stage-coaches. Coincident with white settlement in 1910, the first car appeared in the valley carrying produce from Missoula to the Sterling store in Ronan.<sup>1</sup>

With the movement of the white settlers into the Mission Valley in 1910, immediate concern developed for the improvement and construction of roads. At first, farmers built roads in an effort to get Rural Mail Delivery service and to haul produce to market. However, reliance upon the construction of roads by these methods proved to be mistaken, not only in this valley, but throughout Montana.<sup>2</sup> Later road

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<sup>1</sup>Ronan Pioneer, June 16, 1910.

<sup>2</sup>Patrick M. Morris, "The Good Road Movement and Montana to 1916" (Unpublished Thesis, University of Montana, 1967). Cited hereafter as Morris, "Good Roads."

construction became part of the county services. Although the counties aided in the improvement of the roads in the valley, the shortage of revenue and the large network of market roads (routes from individual farms to town) slowed the movement toward a well-developed transportation system.

The main route, which developed from a stageline from Polson to Ravalli, was 37 miles long.<sup>3</sup> The "Montana Tour Book" of 1912 described it as "a good dirt road, only partly graded."<sup>4</sup> The main road of the Mission Valley was similar to other Montana main roads prior to 1916.<sup>5</sup> Conditions on this road often became so bad that it required a six horse team to pull a 14 passenger Concord stage; in good weather, the stage only required a four horse team.<sup>6</sup> By May 1912, a twelve passenger auto stage was put on the main line.<sup>7</sup> Because of road conditions, however, the auto could only be used during the summer months. It was not until 1933 that the state and county hard surfaced the main route through the Mission

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<sup>3</sup>Highway 93 presently follows almost the same route that the old stageline followed in 1910.

<sup>4</sup>Daily Missoulian, September 30, 1956.

<sup>5</sup>H.O. Bell interview with K. Ross Toole, December 1965.

<sup>6</sup>McAlear, Fabulous Flathead, 55. The 14 passenger stage was put on the Polson-Ravalli at 6:30 A.M., arrived at Polson at 12:30 P.M. and returned at 4:30 P.M.

<sup>7</sup>Ibid., 66.

Valley, permitting automobile traffic throughout the year.

The process of developing the market roads into suitable traffic networks took place even more slowly. Due to the remoteness of the area, the mass array of market roads, the terrain, and the inability of the farmers to build and improve roads, the farm market roads received little attention until after 1930. In winter, snow often blocked the roads of the valley and little could be done until the snow melted. When the snow disappeared, the roads became impassable bogs. Often, while going from home to town, the farmers would get stuck. The County Commissioners replaced bridges that washed away and attempted to smooth badly rutted roads, but they did little to induce proper drainage.<sup>8</sup> It was not until the late thirties, through federal and state aid, that these market roads became passable for trucks and cars throughout the year.

The Federal Government and Montana did little to aid road conditions in the Mission Valley prior to 1930. Thus, with the exception of funds for the main route, the capital necessary to build passable roads was almost nonexistent. Halting attempts were made to aid rural areas in the form of the Montana Main Highways Act of 1909<sup>9</sup> and the Federal

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<sup>8</sup>Carl F. Wohlgenant, Jr., "Development of the Federal Aid Highway System in Montana" (Unpublished Thesis, University of Montana, 1954), 35. Cited hereafter as Wohlgenant, "Federal Aid."

<sup>9</sup>Montana Laws, 1909, Chapter 143.

Highway Act of 1916.<sup>10</sup> The Main Highway Act did not improve road conditions in the valley measurably because it provided that 65 percent of the funding for county highways from county seat to county seat be paid by the counties and the remaining 35 percent be financed by residents adjacent to the proposed highway. The act failed, not only in the Mission Valley, but in Montana as well.<sup>11</sup>

Originally the Federal Highway Act of 1916 made appropriations for the farmers' market roads. However, later Congressional action modified the act, and it eventually fell into line with the policies outlined by various automotive associations.<sup>12</sup> These associations disregarded the market roads and lobbied for better main routes throughout the United States. The market roads received small amounts of revenue from federal and state taxes, but these were too small to enhance better road conditions. Not until 1931 did the county first lay gravel on the market roads of the Mission Valley; this consisted merely of large rocks dumped into the middle of the road.<sup>13</sup> The vast majority of the roads in the Mission Valley between 1910 and 1930 remained

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<sup>10</sup> Wohlgenant, "Federal Aid," 30.

<sup>11</sup> Wohlgenant, "Federal Aid," 30.

<sup>12</sup> Wayne I. Fuller, "Good Roads and Rural Free Delivery of Mail," AHVR, XVII, 67-83.

<sup>13</sup> Ab Lott interview with author, April 4, 1971.



impassable bogs during the winter and spring seasons, and wagons and carts had to be used during these months. During the summer months excessively heavy loads still had to be hauled.

Internal commercial transportation within the valley began in July 1908, when a 14-passenger Concord began operations between Ravalli and Polson which lasted until November 1909. In 1910, the G. W. Williams Transportation Company secured the mail contract for the Mission Valley, and for a short time it remained the only commercial transportation between Ravalli and Polson. Shortly thereafter, Robert F. Vinson opened a stage line from Dixon to Polson. This operated through 1910 and 1911 and failed because demands for travel were insufficient.<sup>14</sup>

In addition to the G. W. Williams Transportation Co., two auto stages competed on the Polson-Ravalli run. For a short time Frank Latimer operated a seven passenger Stevens-Duryea. Another mechanized line operated by "Si" Sawyer maintained a seven passenger Reo.<sup>15</sup> In an effort to compete with the faster moving traffic, the Williams Transportation Company, while maintaining use of the stages, added an auto stage between Ravalli and Ronan.<sup>16</sup> In the summer auto

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<sup>14</sup> McAlear, Fabulous Flathead, 65.

<sup>15</sup> Ronan Pioneer, September 8, 1911.

<sup>16</sup> McAlear, Fabulous Flathead, 66.

transportation proved to be much faster than the stage; the auto stage covered the distance between Ravalli and Polson in two hours, while it took the stage nearly six hours.<sup>17</sup> The Williams Company held one distinct advantage until the advent of the railroad in 1917; it used both automobiles and horses for transportation. However, the auto of the Williams Transportation Company was expensive, for it required six new tires each month which cost \$390 per set.<sup>18</sup>

After the spur line of the Northern Pacific reached Polson from Ravalli in 1917, the stage lines declined rapidly. In addition, steamboat transportation on Flathead Lake terminated service in the late 1920's. As was true of many other mountain valleys, the transition from stage lines to railroads did not at first drastically affect land values and production, because of the prevailing conditions of the decade of 1920 -- the world-wide, agricultural depression, and the failure of banks. Although railway passenger service was certainly more dependable, the time differential for summer passage for railroads was similar to that of the auto stage lines. From Ravalli to Polson, the train and the Williams Transportation Company took approximately the same time. However, during the winter months, because of bad roads

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<sup>17</sup> Ibid.

<sup>18</sup> McAlear, *Fabulous Flathead*, 66.

and snow, the railroad had a distinct advantage. As railroad service became more dependable, the stage lines gradually declined. By 1921, the railroad had control of all the commercial travel in the valley. Not only did the railroad have a passenger car on its run, it also provided daily passenger buses.<sup>19</sup> Thus, with the coming of the railroad, the Mission Valley, like other areas, lost all locally-owned commercial transportation.

Railroad passenger service of the railroad never paid for itself in the Mission Valley and finally terminated in 1935.<sup>20</sup> Instead, the Northern Pacific emphasized its freight service. After 1920, in addition to the eight freight cars, a baggage car was put into service to carry mail and small products for the farmers. For example, the railroad provided hauling services for cream to Ronan, Polson, and Missoula.<sup>21</sup> The Northern Pacific managed to keep its spurline operating due to the increased timber movement through the Mission Valley.

The railroad freight service allowed economic diversification to some extent in the Mission Valley by furnishing less expensive and faster transportation services to markets

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<sup>19</sup>Resources and Opportunities of Montana, (Independent Press, 1922) 277.

<sup>20</sup>McAlear, Fabulous Flathead, 65.

<sup>21</sup>Various interviews with the author during April 1971 verified this.

in Montana. Use of the railroad rose sharply in the 1920's. In 1926 6,672 carloads of freight left various stations in the Flathead Project. The railroad shipped 4,900 cars of logs from the Heron Lumber Company to the Polley Lumber Company of Missoula. In addition, it carried 484 carloads of hay, 305 carloads of lumber, and 322 carloads of wheat.<sup>22</sup>

Nevertheless, shipment of farm produce from this area did not grow greatly, for the railroads, with the exception of transporting lumber and logs, merely replaced other forms of transportation. The passenger service received little use by the farmers. Their trips to Missoula were infrequent, limited on the average to one or two per year.<sup>23</sup>

In the beginning, automobile traffic in the Mission Valley was limited to commercial transportation and individual, wealthy, car owners. However, as the population of the valley grew and automobiles became cheaper and more reliable, use rapidly increased. At first, only commercial interests such as the mechanized stagelines and A.M. Sterling of Ronan used the auto.<sup>24</sup> Then wealthier citizens such as Stanley Scarce used the automobile for Sunday outings.

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<sup>22</sup>Flathead Courier, October 25, 1923.

<sup>23</sup>Interviews with several old timers in the valley verified this.

<sup>24</sup>Ronan Pioneer, October 1911.

On August 24, 1911, Scarce in his 6-66 Pierce Arrow made the run from Ravalli to Polson (a distance of 37 miles) in one hour and twenty minutes.<sup>25</sup> Despite the small number of automobiles, the first recorded accident occurred near Ronan on October 1911. The Ronan Pioneer attributed the accident to a mudhole. Harry Burland, temporarily blinded by splashing mud and water, ran into Tom Poor's big Stevens-Duryea which had stopped to put on chains; "No one injured, but both cars were put out of commission."<sup>26</sup> The first automobile to traverse the Moiese Valley was a 1912 single cylinder Reo owned by a Mr. Johnson.<sup>27</sup>

S. R. Logan described vividly the conditions of the roads and the use of his Tin Lizzie:

In 1915, about two years after I took the job [Superintendent of District 28 Schools], I invested in a Ford, worth about \$700. I don't know that it saved much time for I was always repairing tires, or getting out of mudholes, or scrounging a tanful [sic] of kerosene when gasoline was not available or driving with a lantern hung over the radiator cap, or walking from nowhere when it quit entirely, perhaps in the middle of a blizzard. But it did facilitate the distribution of supplies and rotation of library books, and enabled me to take visitors about.<sup>28</sup>

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<sup>25</sup> Ibid, August 4, 1911.

<sup>26</sup> Ibid., October 13, 1911.

<sup>27</sup> Interview with Ab Lott, April 4, 1911.

<sup>28</sup> S. R. Logan, "Memoirs."

After the Model T was put on the market in 1915, more and more farmers brought cars. Until 1920, most of the cars brought in the Mission Valley were Ford Model T's.<sup>29</sup> Because they could go through snow and because they remained the most inexpensive, Ford cars were also predominant in the Mission Valley throughout the decade of 1920. In 1915, a Model T cost \$700. Through assembly line refinements, by 1923, the Ford Motor Company was selling Ford Runabouts in Polson for \$265, coupes for \$295 and the highest of the Ford line, a four door sedan, for \$683.<sup>30</sup> In addition, a Ford, steel-body truck cost \$490.<sup>31</sup>

No doubt these prices allowed most families to buy or at least consider buying an automobile. Thus after 1920, farmers began buying automobiles for transportation. However, very few trucks were sold until the latter part of the period. By 1930, even though the farmers had suffered through a world-wide depression and lost most of their savings, they could not resist purchasing a Reo, Hudson, Maxwell, Mitchell, Studebaker, Chevrolet, or Dodge. Some farmers purchased them from H.O. Bell's Ford Company in Missoula, while others bought locally from Harrison Buick and the

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<sup>29</sup>Most of the old timers in the valley had Model T's between 1915-1925. A series of interviews made by the author verified this.

<sup>30</sup>Flathead Courier, October 25, 1923.

<sup>31</sup>Ibid.

Silver Ford Agency of Polson, W. R. Kelly of St. Ignatius, or the Ronan Garage. No doubt the Ford was the most popular, for Ford had the most extensive line of inexpensive models; prices ranged from \$265 for the Ford Runabout to \$2145 for the seven passenger limousine.<sup>32</sup>

On September 30, 1926, the Flathead Courier stated that Lake County had 1,228 registered cars and trucks for a population of 9,341. The average value of these vehicles was \$800.<sup>33</sup> In 1920, the total registration of automobiles in Montana was 60,650 for a population of 548,889.<sup>34</sup> By 1930, Montana had 72,500 automobiles for 539,606 population.<sup>35</sup> However, these facts are misleading, for not all car owners registered their automobiles in the decade of the twenties. In 1930, almost every family in the Mission Valley had a car and many had owned two or three automobiles during the preceding ten years.<sup>36</sup>

Despite the increase in the number of automobiles after 1910, the use of the automobiles had little influence on the building of better roads until after 1930. Regardless of

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<sup>32</sup>Flathead Courier, October 25, 1923.

<sup>33</sup>Ibid.

<sup>34</sup>Fourteenth Census of the United States, 1920.

<sup>35</sup>Automobile Facts and Figures, 1931.

<sup>36</sup>Various interviews made by the author during April 1971 verified this fact.

the bad road conditions the automobiles did have several effects upon the valley by creating greater mobility.

One of the most important effects of this greater mobility within the valley was the trend toward consolidated schools and the growth of larger market and business areas. By 1930 high schools had been consolidated in Polson, Ronan, Charlo, and St. Ignatius, and shortly thereafter, grade schools closed at D'aste, Leon, and Ridgeway. In no way does this reflect a decline in number of students, for enrollment in public schools increased throughout the period. S. R. Logan commented:

In 1919 the Flathead Reservation roads and school finances had improved to the point where we had closed or were about to close seven small rural schools; and with the aid of 17 horsedrawn wagons and four or five motor buses were bringing the children to consolidated schools at Arlee, St. Ignatius, Ronan, and Round Butte.<sup>37</sup>

In 1930, six motor buses picked up the children for the Charlo schools, and there were no horsedrawn vehicles in use.<sup>38</sup>

As the automobile usage increased after 1930, families could bank more centrally, buy produce, and attend social functions throughout the valley. In the latter part of the twenties automobiles were frequently noted at social

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<sup>37</sup>S. R. Logan, "Memoirs."

<sup>38</sup>Lawrence J. Driscoll interview with author, April 1971.



gatherings such as weddings and dances; by 1930 the automobile had virtually replaced the wagon, the cart, and the buggy. In replacing these older modes of transportation, the auto made the entire valley more accessible. Regardless of the growth of the use of the automobile in Montana and the Mission Valley, inadequate roads continued to hamper the full potential of the automobile until the decades of the thirties and the forties.

Commercial trucking in the Mission Valley began in 1922 when Clark Barker started hauling stock to Missoula and occasionally as far as Spokane. Fay McAlear hauled goods from Polson to Missoula.<sup>39</sup> Rolla West and Emmett Groom hauled livestock and general products to and from Missoula.<sup>40</sup> In the latter part of the twenties, farmers brought trucks to haul their produce to the railroad. The effects of the trucking business prior to 1930 were insignificant, but after 1930, farmers and commercial truckers rapidly gained independence of other modes of transportation in hauling their goods to markets outside the valley. As the trucking industry grew, it began taking a larger share of the railroad business.

Regardless of road conditions, by 1930 the farmer could travel with ease to any part of the valley, attend more social

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<sup>39</sup>Interview with Rolla West, May 1971.

<sup>40</sup>Interview with Emmett Groom, April 4, 1971.

functions, and depend less on local businesses, entertainment, or markets. The Pioneers, fraternal clubs, and church societies, for example, reported larger social gatherings. As the roads improved internally, the full potential of the automobile for future years became manifest. Furthermore, as the Mission Valley adapted to the new modes of transportation, natural barriers, remote markets, and lack of diversification became less significant.

The history of transportation in the Mission Valley is perhaps a commentary on the general development of technology. The reliable automobile preceded the building of roads equal to its capacity. After a considerable lag, public pressure exerted by automobile owners forced government to turn its attention to serviceable roads.

## CHAPTER IV

### BANKING

The most tragic event in the history of the Mission Valley was the commercial bank failures of the decade of 1920. In 1924 five banks closed, depriving the community not only of outside capital but their own accumulated savings as well. Between 1924 and 1931, 75 percent of the banks in the valley failed. The area was not alone in this situation -- between 1920 and 1926 more than one-half of Montana's commercial banks closed. In 1920, 397 banks were in operation; by 1926, 214 of them had failed.<sup>1</sup>

The banks of the Mission Valley were very small in comparison to other banks of Montana. Closely attached to the local economy, they were unable to withstand the droughts and declining agricultural prices of the 1920's. In times of prosperity these banks were able to survive and possibly operate at a profit; but lack of loan diversification rendered them unable to survive the deflation of the twenties.

The conditions which led to the closure of the Mission Valley banks in the 1920's were common to many rural communities -- lack of supervising authority, lack of loan

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<sup>1</sup>K. Ross Toole. Twentieth-Century Montana, A State of Extremes (Norman: University of Oklahoma Press, 1972) 91. Cited hereafter as Toole, Montana Portrait.

diversification, small bank size, inexperience, and mismanagement. The weaknesses of the banking system in the Mission Valley demonstrate the inadequate banking system prevailing not only in Montana but the whole of the United States in the early 20th century, and most particularly in the Pacific Northwest of the 1920's.

The excessive number of charters given to the commercial banks in the Mission Valley was a fundamental cause of the bank failures. Charter after charter, granted by the state and, after 1913, by the Federal Government via the Comptroller of Currency, was given to areas which did not need additional banking facilities. Indeed, some of these communities were too small to require any banking facilities at all. Prior to 1920, anyone with capital of \$20,000 or more could obtain a charter.<sup>2</sup>

When the Mission Valley was opened to settlement on September 1, 1910, five banks were already in operation in the valley.<sup>3</sup> The total resources of these five banks on

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<sup>2</sup>Clarence W. Groth, "Sowing and Reaping, Montana Banking: 1920-1925," Montana, the Magazine of Western History (Helena: Montana Historical Society, 1970), XX, No. 4, 28-35. Cited hereafter as Groth, "Sowing and Reaping."

<sup>3</sup>The first five banks chartered in the Mission Valley were: The First National Bank of Polson, June 16, 1909; The Flathead State Bank (formerly Flathead County State Bank), March 3, 1910; The Ronan State Bank, February 1, 1910; and the First National Bank of Ronan, August 25, 1910. Only two of these banks remained in existence after 1924.

December 5, 1911, was \$436,784.37.<sup>4</sup> Their combined resources were hardly sufficient to run one bank, let alone five. Thus from the very beginning, the Mission was "overbanked." On December 9, 1911, there were only 378 depositors in the Ronan State Bank.<sup>5</sup> This compared with an average of 360 depositors per bank in the Mission Valley.<sup>6</sup> Montana, also considered "overbanked," had 2,290 depositors per bank in 1909; the United States as a whole had 3,950.<sup>7</sup> Yet in spite of the number of banks in the valley, the state permitted still another charter to the Mission State Bank on December 19, 1913. In 1916 the total assets of these six banks were only \$1,211,716.48.<sup>8</sup> Incredibly, two further charters were

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<sup>4</sup>Ronan State Bank, "Clipping File," Ronan, Montana. The total was compiled from various clippings. Cited hereafter as "Clipping File." Also refer to Appendix 1.

<sup>5</sup>Ronan Pioneer, December 15, 1911. The number of depositors on March 17, 1910, was 10; on September 17, 1910, 122; on March 17, 1911, 164; on September 17, 1911, 249; and on December 9, 1911, 378. The money was loaned out to 176 people working in the valley.

<sup>6</sup>Total derived from a ratio used of the Ronan State Bank's deposits to depositors. The comparison was made with the total deposits and depositors of 1,798. The total derived was 360 per bank.

<sup>7</sup>Donald G. Elliott, "Commercial Bank Failures in Montana: 1920-1926," (Unpublished thesis of the University of Montana, 1967), 38.

<sup>8</sup>"Clipping File." Also refer to Appendix No. 1.

TOTAL DEPOSITS  
Mission Valley Banks  
Compiled from the Ronan State Bank Clipping File

	Dec 5, 1911	Sep 4, 1912	Jun 4, 1913	Jun 30, 1914	Dec 31, 1915
First National Bank (Polson)	119,459.34	88,498.34	72,745.77	84,393.88	98,210.58
Flathead State Bank (Polson)	38,923.86	50,933.35	44,710.06	77,771.72	69,214.43
Security State Bank (Polson)	42,706.68	56,026.54	75,788.19	83,364.10	98,250.29
Ronan State Bank	66,827.69	84,153.64	88,750.10	92,307.14	147,381.87
First National Bank (Ronan)	49,610.35	37,647.90	35,396.84	54,323.86	92,317.90
<b>Totals</b>	<b>317,627.92</b>	<b>317,259.77</b>	<b>317,390.96</b>	<b>392,160.70</b>	<b>505,375.01</b>

	Nov 17, 1916	Feb 28, 1920	Dec 31, 1921	Dec 29, 1922	Sep 14, 1923
First National Bank (Polson)	189,887.45	137,833.72	162,064.52	134,875.16	139,956.07
Flathead State Bank (Polson)	97,412.86	100,835.72	49,643.58	45,094.43	35,375.29
Security State Bank (Polson)	148,765.85	193,835.45	239,822.52	199,936.57	196,293.11
Ronan State Bank	183,614.97	181,235.60	124,411.33	99,900.18	103,290.00
First National Bank (Ronan)	168,150.29	176,436.32	145,714.33	120,320.22	114,531.13
Mission State Bank (St. Ignatius)	141,510.45	126,465.20	112,773.33	97,421.78	105,471.73
Farmers State Bank (Pablo)		72,166.70	62,934.37	39,844.81	32,897.09
First National Bank (Charlo)		53,593.71	49,312.18	50,107.69	53,135.60
<b>Totals</b>	<b>929,341.87</b>	<b>1,042,402.42</b>	<b>946,676.16</b>	<b>780,750.08</b>	<b>780,896.02</b>

	Dec 31, 1924	Dec 31, 1927	Jun 30, 1930	Sep 24, 1930
Security State Bank (Polson)	206,436.21	435,038.17	343,242.86	354,005.83
Ronan State Bank	115,144.65	87,983.94	189,573.87	187,390.41
Mission State Bank (St. Ignatius)	79,462.08	132,393.08	153,644.02	148,162.29
<b>Totals</b>	<b>401,042.92</b>	<b>655,416.10</b>	<b>686,460.75</b>	<b>689,568.53</b>

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**TOTAL LOANS AND DISCOUNTS**  
**Mission Valley Banks**  
 Compiled from the Ronan State Bank Clipping File

	<u>Dec. 5, 1911</u>	<u>Sep 4, 1912</u>	<u>Jun 4, 1913</u>	<u>Jun 30, 1914</u>	<u>Dec 31, 1915</u>
First National Bank (Polson)	92,471.43	86,713.27	50,863.34	78,544.66	97,519.57
Flathead State Bank (Polson)	44,507.67	52,019.34	61,589.81	72,366.86	81,878.89
Security State Bank (Polson)	33,826.76	51,353.38	60,689.88	75,326.10	70,344.51
Ronan State Bank	70,304.13	86,072.73	66,177.78	106,443.10	176,133.16
First National Bank (Ronan)	54,845.43	52,337.86	53,140.39	70,645.43	106,002.89
<b>Totals</b>	<u>295,955.42</u>	<u>328,496.58</u>	<u>292,461.20</u>	<u>403,326.15</u>	<u>531,879.02</u>

	<u>Nov 17, 1916</u>	<u>Feb 28, 1920</u>	<u>Dec 31, 1921</u>	<u>Dec 29, 1922</u>	<u>Sep 14, 1923</u>
First National Bank (Polson)	118,201.61	218,900.98	209,727.15	226,329.69	212,663.72
Flathead State Bank (Polson)	80,880.14	111,752.02	91,199.18	96,632.89	92,309.64
Security State Bank (Polson)	169,094.13	199,916.12	217,660.85	217,299.43	217,071.32
Ronan State Bank	215,648.98	187,563.12	173,918.24	153,857.85	157,125.51
First National Bank (Ronan)	140,464.04	225,787.77	226,462.92	186,696.49	194,648.80
Mission State Bank (St. Ignatius)	83,226.96	151,194.40	149,856.94	132,799.08	132,949.33
Farmers State Bank (Pablo)		102,329.81	111,638.91	107,829.75	94,549.87
First National Bank (Charlo)		62,557.66	79,248.17	75,401.70	68,062.06
<b>Totals</b>	<u>807,515.86</u>	<u>1,259,201.88</u>	<u>1,259,712.36</u>	<u>1,196,840.88</u>	<u>1,169,380.25</u>

	<u>Dec 31, 1924</u>	<u>Dec 31, 1927</u>	<u>Jun 30, 1930</u>
Security State Bank (Polson)		159,614.16	202,368.91
Ronan State Bank	136,112.58	83,936.97	122,829.04
Mission State Bank (St. Ignatius)	110,141.49	96,404.91	104,637.56
<b>Totals</b>		<u>339,560.04</u>	<u>429,835.51</u>

granted in 1918; one to the Farmers State Bank of Pablo and the other to the First National Bank of Charlo.<sup>9</sup> The approximate total of depositors available at Charlo in 1923 was 265; at Pablo, 565.<sup>10</sup>

Even though the population of the Mission Valley doubled between 1910 and 1920, the original five chartered banks remained an excessive number. In 1911 the number of depositors would have had to increase 840 percent in order to reach the 1909 state level of 2,290 depositors per bank. Although the number of depositors in the banks of the valley did not increase by nearly this figure, by 1918, there were eight banks in the valley. Furthermore, two more banks in the outlying areas of the Mission Valley were operating: the Dayton State Bank, whose total resources were \$71,030.26 in 1918; and the Farmers and Merchants Bank, with resources of \$117,203.97.<sup>11</sup>

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<sup>9</sup>The last three banks to be chartered in the Mission Valley were the Mission State Bank of St. Ignatius, December 19, 1913; First National Bank of Charlo, April 12, 1918; and the Farmers State Bank, April 13, 1918. All these banks failed in 1924.

<sup>10</sup>The Flathead Courier, May 23, 1923. Lake County split from Missoula and Flathead Counties in 1923. The Courier gave the number of registered voters voting in the split. Using a ratio of 3 to 5, the total population of the area of Charlo and Pablo were 265 and 565 respectively.

<sup>11</sup>"Clipping File." The Farmers and Merchant's Bank was located at Dixon, Montana, which is located south of the Mission Valley.



What could have deterred the situation? The Federal Reserve System might have assisted, but under their existing regulations, they were powerless to insure a sound banking policy. Furthermore, the general responsibility for the operation of a bank rested upon its management. Thus the Federal Reserve could not be held responsible for the massive bank failures of the 1920's, as the intent of setting up the Federal Reserve was not to control individual banks.<sup>12</sup>

The liberal policies attendant upon the issuing of charters caused intense competition between banks, indirectly led to questionable loans, and generally weakened the overall banking structure, not only in the Mission Valley and in Montana, but throughout the United States as well. The number of commercial bank charters issued in Montana by the state and federal government from 1910 to 1919 was 397. Only twenty-three of these charters were not used.<sup>13</sup> The large influx of banks in the 1910's created a demand for experienced personnel to operate them. However, since there were few experienced bankers, ranchers and businessmen who

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<sup>12</sup>Charles Wallace Collins, Rural Banking Reform (New York: The MacMillan Company, 1931) 39-46. Cited hereafter as Collins, Rural Banking Reform. The Federal Reserve of Minneapolis had loaned the maximum reserve to Montana banks in the early twenties. Joseph Kinsey Howard in Montana, High, Wide, and Handsome (New Haven: Yale University Press, 1959), 212, blamed the Federal Reserve for the failure of the banks in Montana.

<sup>13</sup>Groth, "Sowing and Reaping," 28-35.

had little knowledge of banking filled the vacuum.<sup>14</sup> The charters did not require that experienced personnel operate individual banks, and as a result, the staff at established banks, such as those in the Mission Valley, frequently had incomplete knowledge of the business.

With the exceptions of A. J. Brower and J. A. Johnson,<sup>15</sup> most of the Mission Valley's bankers were unable to foresee the difficulties of their small unit banks, dependent upon a single element of the economy -- agriculture, and more specifically, wheat. Their inexperience, combined with the prospect of large, quick profits, made the would-be bankers eager to make extensive loans at the extraordinary high interest of 12 percent.<sup>16</sup>

Ranchers, businessmen, and farmers all received loans. The majority of the loans, however, went to homesteaders who had little knowledge of farming. Their collateral for bank loans usually consisted of equipment, expected crop profits

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<sup>14</sup>Ibid.

<sup>15</sup>A. J. Brower had considerable banking experience in North Dakota before coming to Ronan, Montana. H.S. Hansen and A.J. Johnson both had attained considerable banking experience by 1924. Mr. Johnson was the head of the Security State bank and H.S. Hansen became President of the Security State Bank of Polson after 1924.

<sup>16</sup>Clarence W. Groth, "Montana Banking History, 1956-1954" (Unpublished thesis, School of Banking, Rutgers University, 1955), 40-59.

(predominantly wheat), and land mortgages. In 1924, the Farmers State Banks listed loan assets were the Powell Ranch, \$1,011.90 and the Funk Ranch, valued at \$2500 with a \$1000 loan and a prior lien of \$800.<sup>17</sup> This competitive banking system often caused doubtful loans. In order to stay in the banking business, the Farmers State Bank made loans at a high risk. When the bank closed on March 31, 1924, its total resources were \$118,003.24. "Good assets" totaled \$27,604.19, the doubtful were \$1,344.06, and the worthless, \$59,155.09. One doubtful asset, the Olsen Garage of Pablo, was valued at \$500.00, but it had a \$400.00 mortgage.<sup>18</sup>

All eight banks in the Mission Valley suffered from insufficient capital. The operating capital of the state banks of the Mission Valley was \$20,000 per bank; for national banks, \$25,000 each. Although it was not impossible for a bank of \$25,000 capital or less to operate at a profit, it was very difficult for these banks to stay in operation, especially during times of deflation or drought.<sup>19</sup> The total resources of all eight banks<sup>20</sup> in the Mission

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<sup>17</sup>Farmers State Bank vs. Montana, Civil Service Case 144. Lake County Court House, Polson, Montana.

<sup>18</sup>Ibid.

<sup>19</sup>Collins, Rural State Banking, 65-66.

<sup>20</sup>"Clipping File." Also refer to Appendix No. 1.

Valley was \$1,560,237.77 compared to the total resources of the American Bank and Trust Company of Missoula of \$1,654,053.49 in 1923.<sup>21</sup> This same adverse situation existed in the depositor ratio of the Mission Valley banks. Valley depositors numbered 880 per bank in 1923,<sup>22</sup> while the average depositor ratio per bank in Montana was 1,370; and in the United States, 3,520.<sup>23</sup> Although the individual commercial banks in the valley had grown from 360 depositors per bank to 730 depositors in 1923, they still had not even attained the low ratio of depositors to which Montana had sunk in 1923.

From indications given by the growth of depositors per bank in 1923, the banks of the Mission Valley appeared to be stronger. However, conditions had greatly changed since 1920. Throughout the decade of 1910 the valley had been in a "boom" period. As in the whole state, the population of the agricultural community had doubled, business had exhibited rapid growth, and agricultural output and prices rose

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<sup>21</sup>Montana State Annual Report, 27th-35th. (1922-1932).

<sup>22</sup>Economic study at the University of Wisconsin gives the figures on total number of bank depositors by county. Lake County had 880 depositors in 1923, 500 in 1924, and 560 in 1925. Unprocessed collection M72-399, Wisconsin State Historical Society.

<sup>23</sup>Elliott, Commercial Bank Failures, 32.

continually. The agricultural economy received a further boost during World War I; thanks to wartime optimism, wheat producers received more loans. However, in 1920 the price of wheat dropped drastically. One of these loans, for example, had been made to Percy Armstrong of Ronan, Montana. In 1916 Armstrong, his brother, and his father farmed 440 acres. From 1916 to 1920, they raised wheat yielding 20 to 25 bushels to the acre on dry land near Pablo. In 1920, because of prevailing world-wide agricultural conditions, they gave up their lease.<sup>24</sup>

On April 24, 1919, the Flathead Courier predicted a price of \$3.00 per bushel.<sup>25</sup> By September 15, 1921, wheat had dropped to \$1.06.<sup>26</sup> Furthermore, the average cost to the farmer of raising wheat in the Mission Valley was \$1.52 per bushel in 1919.<sup>27</sup> With this decline in wheat prices, the homesteaders went steadily deeper in debt, and mortgages grew. By 1924 over 50 percent of the loans made to farmers by the Farmers State Bank of Pablo were worthless.

In the Mission Valley and throughout Montana the agricultural depression of the decade of 1920 began with a decline in agricultural prices and production. Prices for

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<sup>24</sup>Percy Armstrong interview with author, December 1969.

<sup>25</sup>Flathead Courier, April 24, 1919.

<sup>26</sup>Ibid, May 29, 1919.

<sup>27</sup>Ibid., September 15, 1921.

agricultural produce reached their peak in 1920; by May 1921 they had declined 54 percent. Grain prices reached their peak in 1920 and declined 66 percent by September 1921. The price of meat reached a peak in July 1919 and by December 1921 had fallen over 60 percent. The world-wide agricultural depression caused prices in agriculture to decline through the twenties; they reached their lowest level in 1933.<sup>28</sup>

With the decline in agricultural prices, the smaller rural banks began closing. In Montana, between 1920-1926, 214 banks closed; 191 failed by the end of 1924.<sup>29</sup> The majority of these were the smaller rural commercial state banks. In the Mission Valley five banks failed in 1924 and one failed in December, 1930. The immediate causes of the failures of these banks can be traced to the decline in yield of agricultural production and prices and the droughts in the Mission Valley throughout the early twenties.

On January 31, 1924, the Flathead Courier reported that the American Bank and Trust Company of Missoula had failed the preceding Friday. The First National Bank at Ronan and the Farmers State Bank at Pablo also failed. Three banks

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<sup>28</sup>Paul W. McCracken, "The Northwest in Two Wars: The Differences are as Important as the Similarities" (Minneapolis: Federal Reserve Bank of Minneapolis, 19--), 6-10.

<sup>29</sup>Toole, "Montana Portrait." 55.

in Sanders County closed their doors, and the First National Bank of Charlo was rumored to have failed.<sup>30</sup> Apparently the rumor was true, for the state appointed a receiver to the bank at Charlo on February 20, 1924.

The closure of these banks caused immense losses to the valley's economy. The resources of the valley's banks dropped from \$1,564,491.70 to \$805,071.65 in one year.<sup>31</sup> Total deposits dropped from \$780,896.02 to \$401,042.92 in the same period.<sup>32</sup>

The American Bank and Trust Company and the three banks of the Mission Valley indirectly controlled by John Dahlgren,<sup>33</sup> President of the American Bank and Trust Company, all failed for the same reasons: overextension of loans, lack of loan diversification, and poor management. The American Bank and Trust Company had made extensive agricultural loans,<sup>34</sup>

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<sup>30</sup>The Flathead Courier, January 31, 1924.

<sup>31</sup>Clipping File."

<sup>32</sup>Ibid.

<sup>33</sup>John Dahlgren was a director of the First National Bank of Charlo and of the First National Bank of Ronan. H.C. Hollingsworth and Ted Jacobs both stated that Dahlgren had capital interests in these banks and indirectly controlled them. H.C. Hollingsworth was a cashier at the Ronan State Bank and is now President of the Citizens' State Bank in Hamilton. Ted Jacobs has been associated with the First National Bank of Missoula since 1924 and is now Chairman.

<sup>34</sup>Personal interview with Ted Jacobs, January 1971.

had a loan deposit ratio of 1.09 percent,<sup>35</sup> and had practiced questionable banking procedures.<sup>36</sup> The Comptroller's Report to Congress for the year 1924 reported that the First National Bank of Charlo failed because of crop loss and the First National Bank of Ronan failed due to depreciation of securities.<sup>37</sup>

Montana had an alarming overall ratio of loans to deposits of 98.6 percent in 1921;<sup>38</sup> the Mission Valley's ratio was 133.06 percent in 1921 and 150.73 percent in 1923.<sup>39</sup> In over 50 percent of the banks in Montana loans exceeded deposits;<sup>40</sup> in all the banks of the Mission Valley, loans exceeded deposits by over 100 percent.<sup>41</sup> The Farmers State Bank had the highest ratio of loans to deposits of 287.40 percent, and the Security State Bank had the lowest ratio at 110.58 percent.<sup>42</sup>

The banks of the Mission Valley were smaller than average banks of Montana in deposits, capitalization, resources and

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<sup>35</sup>Montana State Annual Report, 27th-35th. (1922-1932).

<sup>36</sup>Dahlgren vs State of Montana, 1924.

<sup>37</sup>Letter from J.T. Watson, Office of the Comptroller of the Currency, February 8, 1971, to Philip L. Driscoll.

<sup>38</sup>Toole, "Montana Portrait," 55.

<sup>39</sup>"Clipping File." Refer to Graph 1 and 2.

<sup>40</sup>Toole, "Montana Portrait," 55.

<sup>41</sup>"Clipping File." Refer to Graph 1 and 2.

<sup>42</sup>Ibid.



number of depositors. By 1924 three of the first five banks chartered in 1910 had failed. By 1930 all the banks chartered after 1910 had failed. The two which remained in 1930 were the Ronan State Bank and the Security State Bank of Polson. The financial condition of these two banks remained unstable during the remainder of the 1920's and 1930's. The Security State Bank did not pay off the large debt it had incurred during the twenties until 1945,<sup>43</sup> and to keep from folding, the Ronan State Bank borrowed roughly \$32,000 from the Anaconda Company and other private sources.<sup>44</sup> In 1945 the Lake County Bank of St. Ignatius received a charter bringing the Mission Valley's total to three banks, the number which the valley should never have exceeded.

The fundamental cause of the bank failures in the Mission Valley was the excessive number of banks chartered between 1910-1918. They were indirectly the cause of competitive loans, lack of loan diversification, small size of the banks, and inexperienced bankers. Other factors, which

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<sup>43</sup>President of Security State Bank interview with author, 1969.

<sup>44</sup>The Ronan State Bank received capital from various sources after 1924 to keep it from folding. The Missoula Mercantile gave a loan of \$5,000 to the Ronan State Bank. Through F.T. Sterling's influence the Anaconda Company loaned the Ronan State Bank \$15,000. In addition, the Anaconda Company President, L. O. Evans loaned them \$2,000 and various town members put up \$10,000. Verified in interview with Mrs. J.M. Brookes, December 1971.

were more immediate, were the droughts of the early twenties, the decline of agricultural produce and prices, and the beginning of the world-wide depression. The financial loss in deposits alone between 1920 and 1926 was approximately \$600,000; the loss in accessible capital in the same period was approximately \$755,000. The human suffering incurred from the closure of these banks is incalculable.

## CHAPTER V

### BUSINESS

Growth and prosperity marked almost every aspect of business in the state of Montana during the second decade of the twentieth century. As immigrants flowed into the treasure state, towns quickly became business centers, and a large market developed for eastern goods and capital and local lumber. Banks and general businesses grew quickly and expanded throughout this decade. Each month's profit and volume of business rose steadily over the preceding ones. As the demands of the homesteaders exceeded the supply, bankers extended credit, sawmills mushroomed, and all businesses expanded.

Business conditions prevailing in this decade were exceedingly favorable, for the wet cycle was in process and farmers raised bumper crops. In addition, large logging projects began tapping the lumber resources of western Montana. Banks multiplied, and businesses expanded their market areas. In the process, businesses operated on minimum capital and plunged income into large inventories and real estate and allowed accounts receivable to soar. The times were good, and no end to prosperity seemed in sight. The business community continued to speculate on agricultural weather conditions, and until May 1920, profits

increased.<sup>1</sup> Then from May, 1920 to June, 1921, wholesale prices declined 44 percent in the United States, and farm prices declined 53 percent in the same period. Furthermore, raw materials fell 51 percent. By 1923, wholesale and raw materials had recovered; however, agricultural prices failed to rise.<sup>2</sup>

Similar price conditions prevailed in the Mission Valley prior to 1921. However, the recovery of general business came more abruptly in the United States than it did throughout the state of Montana. Because of the state's dependence on agriculture, its recovery in all facets of business, with the exception of wholesale lumber operations, was delayed until the late thirties.

#### Retail Business

Before the arrival of the white settlers in the Mission Valley, several retail businesses were already in existence. The city of Ronan had six general stores before 1910. With the opening of the Flathead Indian Reservation to settlement in 1910, the business area doubled in size, and the volume of business increased rapidly.

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<sup>1</sup>Forest Eugene Gilchrist, "Prosperity, Depression and Recovery, 1919-1923" (Unpublished Thesis, University of Montana, 1956) 44.

<sup>2</sup>Ibid., 27-28.

Between 1910 and 1920, the business community of the Mission Valley grew rapidly in number and in gross income. Excessive loans to the business community and to farmers by bankers characterized the period. Moreover, the future looked bright for most business ventures. In Ronan, the number of businesses almost doubled between 1910 and 1920.

The swift growth of lumber operations, both retail and wholesale, occurred between 1910 and 1916. In 1910, there were no sawmills at Pablo; however, by 1918, there were seven. Furthermore, sawmills were evident in every town in the valley.<sup>3</sup> The Dewey Lumber Company grew from a small retail lumber company to one having gross sales of over \$400,000 per year by 1920.

Throughout the decade of 1910, the demands of the newly arrived homesteaders caused the retail businesses of the valley to grow at a rapid rate. Usually these stores were family corporations with capital from eastern banks, larger banks in Montana, and wholesale companies such as the

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<sup>3</sup>Extracted from the Clarence Strong Papers, still in private ownership. Strong, who has a lifetime interest in lumbering in the Mission Valley, has collected charts of data on sawmills in Montana. These tables identify sawmills in every town in the valley.

Missoula Mercantile.<sup>4</sup> The A.M. Sterling Company of Ronan, for example, borrowed from the Missoula Mercantile, the Western Montana Bank of Missoula, and several eastern banks.<sup>5</sup> Although the Sterling Company did not have to borrow large amounts of money to start business, other companies, such as the Reservation Land and Lumber Company and the Beckwith Mercantile of St. Ignatius, did borrow excessively.<sup>6</sup>

The tempo of the business community was set in the early years after white settlement in the Mission Valley. Little attention was given to the number of businesses in the towns and villages throughout the reservation because the prevailing conditions encouraged business speculation and over-expansion. The valley had been growing at a rapid rate and there seemed to be enough business for all. Many of the businessmen of the valley ignored sound business practices,

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<sup>4</sup>The Missoula Mercantile expanded under the directorship of C. H. McLeod in the early part of the twentieth century. In the beginning the Mercantile helped to finance the Sterling Company of Ronan, G.W. Wamsley's of Charlo, Reservation Land and Lumber of Ronan, and the Beckwith Mercantile of St. Ignatius. In addition it extended loans to various banks in the Mission Valley and to other stores in western Montana.

<sup>5</sup>Interview with Mrs. J.M. Brookes, Ronan, November 1971. Mrs. Brookes was the daughter of A.M. Sterling. In 1927 she became bookkeeper of the family corporation.

<sup>6</sup>The Missoula Mercantile owned stock in the Reservation Land and Lumber Company. Also it extended loans to the Beckwith Mercantile in excess of \$30,000 in 1911.

borrowed excessively, allowed extensive credit, and permitted yearly inventories to soar. Oftentimes, C. H. McLeod of the Missoula Mercantile cautioned his patrons on the excesses of the prevailing business practices and made subtle hints to damper optimism.<sup>7</sup> In a letter to George H. Beckwith of St. Ignatius in 1910, McLeod warned the owner of the Beckwith Mercantile:<sup>8</sup>

We have to prepare for the worst, and people who are reckless with their business affairs now will regret it, as every business man must arrange to take care of his indebtedness without borrowing money. The ones who cannot do this are liable to get in serious trouble.<sup>9</sup>

Apparently Beckwith ignored the warning. By September 8, 1911, the Beckwith Mercantile owed the Missoula Mercantile over \$30,000.<sup>10</sup>

Although the Beckwith Mercantile had paid over \$20,000 of its debt by 1920, its assets characterized the general business trends of the valley. Between 1919 and 1920, the grain assets of the Beckwith Mercantile had increased by

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<sup>7</sup>C.H. McLeod controlled the Missoula Mercantile Co. until his retirement in 1946.

<sup>8</sup>George H. Beckwith of St. Ignatius opened his business with the aid of the Missoula Mercantile prior to 1910. His business was successful throughout the period.

<sup>9</sup>Letter to George H. Beckwith from C.H. McLeod, July 13, 1910, C.H. McLeod Papers, on deposit at the University of Montana.

<sup>10</sup>Letter to George H. Beckwith from C.H. McLeod, September 8, 1911, C.H. McLeod Papers.

\$20,346.00. The Beckwith Store's accounts and note receivable increased by \$23,990, and the accounts and notes payable rose to \$46,930 during the same period.<sup>11</sup> In addition, accounts and notes receivable were approximately \$102,272 in 1920.<sup>12</sup> The inventory of the Beckwith Mercantile was also similar to most businesses of the valley. While prosperity prevailed, grain and credits remained reliable assets; however, when the market failed, these former assets became liabilities.

In most instances, the businesses of the Flathead Indian Reservation required outside capital in order to exist. The Missoula Mercantile owned shares in companies such as the Beckwith Mercantile, Reservation Land and Lumber Co., and later the Ronan State Bank.<sup>13</sup> Although the A. M. Sterling Co. and G. W. Wamsley Company<sup>14</sup> were family corporations, these businesses had to obtain credit from outside banks

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<sup>11</sup>Letter to C.H. McLeod from George H. Beckwith, February 16, 1920, C.H. McLeod Papers. The Beckwith Mercantile Report of 1920:

	<u>Jan. 28, 1919</u>	<u>1920</u>	<u>Increase</u>
Grain on Hand	9,838.00	30,184.00	20,346.00
Cash on Hand	310.00	11,070.00	10,780.00
Mdse. and Lumber	54,480.00	58,471.00	3,937.00
Accts. and Notes Receivable	78,372.00	102,272.00	23,900.00
Accts. and Notes Payable	68,217.00	115,147.00	46,930.00

<sup>12</sup>Ibid.

<sup>13</sup>Interview with Mrs. J.M. Brookes, November 1971.

<sup>14</sup>G.W. Wamsley started a general merchandise store in Charlo in 1918.



and the Missoula Mercantile. In addition, the Beckwith Mercantile, the Ronan State Bank, and various other businesses in Lake County owed their survival to the benevolence of C.H. McLeod and his willingness to jeopardize the assets of the Missoula Mercantile through extensive loans to his patrons.<sup>15</sup> The majority of the retail businessmen only borrowed small amounts from the small local banks for the operation of daily business. Other outside capital came from a company such as the Montana Central Elevator Company which owned three elevators in the Mission Valley.<sup>16</sup>

One of the most aggressive businessmen in the valley was Stanley Scarce of Ronan. In 1910, his operation was typical of that of many other businesses in the Flathead area. By 1920, he had established a modern department store with machinery, hardware, groceries, dry goods, farm products and many other items. The Scarce corporation also had grain elevators at Moiese, D'aste, Charlo, Pablo and Ronan. On November 1, 1921, the Stanley Scarce Corporation held \$469,228.39 worth of assets including \$150,000 of assessed

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<sup>15</sup>Those businesses under the influence of C.H. McLeod survived the damaging effects of the 1920's in the Mission Valley. The A. M. Sterling Co. of Ronan owed the Mercantile between \$20,000 and \$60,000 by 1927. Others such as the Beckwith Mercantile owed even more.

<sup>16</sup>Flathead Courier, October 30, 1930.

farm lands, \$85,000 of merchandise, and \$82,176.16 of credits.<sup>17</sup> Fourteen of his credit accounts were to farmers for over \$1000 each. These assets, however, were not as valuable as Stanley Scarce stated. Farm lands were difficult to sell, and when the farmers were not making money, the accounts receivable became liabilities. Apparently even an operation as large as this had difficulty maintaining profits on a yearly basis in the 1920's. By 1928, Scarce stated that he had become a "poor publican."<sup>18</sup> McLeod called him a poor credit risk,<sup>19</sup> and on March 8, 1928, McLeod maintained that the longer Ted Jacobs financed the Scarce corporation, the more Jacobs stood to lose.<sup>20</sup>

The A. M. Sterling Company, a typical general retail business in the Mission Valley, formed a family corporation on December 27, 1910. Its operating capital was \$50,000; however, only \$35,000 worth of stock was sold. As was true of other general merchandise stores in the Mission Valley,

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<sup>17</sup>Letter from Stanley Scarce to C.H. McLeod, December 14, 1921. Refer to "C.H. McLeod Papers."

<sup>18</sup>Letter from Stanley Scarce to C.H. McLeod, January 13, 1923, C.H. McLeod Papers. In a heated letter to McLeod, Scarce stated that he was a "poor publican trying to do business in the land of the Pharisees and meeting with a pharisaical welcome."

<sup>19</sup>Ibid.

<sup>20</sup>Letter from C.H. McLeod to A.M. Sterling, March 8, 1928, A.M. Sterling Papers. Ted Jacobs was the President of the First National Bank of Missoula. Evidently he had made extensive loans to the Scarce corporation.

the store's goods were machinery, groceries, hardware, and other merchandise. In addition, it maintained a warehouse. The Sterling Company's gross sales of general merchandise for its first decade exceeded \$100,000 per year.<sup>21</sup> The average profit of the company was \$5,865.00 in the decade of 1910 compared with an average profit of \$2,114 during the 1920's.<sup>22</sup> Also it paid dividends of 10 percent in 1912 and 1917.<sup>23</sup> Throughout the first ten years after incorporation, the Sterling Company grew, and its credit sales soared. Bad (Charged off) accounts amounted to \$984.23 in 1917 compared with \$8,194.01 in 1921. The charged off accounts throughout the decade of 1920 averaged over \$4,000 per year.<sup>24</sup>

As it was in all businesses of the Mission Valley with the exception of the Dewey Lumber Company of Polson, the A. M. Sterling Company suffered throughout the decade of the 1920's. The profit and loss columns of the company records<sup>25</sup> were a poor indication of its business condition. When creditors could no longer make payments, the Sterling Corporation closed chattel mortgages or extended credit. As was true of Stanley Scarce, the A. M. Sterling Co. obtained

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<sup>21</sup>Refer to Appendix II.

<sup>22</sup>Refer to Appendix II.

<sup>23</sup>Ibid.

<sup>24</sup>Ibid.

<sup>25</sup>Interview with Mrs. J.M. Brookes of Ronan, Montana, November 1971.

extensive farm property through the closure of chattel mortgages. On the other hand, they had to obtain loans from the Missoula Mercantile, the Western Montana Bank of Missoula, and the Spokane Trust Company to maintain operations. By 1927, their loans had reached approximately \$60,000. These loans were not paid until 1940.<sup>26</sup>

When Margaret Sterling became bookkeeper for the corporation in 1927, the store management had little idea of their financial situation. They found that the company was losing money on groceries and machinery and that the only profitable merchandise was hardware.<sup>27</sup>

Throughout the decade of 1920, the A.M. Sterling Company had an extensive barter trade. Incidents of trading potatoes and other farm products were quite common. Many families received credit on necessities although Sterling had full knowledge that they were poor credit risks. Through the benevolence of A.M. Sterling, patrons rarely left the Sterling store without clothes or food to see them through the rough times.<sup>28</sup>

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<sup>26</sup>Ibid.

<sup>27</sup>Mrs. J. M. Brookes interview with author, November 1971.

<sup>28</sup>Ibid. In the decade of the 1930's, the federal government had programs for farm relief. In addition the Works Progress Administration and other New Deal agencies indirectly aided the businessman.

Before the New Deal the businessmen in Lake County were often on the verge of bankruptcy. Most had great difficulty in paying bills and had to have extended credit and loans from other business establishments to survive the twenties. Relief for the retail merchants of the Mission Valley came only indirectly through the programs of the New Deal. Until federal acts such as the Farm Mortgage Loan Act of 1933, which gave farmers direct loans, the business community dependent upon this agricultural area recovered little from the prevailing conditions of the 1920's.<sup>29</sup>

Largely through the wisdom of C. H. McLeod of the Missoula Mercantile, his business patrons such as the A. M. Sterling Co., G. W. Wamsley, and the Beckwith Mercantile withstood the conditions of the 1920's. When agriculture recovered, these general merchandise stores were in better financial shape than the other firms in the valley. Although their inventories had soared throughout the decade of 1910 and their accounts receivable were high between 1910 and 1930, they managed to weather the 20's with the guidelines and financial aid of C. H. McLeod. However, other companies such as the Scarce Corporation, which did not receive

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<sup>29</sup> Interview with Mrs. J.M. Brookes, November 1971. Mrs. Brookes stated that her family's store began its recovery with the indirect currency of the WPA. Farmers and other individuals began paying past bills and buying more merchandise at this time.

financial aid, had difficulty in maintaining their assets, even when the depression ended.<sup>30</sup>

### The Lumber Industry

Despite its competition with the Pacific Slope, the lumber industry in Montana grew between the period of 1910 to 1930. In the states west of Montana, large logging operations existed prior to 1910. Factors which increased the hardships of Montana's lumbering activities were the terrain -- high mountains and steep ridges -- the small stands of timber, and the high cost of labor which had been controlled by mining activities in Butte. In addition the treasure state had no manufacturing firms to produce finished wood products.

In 1917, Montana had about 150 mills; only twelve of these had a capacity of five million feet. Of these 150 mills, 122 cut less than one million feet of lumber apiece. Bankruptcy in these operations was common, but the access to easy credit encouraged competition and discouraged consolidation. The typical operation in Montana usually mined the timber and then moved on to better lumber resources,

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<sup>30</sup>C. H. McLeod's support of retail businesses in the Mission Valley and western Montana included \$20,000 to the A.M. Sterling Co. and large amounts of cash to the Wamsley Store, the Reservation Land and Lumber Co., and the Beckwith Mercantile.

leaving behind sawdust piles, scarred mountainsides, and vacant shacks.<sup>31</sup>

Between 1910 and 1970 over 2,000 mills had operated in Montana. In 1910, there were 200 mills in operation. By 1930, the number decreased to 100 sawmills.<sup>32</sup> Often a small sawmill would go into bankruptcy, burn down, or move on to other locations. The largest companies in Montana depended little on selling to the local market and shipped most of their lumber out of state. The smaller sawmills, cutting less than a million board feet a year, had to rely on the local market which virtually came to a halt during the 1920's. Thus, the period between 1910 and 1930 saw the wholesale companies grow larger and the smaller retail outfits dwindle in number.

Next to agriculture, the lumber industry had the largest potential in the Mission Valley. The Flathead Country embraced approximately 1,276,000 acres of forest land. By 1930, over forty percent of the lumber cut in Montana came from the Flathead area.<sup>33</sup>

As homesteaders came into the Mission Valley, local demands for lumber also increased. The demands for fence

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<sup>31</sup>Benjamin Rader, "The Montana Strike of 1917," Pacific Historical Review (May 1967, XXXVI), 189-193.

<sup>32</sup>Clarence Strong interview with author, November 1971.

<sup>33</sup>Flathead Courier, October 30, 1930.

posts, railroad ties and ordinary lumber required large logging operations, and sawmills sprouted near all major towns. In 1910, there were only four sawmills in the valley. By 1920, there were over twenty sawmills. Moreover, every town had at least one retail lumber company.

Prior to December 1908, there were no lumber yards in Polson. By the end of 1910, there were five lumberyards in addition to the Dewey Lumber Company which also had a sawmill. When the Dewey Lumber Company went into business, they were given only six months to survive.<sup>34</sup> However, within three years, the Dewey Corporation was the largest lumber firm in the Mission Valley.

The small retail companies of the Mission Valley often owned timber land. If these small retail companies could not saw their lumber, they contracted their work to larger sawmills. Throughout the decade of 1910, the Reservation Land and Lumber, whose capital was \$55,000, slowly increased its volume of sales and the size of its operation. However, due to competitors from Polson, Ronan, and Pablo, they had difficulty in operating profitably. C. H. McLeod, who had

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<sup>34</sup>W. L. Dewey, "Autobiography." A short article giving a brief outline of his life in the Mission Valley. Retained by Dewey Lumber Co., Polson, Montana. Dewey stated that his firm had been given only six months by other businessmen in the Polson area.



stock in the company, cautioned them on giving too much credit and watched the accounts of this company very closely because their profits remained poor throughout the decade of 1910.<sup>35</sup>

The main market for the Reservation Land and Lumber Company was a local one. In its early stages, the lumber mill constructed various office buildings, houses, and banks. In addition, they sold lumber to the local farmers. By September 8, 1911, the business was doing \$40,000 of business per annum.<sup>36</sup> However, the profits of the company were not enough to declare dividends.

In order to compete with other retail companies who could operate on a small margin, Iver M. Brandjord, Manager and part owner of the Reservation Land and Lumber Co., had to maintain credit accounts. On September 10, 1911, Brandjord's corporation had extended large accounts to farmers and businessmen.<sup>37</sup> This policy of excessive credit extended throughout the decade.

Between 1910 and 1915, the Reservation Land and Lumber Co. barely operated at a profit. On October 29, 1915,

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<sup>35</sup>Letter from C. H. McLeod to Iver M. Brandjord, September 8, 1911, C.H. McLeod Papers.

<sup>36</sup>Ibid.

<sup>37</sup>Letter from Iver M. Brandjord to C.H. McLeod, September 10, 1911, C. H. McLeod Papers.

accounts receivable were \$10,587.41, bills receivable were \$6,463.30 and real estate amounted to \$15,124.66. Financially the company was in such bad shape that McLeod asked: "If it folded, how much would the company lose?"<sup>38</sup> Evidently pressures exerted on the company by C.H. McLeod were successful, for by 1920, the company was operating with a margin of profit. Although outstanding accounts and bills receivable amounted to \$9,085.17 in 1919, the company declared a dividend and had made a profit of \$4,618,76.<sup>39</sup>

The growth of the company had been slow throughout the decade of 1910 and the twenties did not show appreciable growth for the Reservation Land and Lumber. However, because of the lessons learned by Brandjord, the company survived the 1920's. In 1922, Brandjord gave a good picture of this company and the businesses of the Mission Valley:

The business of Reservation Land and Luber [sic] Company was poorer this last season than any prior time since we started in an attempt to do business. I have worried more, squirmed more and sweated more mentally this year than any prior year in my life. We have run so fearfully close all the time. And we have lost money in spite of it all. Our volume of business [sic] has been entirely too small; but our taxes, insurance and interest have been high. We shipped several cars of lumber, but we did not make expenses.

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<sup>38</sup>Letter from C. H. McLeod to Iver M. Brandjord, October 29, 1915, C. H. McLeod Papers.

<sup>39</sup>Letter to C.H. McLeod from I.M. Brandjord, February 7, 1920, C.H. McLeod Papers.

Have been trying to do business on the Reservation now for 13 years; we have been living in hopes all the time, and things are worse today than nefore [sic]. How I should enjoy to do business for a year or two before I die under normal conditions.

We are still living in hopes, of course, but I cannot see any rapid progress in store for us. Recovery much be [too] slow.<sup>40</sup>

The conditions Brandjord endured from 1910-1930 were normal to all the retail lumber companies in the Mission Valley. All of these companies had marginal profits between 1910 and 1930.

In addition to the conditions of the local market, the lumber companies had to contend with fires. In all lumber areas, fires caused huge losses and bankruptcy, because conditions prevailing around sawmills were particularly vulnerable to fire. Between 1910-1930, the Dewey Lumber Company suffered three major fires and narrowly escaped going out of business as a result. The Hope Lumber Company sold its remains to the Dewey Corporation after fire had destroyed most of its operation.<sup>41</sup> In a period of three successive weeks in 1921, the mills of Pablo experienced three fires. The Pablo Lumber Yard experienced considerable loss. The Donlan-Henderson Sawmill suffered a destructive fire; it lost its mill, other buildings, and a large stock of

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<sup>40</sup>Letter to C. H. McLeod from I. M. Brandjord, 1922, C.H. McLeod Papers.

<sup>41</sup>The Flathead Courier, Jan. 14, 1926.

lumber and logs -- a loss of approximately \$100,000.<sup>42</sup>

When W. G. Dewey arrived in Polson in 1910, the lumber market was predominantly local. No transportation existed to the markets outside of the valley with the exception of the steamboats on Flathead Lake. The Dewey Lumber Company, which had been given no chance for success by other lumber operations, began operating in all fields of lumbering by utilizing these steamboats. Not only did the lumber company have a retail department, but as time passed, it also established sawmills, planing mills, and tie mills. In addition, it cut much of its own timber. The Dewey Company drew tentative plans to put into operation a mill which would cut 35,000 board feet per day.<sup>43</sup>

With the advent of the railroad in the Mission Valley, the lumber industry of the Flathead was revolutionized. The Northern Pacific Railroad completed its construction of the spur line into the Flathead area in the summer of 1917. This major change in transportation caused competition between the local companies of the Mission Valley with larger companies of Missoula. However, the Dewey Lumber Company was large enough to compete and ship lumber to outside markets. In November 1917, the Dewey Lumber Company shipped twelve

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<sup>42</sup>The Timberman, September 1921, 88.

<sup>43</sup>Clarence Strong interview with author, November 1971.

carloads of lumber to Omaha.<sup>44</sup>

In September 1919, W. G. Dewey invested in additional planing mill machinery, and his plant doubled its cut over the preceding year.<sup>45</sup> Although the advent of the railroad had allowed the Dewey Lumber Company to grow, it also had harmful effects. Larger outside operation, especially those in Missoula, began highly competitive operations in the Flathead area. Out of 6,672 carloads of freight shipped from the Flathead Project in 1921, 4,900 cars<sup>c</sup> of logs had been shipped by the Heron Lumber and the Polley's Lumber Company to their mills in Missoula. The lumber mills of the Mission Valley shipped only 480 carloads of lumber. Of this, the Dewey Lumber Company shipped 175 carloads.<sup>46</sup> In spite of competition the railroad effected immense growth in the largest company of the Mission Valley. In addition, it allowed larger operations in the state an easy access to huge lumber deposits of the area. This, in turn caused the smaller mills of the area to dwindle in number. In the Pablo area which had seven sawmills prior to 1918, operations had almost completely halted by 1923.<sup>47</sup>

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<sup>44</sup>Flathead Courier, December 1917.

<sup>45</sup>The Timberman, November 1919.

<sup>46</sup>Flathead Courier, 1922.

<sup>47</sup>The Timberman, June 1923, 160.

The Dewey Lumber Company, however, grew steadily between the years 1910 and 1930. Indication that the company had strong financial backing was its ability to acquire additional machinery and plants necessary for expansion. Under the able leadership of W. C. Dewey, the company expanded from a small retail operation to a large wholesale company. By 1930, the company employed over 150 men and its operation expended \$10,000 to \$15,000 per month on salaries. Unlike other local companies, the Dewey Co. acquired large stands of timber near Flathead Lake. In 1923, it purchased fifty million feet of timber which, according to the Flathead Courier, would mean a payroll expenditure of a million dollars in Polson by 1930.<sup>48</sup>

In 1910 to 1920, the Dewey Company operated very efficiently. Dividends of ten percent per share had been paid to the stockholders almost yearly, these profits allowed higher officers' salaries and gave an indication of its profitability. W. G. Dewey received \$10,800 per year between 1915 and 1921.<sup>49</sup>

As a wholesale company, the Dewey Co. did not suffer as greatly as the retail lumber companies. For a short period between 1921 and 1923, its profits dwindled. On September 1, 1921, Dewey cut his own salary to \$300 per month. The

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<sup>48</sup>Flathead Courier, May 3, 1923.

<sup>49</sup>"Secretary's Record and Stock Accounts," Dewey Lumber Company, Polson, Montana.

following year, however, he raised his salary to \$750 per month where it remained until 1930. The company's ability to make profits in the 1920's was cut drastically by prevailing Montana conditions. It paid no dividends in its second decade of business.<sup>50</sup>

Regardless of the prevailing business conditions, production of the Dewey Lumber Company increased. In 1919, the lumber company produced 4,500,000<sup>41</sup> board feet compared with 7,000,000 in 1926.<sup>52</sup> In 1930, the company produced over 10,000,000 board feet.<sup>53</sup> Yet it had difficulty in competing with the Anaconda Company's mill at Bonner which produced 63,116,499 board feet compared with Dewey's 4,883,556 board feet in 1923.<sup>54</sup>

With the prosperous years of the decade of 1910, all the retail businesses overexpanded, gave too much credit, and found themselves meeting the 1920's with large inventories and real estate holdings and declining markets. Without credit from large banks and wholesale houses, half of the Mission Valley's businessmen would have never operated in the Flathead area. The only company in the valley which expanded during the 1920's was the Dewey Lumber Company be-

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<sup>51</sup>Strong Papers.

<sup>52</sup>The Timberman, Jan. 1926, 226.

<sup>53</sup>Flathead Courier, October 30, 1930.

<sup>54</sup>The Timberman, March 1923, 113.

cause it did not have to depend on a local market. The conditions which prevailed in the lumber industry and general business were prototypes of Montana's general business economy. The features of this typical small mountain valley limited the businessman's products and sales to the local economy. Totally dependent upon its surrounding agricultural region, while agricultural prices remained high the businesses flourished. But when farmers had low incomes, business suffered the same fate. Had businessmen consolidated and had the lumbering industry merged, perhaps the valley's economy would have been stronger. But as the case was, the twenties marked the end of overexpansion and the beginning of slow recovery for the businessman. The decade of 1910 had been marked by prosperity and the twenties by depression. Recovery came only in the thirties -- too late for many businessmen.



## CHAPTER VI

### CONCLUSION

White settlement in the Mission Valley occurred primarily between 1910 and 1930. Because this settlement coincided with the technological, agricultural, and transportation advances of the twentieth century, it is difficult to compare patterns within the development of the economic base of the Mission Valley with those which occurred earlier on the Great Plains. Nevertheless, similarities between the experience of the Mission Valley and that of the central plains are numerous. Both areas were dependent on dry land farming methods, a single crop economy, and level of rainfall. In addition, each experienced periods of optimism and prosperity, followed by periods of economic depression and disillusionment. More significant, however, for the eventual formulation of an historical interpretation of the Rocky Mountain Region, are the differences in the settlement patterns. The geographical environment of the valley is, as was expected, a partial explanation for these differences. The potential for irrigation in the Mission Valley was perhaps the most significant of the geographical differences, for it permitted crop diversification within the agricultural sector of the economy. The presence of timber resources, also an important difference from the

terrain of the Great Plains, allowed for a degree of diversification with the valley's economy as a whole. Specific economic patterns in the Mission Valley were also greatly affected by the late onset of white settlement. As time passed these initial differences within the economic base developed further, and the divergence between the two patterns became quite pronounced.

Both geography and fate dictated the delay in white settlement in the Mission Valley until 1910. During the early history of western Montana the Mission Valley was not a well travelled route, so there was little natural pressure for the development of the area. In 1887 the Dawes Act permitted white settlement on Indian reservations, however, settlement on the Flathead Indian Reservation was delayed due to the actions of the agents on the reservation and the dilatory congressional action, particularly in the appropriation of funds for surveying the reservation.

The late onset of white settlement in the Mission Valley did have, however, several salutary effects upon the economic development of the valley. It permitted the Indian agents and the missionaries to orient the area toward an agricultural economy. Using the experience of the settlers on the central plains to good advantage, they clearly saw the importance of irrigation for a successful farming

operation in the Mission Valley. Thus, the Indian agents became persistent lobbyists for the Flathead Irrigation Project, and although problems delayed completion until 1938, commitment to the project was achieved before white settlement began.

Coinciding with white settlement in the Mission Valley were technological advances in farming and transportation. During the twenties the use of mechanized farm equipment rose steadily. This improved technology combined with the presence of irrigation and the trend toward larger farming units to shorten the frontier phase of settlement in the Mission Valley. In addition, technology, no doubt, cushioned the effect of the agricultural depression of the twenties and shortened the period of recovery.

Although settlement began late in the Mission Valley, the federal government's passive role in confronting the problems of the Mission Valley warrants criticism. During the early phases of western settlement, the federal government failed to conform to the settlers' needs in combatting terrain, climate, and other natural conditions. In view of the terrain, the allotment of small homestead units was a serious mistake. Although settlement of the Mission Valley did not begin until 1910, the federal government repeated these mistakes in establishing policy for the valley.

From the onset of settlement the geographical characteristics of the Mission Valley were readily adaptable to the dry land farming methods which evolved during the 1890's on the Great Plains. However, unlike the central plains region, the Mission Valley was able to develop irrigation which allowed for crop diversification and high crop yield. In addition, the development of a lumber industry in the valley allowed the area less dependence upon agriculture in time of depression.

Nevertheless, the economy of the area was greatly dependent upon agriculture, developing chiefly in the areas of service to the agricultural community and of extractive industry. The Mission Valley was a feeder valley to the larger valleys to the south; as a result its economy was dependent upon fluctuating markets outside the valley. In addition, the lateness of settlement caused timber resources to be shipped to larger and older mills in the southern valleys. For much the same reasons capital was unavailable to develop business in the Mission Valley.

The dominance of the agriculture sector of the economy in the Mission Valley is reflected in the number of bank failures during the 1920's and the hardships of the valley's retail businessmen. Recovery for them occurred only when the national agricultural market recovered.

By 1930 the Mission Valley was well on its way to recovery and economic expansion. With irrigation, technological advances, larger farms, larger banks, and business expansion, the valley's economy was prepared to meet the coming decade.

APPENDIX I

TOTAL RESOURCES

Compiled from the Clipping File, Ronan State Bank, Ronan, Montana

	Dec 5, 1911	Sep 4, 1912	Jun 14, 1913	Jun 30, 1914	Dec 31, 1915
First National Bank (Polson)	187,008.79	156,950.14	180,874.27	145,962.50	156,817.23
Flathead State Bank (Polson)	66,922.34	80,706.60	71,848.67	112,003.71	110,218.02
Security State Bank (Polson)	69,417.24	83,408.24	103,236.61	111,044.13	133,025.35
Ronan State Bank	93,436.00	109,962.59	117,270.95	135,585.34	224,151.57
First National Bank (Ronan)	20,000.00	77,119.38	69,753.58	91,381.11	148,112.01
<b>Totals</b>	<b>436,784.37</b>	<b>508,346.95</b>	<b>492,984.00</b>	<b>595,996.79</b>	<b>772,624.18</b>

	Nov 17, 1916	Feb 28, 1920	Dec 31, 1921	Dec 29, 1922	Sep 14, 1923
First National Bank (Polson)	249,929.63	276,915.56	254,679.31	300,242.93	288,424.75
Flathead State Bank (Polson)	148,124.33	130,548.50	108,023.52	111,972.58	113,422.18
Security State Bank (Polson)	184,681.02	259,574.37	298,008.43	276,763.04	274,872.65
Ronan State Bank	259,479.45	217,100.84	218,350.95	186,912.77	195,406.12
First National Bank (Ronan)	203,622.85	266,650.61	215,405.90	233,200.26	237,216.42
Mission State Bank (St. Ignatius)	165,879.21	208,958.85	182,025.14	175,073.44	180,831.47
Farmers State Bank (Pablo)		117,669.63	128,224.49	133,959.27	125,792.55
First National Bank (Charlo)		84,806.31	90,955.53	91,818.11	88,525.56
<b>Totals</b>	<b>1,211,716.49</b>	<b>1,560,244.77</b>	<b>1,496,673.27</b>	<b>1,509,942.40</b>	<b>1,504,541.70</b>

	Dec 31, 1924	Dec 31, 1927	June 30, 1930	Sep 24, 1930
Security State Bank (Polson)	255,937.19	469,790.84	382,728.01	397,776.61
Ronan State Bank	184,669.55	157,601.06	233,620.39	235,259.43
Mission State Bank (St. Ignatius)	164,463.93	165,463.60	180,010.45	180,278.10
<b>Totals</b>	<b>805,070.67</b>	<b>792,855.50</b>	<b>796,358.85</b>	<b>813,314.14</b>

## APPENDIX II

## A. M. Sterling Company's Annual Statistics of Profit and Loss

<u>Date</u>	<u>Profit and Loss</u>	<u>Charged off Accounts</u>	<u>Gross Capital Sales</u>
1910	\$5,140.47		
1911	8,471.83		
1912	4,239.38		
1913	3,060.38		
1914	2,826.06		
1915	4,786.63		
1916	9,658.48		
1917	8,730.20	948.23	
1918	5,298.76	4,897.01	
1919	6,452.81	4,096.77	
1920	-1,980.48	5,394.80	
1921	2,471.67	8,194.01	
1922	1,259.98	2,970.36	
1923	1,363.96	5,710.10	
1924	1,477.59	773.58	94,012.58
1925	2,084.84	4,397.82	101,544.14
1926	2,814.72	3,950.00	90,315.42
1927	2,425.09	3,990.37	93,085.19
1928	1,788.93	4,603.39	104,737.85
1929	3,477.01	4,662.72	99,876.30
1930	2,156.70	2,977.02	95,684.15
1931	944.38	1,353.37	77,132.70

The blank columns figures were either not completed or could not be attained with my limited bookkeeping experience.

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