

THE DEVELOPMENT AND EFFECT
OF BANKING IN UTAH, 1933 - 1945

by

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CHAPTER I

INTRODUCTION

Economic developments in Utah are identified with events peculiar to various periods and these events have controlled, to a considerable degree, the nature of banking activity in the State.

This report attempts to correlate the development and growth of commercial banking in Utah with the economic developments of the State between 1933 and 1945.

Background Information

Banking in Utah has gone through a number of transitions over the years. Evidence seems to bear out the conclusion that, prior to the "thirties," Utah was overbanked. There was a bank in almost every community which had 250 or more inhabitants. These banks were operating on a very inadequate base. The assets were spread too thin to permit sound, profitable operation and, in some cases, this problem was compounded by poor management. Thus, in 1930, 1931, and 1932 many of these small uneconomic banks met with failure.

The depressed economy and the frequency of bank failures resulted in passage of regulatory banking legislation both on the State and national levels. Initially the bankers objected

to this legislation, but they soon realized that it was, for the most part, beneficial to them as well as their patrons.

Statement of Purpose

The purpose of this research report is to consolidate known facts and figures concerning the development of the banking system and the economy of the State of Utah.

These developments are analyzed in light of bank failures, legislation, recovery techniques, deposits, loans, industrial and economical growth.

This consolidated material is presented with the purpose of showing ways in which banking development and experience has reflected and has been conditioned by general business and economic growth.

General Procedures and Methods Followed

Data for this report were obtained from materials available in various forms. The author relied heavily on information derived from the semi-annual reports of the Federal Deposit Insurance Corporation, the Biennial Reports of the Utah Bank Commissioner, and the minutes of the annual conventions of the Utah Bankers Association. In addition, much information was obtained from the Statistical Abstract of Government in Utah and interviews with the various personnel of the State Bank Commissioner's Office.

The report is not a history of individual banks within the State. Neither is it an overall detailed presentation of the development and growth of Utah banks. Rather, the author's

purpose is to analyze, relate, and apply the information compiled in this report in such a way as to reveal further light on the economic and banking development of Utah.

Plan of the Report

The three following chapters cover the various developments occurring in different time periods.

Chapter II covers the period from 1933 through 1935. This was a period in which extensive regulatory banking legislation on both the State and national levels was enacted.

Chapter III is concerned with the five-year period between 1935 and 1940. It was during this period that Utah bankers united in programs designed to educate and acquaint the citizens of the State with the banking system and its functions. These promotional programs were enacted in an attempt to regain the confidence of the people and to ward off the threat of government regulation and competition. Also, it was during this period that Utah bankers began to realize the value and potential of branch banking.

The fourth chapter covers the war years. The material presented in this chapter shows the growth of banking resulting from the government defense buildup in Utah. The bankers performed a great service to the country's war effort in the sale of war bonds and the performance of other functions.

CHAPTER II

1932 - 1934, A PERIOD OF LEGISLATION

With the crash of 1933, the value of the dollar soared and commodity prices, particularly those in agriculture, almost reached a vanishing point.

Across the land taxes went unpaid, industry was paralyzed, unemployment ran high and commercial credit was unavailable. The federal government, of necessity, had to organize the gigantic Reconstruction Finance Corporation to help stabilize the economy. As a result of these conditions the financial structure of the United States, in 1933, rested upon the credit of the federal government.

Utah and the Depression

Utah did not escape the effects of the depression. Mineral production, which had been one of the major sources of income to the people of Utah, hit an all-time low in 1932. Income from this source dropped from \$63,982,000 in 1930 to \$22,443,000 in 1932.¹ This was a substantial loss to an already ailing economy.

The farmers and livestock producers of Utah also were severely hurt in the early thirties. Their difficulties were

¹Statistical Abstract of Government in Utah (Salt Lake City: Utah Foundation, January, 1962).

largely caused by a combination of three major factors.

First, many of the foreign countries which had relied heavily on United States agricultural production after the war were now in a position to produce their own foodstuffs. As a result, there were fewer agricultural products demanded at a time when the United States farmers were producing at a peak. This forced the price of agricultural products down.

Second, Utah was facing a drought period which began in 1930. This drought coupled with the overall effects of the depression left Utah's livestock industry with the lowest price level encountered in forty years. During the last few months of 1932 and early 1933, milk cows were selling for ten to twenty dollars per head. The hay to feed these cows cost eighteen dollars per ton.²

Wool was selling for five cents per pound and lambs for two and one half cents per pound. There was little or no feed in the mountains and corn and other concentrates were selling for two dollars per hundred. Sheep were being sold on foreclosure sales at one dollar per head.³

Third, the already depressed economy, with its high unemployment rate, coupled with the tight money position, left no local markets for the agricultural output of the State.

As evidence of the depressed conditions then prevailing, total farm income in Utah dropped from \$56,470,000 in 1930 to

²Minutes of Utah Bankers Association's 28th Annual Convention (June 23, 1936), Bryce Canyon, Utah. (In files of S.L.C. Clearing House).

³Ibid.

\$29,562,000 in 1932.⁴ There were many people who lost their farms during this period, thereby throwing more unemployed people on the labor market of the State.

Manufacturing income in Utah dropped to \$31,605,000 in 1933.⁵ This was the failure point for many new manufacturing firms which began operations since the end of World War I.

In 1932 individual and corporate taxes fell to only half what they were in 1927.⁶ The high rate of unemployment caused the public welfare expenditures to climb to a new high in 1933 and 1934. This period saw the federal government welfare payments equal \$13,310,819; State welfare expenditures amounted to \$1,911,667; and county welfare payments equalled \$1,150,716. Thus, total welfare payments totaled \$16,373,203 for this two-year period.⁷

Utah Banks During the Depression

Part of the banks in Utah had enough liquid assets to enable them to withstand the depression while granting needed relief to its patrons. However, many of the smaller and poorly managed banks found themselves needing the same accommodations requested by the borrowers, viz., more money.

Between the years 1926 and 1930, many of the banks were lending nearly all of their deposits and, in many cases, probably borrowing money to maintain legal reserves. It is also possible

⁴Statistical Abstract of Government in Utah, op. cit., p. 11.

⁵Ibid.

⁶Ibid.

⁷Ibid.

that many of the bank losses during this period were due to lending on inflated values that were not detected until liquidation became necessary.

The bank loans fell, along with deposits, in the early 'thirties because it was necessary to liquidate and prematurely call loans in order to meet the heavy withdrawal requests.

Thirty Utah banks were in the process of liquidation in the early 1930's.⁸ The closing of these banks in such a short period of time put an added hardship on the State. Even though the patrons of these various banks eventually received all or part of their deposits, the immediate loss of the demand deposits took more than seven millions of dollars out of the economies of the respective communities and out of the economy of the State of Utah.

Bank Holiday

The four year period between 1930 and 1934 was an eventful one in the history of Utah banking. The long continued depression, the sick economy, the closing of a large number of banks and the exposures growing out of these closings brought about the loss of confidence of people in their banks and an almost complete collapse of the banking structure.

This culminated with the advent of Franklin D. Roosevelt's Administration on March 4, 1933, when he closed every bank in the nation. Under an executive order of the President, sound banks were licensed to resume business on March 10, 1933.

⁸See Table I.

EXHIBIT I

State Banks in Process of Liquidation
June 30, 1932 - June 30, 1934

Name	City	Date Closed	Immediate Loss In Demand Deposits
Payson Exchange & Savings Bank	Payson	December 11, 1923	\$ 308,191
State Bank of Oasis	Oasis	February 29, 1928	235,534
Delta State Bank	Delta	January 8, 1927	232,736
Dixie Stockgrowers Bank	St. George	December 11, 1930	23,592
Columbia Trust Company	Salt Lake	December 16, 1932	513,219
Sugar Banking Company	Sugarhouse	December 20, 1930	248,875
Mt. Pleasant Com. and Savings	Mt. Pleasant	July 16, 1931	40,744
North Sanpete Bank	Mt. Pleasant	July 20, 1931	64,099
Ogden State Bank	Ogden	August 31, 1931	1,889,813
Grantsville Deseret Bank	Grantsville	December 2, 1931	78,929
Bank of Iron County	Parawan	December 28, 1931	40,272
State Bank of Payson	Payson	January 2, 1932	137,938
Farmers and Merchants Bank	Provo	January 12, 1932	315,833
Jordan Valley Bank	Riverton	January 14, 1932	73,748
*Bank of American Fork	American Fork	January 16, 1932	412,292
Peoples State Bank	American Fork	January 16, 1932	103,835
State Bank of Lehi	Lehi	January 16, 1932	66,950
Midvale State Bank	Midvale	January 16, 1932	113,972
Convant Valley Bank	Delta	January 18, 1932	4,334
State Bank of Sevier	Richfield	January 18, 1932	59,800
Panguitch State Bank	Panguitch	January 26, 1932	32,980
State Bank of Millard County	Fillmore	February 1, 1932	200,150
Deseret Savings Bank	Salt Lake	February 15, 1932	4,995
State Bank of Beaver County	Beaver	February 23, 1932	184,511
Tremonton Banking Company	Tremonton	July 5, 1932	85,012
James M. Peterson Savings Bank	Richfield	March 15, 1933	232,175
*Bank of American Fork	American Fork	July 8, 1933	519,738
Bank of Heber City	Heber City	August 29, 1933	307,598
Provo Commercial Savings Bank	Provo	March 15, 1933	<u>506,851</u>
Total			<u>\$7,038,729</u>

*Closed on 1/16/32; reopened on 7/28/32 and closed again on 7/8/33.

Data used to compile this table were taken from the Biennial Report of the State Bank Commissioner of Utah of 1932 and 1934.

In this brief one-week period, Utah State Bank Commissioner J. A. Malia and his staff reviewed the condition of doubtful banks and had them ready to open on the morning of March 10, 1933.

Subsequently, the doubt and distrust of the citizens of Utah toward banks was greatly reduced as corrective banking legislation on both the State and national level was enacted.

Banking Legislation

When the state and national legislatures met in 1933, extensive banking legislation was enacted. To the surprise of many, most of this legislation was supported by the bankers of the country.

Utah State Legislation

Most of the legislation passed in the 1933 session of the Utah State Legislature was done at the urging and with the cooperation of the Utah Bankers Association. The bankers had mixed feelings concerning government intervention and control during the early part of the depression. They soon realized, however, that this course offered the best possibility of recovery.

The pertinent legislative measures affecting the bankers in Utah during the depression years are summarized below:

1. Banking Holidays and Restrictions on Withdrawals of Deposits. The Utah Bankers Association assisted in the preparation of this bill which authorized the Governor, whenever he deemed necessary, to declare holidays. This could be a general holiday affecting all businesses or a special holiday which would apply only to a particular type business or transaction.

This bill also provided that the State Bank Commissioner, whenever in his opinion action seemed justified, could with the approval of the Governor, order all state Banks to suspend all payments to depositors and other creditors.⁹

2. State Depository Law. The Utah bankers, through the U. B. A., tried very hard to secure the enactment by the State legislature of a new depository law, following as closely as possible the uniform bill prepared by the General Counsel of the American Bankers Association.

The bill was accordingly prepared and introduced into both the house and senate. The bill provided for the creation of a depository board consisting of two ex-officio members and two members appointed by the governor on the recommendation of the State Bankers Association. It provided for the establishment of a reserve fund to be made up out of all interest paid on deposits of the State and the various subdivisions of the State. This bill also called for the repeal of existing statutes requiring the payment of a fixed rate of interest and the giving of specific security upon deposits of public funds.¹⁰

This bill met considerable opposition. It was declared by the Democratic State Committee to be in violation of party platform pledges. It was also opposed by certain public bodies upon the ground that it would result in discrimination between the funds of the United States government, postal savings funds,

⁹Minutes of the Utah Bankers Association's 25th Annual Convention (June 17, 1933), Ogden, Utah. (In files of S.L.C. Clearing House).

¹⁰Ibid.

and the funds of the State of Utah and its various subdivisions.¹¹ The bill was thought to be disadvantageous to the State and its subdivisions.

The bill was opposed on the grounds that it discriminated between the payment of interest and principal and upon the grounds that it would produce a loss of income to the public units. This opposition resulted in certain amendments being made to the original bill.

In substance, these amendments required that deposits of public funds should draw an interest rate of at least one percent (as compared to the former statute which required a two percent minimum rate). Another amendment was that whenever a bank secured deposits of the United States or postal savings by a depository bond or similar deposits that the same security was to be given to similar deposits of public funds of the State of Utah and its subdivisions.

3. Branch Banking Bill. The House Bill number 43 amended the statute that prohibited branch banking. Basically what this bill provided was that any bank having paid-in capital of more than \$100,000 could, with the consent of the Bank Commissioner and the Governor, operate branches within the State. The bank could not establish more than one branch for each \$50,000 of its paid-in capital.

It further provided that no branch could be established in any community in which there was already a bank doing business, unless the existing bank was taken over or the consent of all

¹¹Ibid.

banks in the area was obtained. This consent was not required in Salt Lake City.¹²

4. Borrowing by Closed Banks. Due to the tremendous losses incurred by the citizens of the State in the liquidation of various banks, the Utah Bankers' Association prepared a remedial bill as an amendment to the existing statute respecting liquidation of banks.

In essence, it permitted the sale of any or all assets of a closed bank, either for cash or credit on the approval of the supervising court. It further permitted borrowing to facilitate liquidation, distribution to depositors, or reorganization. The bank in question could pledge any or all of its assets to secure such a loan.

Federal Legislation

At the time of the passage of the federal banking legislation, many bankers across the country wondered why Congress passed such bills in the first place. Restrictive legislation was necessitated mainly because a minority of bankers had violated their trust. This mistrust by the minority cast its reflection on all bankers.

The press also played up the failures and added to the distrust already running in the minds of the public. This general feeling along with the bank holiday and the assurance of President Roosevelt to the depositors when the bank holiday was lifted, resulted in passage of the Banking Act of 1933. Among other things,

¹²Laws of the State of Utah 1933, Sec. 7-3-6.

this act called for the establishment of the Federal Deposit Insurance Corporation.

It is interesting to note at this time that a man from Utah was instrumental in the establishment of the F.D.I.C. in 1933. Mr. E. G. Bennett, Vice-President and General Manager of the First Security Bank in Ogden, was called to Washington in the early part of 1933 to help establish and organize the corporation.

Even though the bankers initially objected to the federal legislation, they later came to realize that it was one of the prime factors in the restoration of the confidence of depositors.

The major federal legislation affecting Utah and her banks was the passage of the Banking Act of 1933 and the amendment to the Reconstruction Finance Corporation Act which allowed that corporation to purchase preferred stock in state-chartered banks.

1. Federal Deposit Insurance Corporation. The Banking Act of 1933 provided for the establishment of the F.D.I.C. for the protection of deposits in banks. When this plan was initiated, funds for reimbursement of depositors of failed banks became available from three sources: (1) a Treasury subscription of \$150,000,000 in capital stock of the F.D.I.C.; (2) Federal Reserve Banks subscriptions equal to half their surplus account, amounting in total to about 139,300,000; and (3) from semiannual collections of premium assessments on the insured banks equal in total to one twelfth of one percent of their net average daily deposits.

2. Prohibited interest payments on demand deposits. The Banking Act of 1933 recognized that it was not good banking practice to pay interest on demand deposits and, with certain exceptions

necessary to avoid conflict with the present existing state laws, it prohibited the payment of interest on demand deposits.

3. No double liability on national bank stocks. The Act also did away with the double liability feature attached to stocks of national banks. This was done in recognition of the fact that protection to depositors could be more effectively provided through other means since reliance upon recourse to this double liability had proved to be of uncertain value.

4. Prohibited member banks from purchasing stock in other corporations. This same Act prohibited member banks from purchasing stock in other corporations with certain exceptions. The exceptions include purchase of stock in the Federal Reserve Banks, in safe deposit companies, and in the Federal Deposit Insurance Corporation.

5. R. F. C. purchase of state bank stock. In order to help the banks of the nation regain financial stability, the R. F. C. was authorized to purchase preferred stock (or debentures) in state banks where there was no double liability attached to such stocks.

Discrepancies Between Utah Statutes and Federal Laws.

Even though the banks of the State were able to participate in the emergency legislation, there were certain changes that would have to be made in the Statutes of the State of Utah before the banks could participate fully in the benefits of the above federal legislation after the emergency had subsided.

Section 18 of Article 12 of the Constitution of the State of Utah provided that:

. . . the stockholders in every banking corporation, in addition to the amount of capital stock subscribed and fully

paid by them, shall be individually responsible for an additional amount equal to the amount of their stock in such corporation for all its debts and liabilities of every kind . . .¹³

This provision, unless amended, made it impossible for any state bank to issue preferred stock which would be purchased by the Reconstruction Finance Corporation. Such a law would tend to depress the price of state bank stock since the Banking Act of 1933 repealed the double liability clause for national bank stockholders. This is explained by the fact that the investor would prefer to purchase stock in a bank in which he is not subject to double liability. This fact in itself would tend to reduce the value of the stock in state banks relative to that in the national banks doing business in Utah. Similarly, it would tend to restrict the flow of capital into state banks, and thereby weaken the State banking system relative to the national banking system.

Section 7-3-33 of the Revised Statutes, 1933 provided:

. . . that any bank may purchase, own and hold, and sell or otherwise dispose of any shares of capital stock of any other bank or corporation . . .¹⁴

This provision of the Statutes of Utah was in violation of the Banking Act of 1933 which had just been passed by the National Congress.

At this time Utah did not have a law which gave express authority to banks to become stockholders in the Federal Deposit Insurance Corporation. By reason of the provisions in the Banking Act of 1933 concerning the purchase and surrender of Class A stock

¹³Revised Statutes of Utah - 1933. Article 18, Section 12.

¹⁴Ibid., p. 181.

in the F.D.I.C., there was some doubt among bankers whether or not they were authorized to become stockholders in a corporation of this type.

The Banking Act of 1933 provided that the Federal Reserve Board would limit from time to time the rate of interest which would be paid by member banks on time deposits. It also prohibited the payment of interest "directly or indirectly by any devise whatsoever" on any deposit which was payable on demand.

The State Depository Act of Utah expressly required the payment of interest on public funds irrespective of whether or not these funds were payable on demand. This rate was not to be less than one per cent per year. It would appear that this statute was in violation of the federal law.

Special Session of the Utah State Legislature

A special session of the State legislature was ordered to convene on July 10, 1933 by Governor Henry H. Blood.¹⁵ Prior to the calling of the special session, the F.D.I.C. Act and the amendment to the R. F. C. had been passed with its provisions for issuance of preferred stock.

President Franklin D. Roosevelt in a letter addressed to Governor Blood, asked the Governor to have the banking statutes analyzed so that the necessary legislation might be passed at the special session to permit Utah banks to take advantage of the provisions of the Federal statutes.¹⁶

¹⁵Minutes of Utah Bankers Association's 26th Annual Convention (June 15, 1933), Salt Lake City. (In files of S.L.C. Clearing House).

¹⁶Ibid.

After a study of the situation, the question arose as to whether or not the Constitution of the State could be amended to eliminate the stockholder's liability. The legislators also were concerned as to whether an amendment to this statute would require a repeal of all of the State statutes which had been enacted for the enforcement of this double liability.

These questions received detailed study and were presented to Governor Blood and to the legislative committees of the House and Senate.

It was finally determined to be inadvisable to attempt to pass a resolution to amend Article 12, Section 18 of the Constitution which would abolish stockholder's liability. This conclusion was arrived at for two reasons. First, it was thought that such an amendment could not be passed due to the present public distrust of banks, and second, under the federal statute it was doubtful that if such an amendment were passed that it would affect existing banks. The latter reasoning being that the R. F. C. could purchase debentures from the banks instead of preferred stock.

Reconciliation of State and Federal Laws

The citizens and the legislature of the State of Utah were not anxious to pass any laws which they felt would ease the restrictions placed on the banks by the State. The people were still fearful of the events of a year or so earlier.

The banks of the State had secured the necessary assistance from the R. F. C. through the sale of debentures rather than through the sale of preferred stock. Consequently, it was the 1939 legislature which secured the passage of the bill for the

proposed constitutional amendment to do away with the mandatory provisions respecting the double liability of state bank stockholders. (A similar bill was passed by the 1935 legislature, but it was defeated in the following election). This constitutional amendment was approved by the public in the general election by a vote of 81,679 to 11,973 votes.¹⁷

The bill which recognized the F. D. I. C. and which empowered the state banks to take advantage of membership and privileges available through the F. D. I. C. was passed in the 1935 session of the state legislature.

Another bill was enacted amending the Public Depository law so as to do away with the requirement for the payment of interest on deposits of public funds in the 1937 session of the Utah State Legislature.

¹⁷Minutes of Utah Bankers Association's 32nd Annual Convention (June 7, 1940), Logan, Utah. (In files of S.L.C. Clearing House).

CHAPTER III

1935 - 1940, A PERIOD OF RECOVERY

Utah's banks were, for the most part, in a solvent condition by the first part of 1936. However, the problem of solvency was replaced by one of equal significance in the eyes of Utah bankers--that of possible government competition in the area of loans.

This relatively uneventful period was characterized by two significant developments: (1) promotion programs, and (2) rapid growth and expansion of branch banking.

The Threat of Government Competition

During the depths of the depression (1930's), many private bank loans (particularly real estate contracts) were taken over by government agencies. The early acts of the Home Owners Loan Corporation were highly beneficial to all concerned, but in the latter part of 1935 the bankers became suspicious that these emergency agencies would be continued and eventually become permanent arms of the government. Many of the small bankers of the nation feared that continued competition with these government agencies (involving low rates of interest) would leave the banks with the alternative of losing their customers or being forced to accept loan contracts which would not provide a return high enough to

realize a profit.

Utah Bankers Association President, Charles L. Smith, said in 1936,

Many of the loans guaranteed by the federal government and its agencies could again be safely taken over by our banks and thus permit the employment of idle funds. It is perhaps inevitable that government agencies thus established shall attempt to perpetuate themselves, but in so doing they more and more encroach upon the field of legitimate banking. Furthermore, the rates of government, municipal and corporate bonds continue to decline, so that the safe investment of surplus funds is becoming a serious problem. With almost a complete lack of demand for safe investment at an adequate rate, banks find it each day more difficult to secure an adequate return on their investment.¹⁸

The bankers felt that they offered certain advantages in serving the customers. Mr. J. A. Cheney, Cashier of the Uintah State Bank of Vernal expressed this point of view when he said: "the borrower would prefer to deal with his local bank, largely because of the slow routine and the red tape surrounding all government lending."¹⁹ The task which now faced the bankers was to regain the confidence of the people.

The depression had brought its lessons and it had given the banker an opportunity to see how little the average customer understood him and his bank. For the first time, the bankers began to realize that if they were going to preserve their banking system and compete with government agencies it would be necessary to re-educate their patrons and themselves to the end that both

¹⁸Minutes of the Utah Bankers Association's 27th Annual Convention (June 17, 1935), Zion Park. (In files of S.L.C. Clearing House).

¹⁹Minutes of the Utah Bankers Association's 31st Annual Convention (June 19, 1939), Grand Canyon National Park. (In files of the S.L.C. Clearing House).

the banks and their depositors would be fully protected in the future.

Utah Bankers Educational Programs

In an attempt to regain the confidence of the public and to compete with government agencies, the Utah State Bankers Association, with one hundred percent membership, began an extensive education and public relations program.

Educational Program

Mr. J. B. Halverson, President of the State Security Bank in Brigham City was one of the first advocates of a comprehensive state-wide educational program. In a speech on June 16, 1933, Mr. Halverson said:

The depression brought its lessons and it gave the banker an opportunity to see how little the average customer has understood him and the institution over which he presides. All bankers in the State must admit that a better informed customer is a more loyal, sympathetic, and considerate customer.²⁰

Mr. Halverson then offered the following corrective suggestions:

1. Every bank patron should be able to understand a financial statement--but few do.
2. The public generally should understand that a bank may be sound and still be unable to pay all of its deposits at one time--but most people do not comprehend this principle.
3. Everyone ought to know why banks are compelled to restrict loans in "tight" times--but very few understand this.

²⁰Minutes of the Utah Bankers Association's 25th Annual Convention (June 17, 1933), Salt Lake City. (In files of the S.L.C. Clearing House).

4. All should know what it means for a bank to cash an out-of-town check--but most people have no conception of the process.
5. Every individual should know how many services the bank renders the community--but no one values it as long as it is freely obtainable.
6. Everyone ought to know the basis of credit--but comparatively few understand it.²¹

The bankers realized that this was a constantly changing and difficult banking era. The general public had only a hazy knowledge of the banking functions and services that a bank renders to the community. This lack of knowledge was not too surprising when one considers the many changes that were taking place in the banking system during this period. There had been more important laws and regulations enacted in 1933 - 1934 than in any period since the creation of the Federal Reserve System.

In an attempt to educate the public, the Utah Bankers Association's educational committee, in 1936 and 1937, prepared a series of instructive lectures covering every phase of banking. Exhibit II illustrates the concerted effort on the part of Utah bankers to acquaint the citizens in every part of the State with the banking functions and the services available to them. These lectures were presented to student, farmers, businessmen, legislators, housewives, and the general public.

This educational program, directed toward every segment of the population of Utah, marked the beginning of a very successful campaign. Through the efforts of this group, the people of the State were oriented to the banking functions, its contributions,

²¹Ibid.

EXHIBIT II

Public Education Work
Utah Bankers Association 1936 - 1937

Name of State Banker	Group Addressed	Subject	Attendance
Grant Clark	Bountiful C.C.C. Camp	Savings	250
R. C. Draper	Wasatch High School	What is Money?	100
Roy Broadbent	Santaquin Forum	Bank and Farm Relationships	100
Charles H. Dixon	Spanish Fork Audience	Bank and Farm Relationships	55
Roy Broadbent	Lake Shore Audience	Bank and Farm Relationships	150
Roy Broadbent	Payson Audience	Bank and Farm Relationships	60
Charles H. Dixon	Spanish Fork High School	Money and Banking	38
Charles H. Dixon	Spanish Fork High School	How Money Helps the Banker	41
P. P. Thomas	Fathers and Sons Future Farmers Banq.	Financing Future Farmer Projects	400
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Arthur F. Miles
 W. W. McArthur
 W. W. McArthur
 Kate B. Empey
 Max Thomas

Junior High
 Junior High
 High School
 Junior High
 Kiwanis Club

Max Thomas
 Paul D. Booth
 Burnell Aagard
 M. S. Eccles
 J. N. Hansen

Future Farmers and Fathers
 Nephi Businessmen
 Businessmen from Juab and Millard Co.
 Ogden Chamber of Commerce
 Ogden High Class

W. A. Budge
 Ross Tyson
 Leonard Wright
 J. N. Hansen
 W. A. Budge

Jr. High Assembly
 Jr. High Assembly
 Jr. High Assembly
 Jr. High Assembly
 Mt. Fort Junior High

W. A. Budge
 K. S. Probst
 A. W. McKinnon
 J. A. West
 Henry Hurren

Mt. Fort Junior High
 Mt. Fort Junior High
 Kiwanis Club
 C.C.C. Members
 Men's Club

A. Sonne
 N. D. Salisbury
 Henry Hurren
 A. Sonne
 F. P. Champ

North Cache High School
 Logan High School
 Lewiston Lions Club
 South Cache High School
 Nephi Bankers and Farmers

F. P. Champ
 N. D. Salisbury
 J. A. Cheney
 H. W. Woolley
 C. E. Anderson

S. L. Bankers and Legislators
 Church Group
 C.C.C. Camp
 High School
 Gunnison Lions Club

George Anderson
 George Anderson

High School
 High School

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N.A.	100
N.A.	100

Name of Banker	Group Addressed
----------------	-----------------

C. E. Anderson	Gunnison Lions Club
C. E. Anderson	Gunnison Lions Club
Alfred Robins	Bryant High
Alfred Robins	Roosevelt High
Harold Kipp	Bryant High
W. E. Myrick	Irving High
W. E. Myrick	Irving High
Fred Pike	Bryant High
Clair Mortensen	Bryant High
Mr. McCauley	Horace Mann High
Cash Rampton	Bryant High
W. E. Myrick	Jackson High
A. H. Robins	Irving High
C. E. McCauley	Roosevelt High
Loren A. Hillam	Horace Mann High
F. E. Pike	South High
Mr. Kasteller	Irving High
Mr. Scott	Roosevelt High
Mr. Scott	South High
Mr. Wright	South High
E. O. Howard	Kiwanis Club
E. C. Howard	Exchange Club
W. E. Myrick	South High
Mr. Cosgriff	C.C.C. Camp
C. E. McCauley	South High
Adam S. Bennion	Radio Broadcast
Mr. Scott	Irving High
Cash Rampton	Irving High
W. E. Myrick	St. Mary of the Wasatch
Phil M. Anderson	Richfield High
George Anderson	4-H Club, Brigham City
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N.A.	50

its services, and its personnel. These lectures did much to re-establish the confidence of the people in the banks and to show them that the banks could and would benefit them and their communities.

Agricultural Program

During and immediately after the depression, the government was giving the farmers the utmost solicitude. Lawmakers on both the State and national levels attempted to assist the farmer in combatting the effects of depression, drought, floods, and insects.

Being an agrarian State, the success of many Utah banks depended upon the success of the farmers. The government aid and assistance to the farmers made it difficult for the banks to regain the loans they had lost during the depression.

Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, in a statement before the Banking and Currency Committee of the U. S. Senate in May, 1935 said:

The small state banks prosper or fail almost in proportion to the agrarian areas and the agrarian people in the various areas they serve. Things that help the farm are things that help the state banks. Our banks have been losing a large part of their business to the government, which sold its bonds to the banks and has used the funds to make mortgage and other loans, many of which the banks should be in a position to make themselves. Unless the banks regain some of the business which has been taken over by the government credit agencies, there will not be sufficient business to support the banking system.²²

In order to regain the confidence and business of the farmers, the Utah bankers put heavy emphasis on their existant agricultural program.

²²Minutes of the Utah Bankers Association's 29th Annual Convention (June 21, 1937), Bryce Canyon. (In the files of the S. L. C. Clearing House).

Each county in Utah selected a Key Banker to work closely with the county agent. The bankers invited the county agents and the home demonstration agents to meet with them periodically to discuss the problems of the farmers in the various communities. These meetings served to appraise the bankers of the areas where the farmers needed financial assistance. In many cases, bankers went out to the various farms and helped the farmer decide what amount of money he needed for his various improvements.

The bankers gave full support to the Utah 4-H programs and presented pins and achievement awards to 4-H Club members who did outstanding work. Many of the banks individually gave a steer or a heifer to high schools for their agricultural classes. In addition, cash prizes were awarded to the F.F.A. or 4-H students who did outstanding work on a larger project.

The bankers felt that by working with the younger people they could achieve three objectives. First, their program would encourage youth to improve their livestock herds; second, it would teach them something about the value of money; and third, it would encourage the parents to attend 4-H events, thereby giving them more confidence in the banks. At the same time, they hoped to cultivate a sincere, friendly relationship between the banker and the farmer.

In attempting to meet government competition, the bankers were forced to give better loan service. Noticeable was the dispatch with which they approved or rejected a loan request and the length of time they remained open in order to accommodate customer needs. For the first time in years, bankers went out of their way

to meet borrowers on their farms and give them the financial advice and counsel needed.²³

This aggressive action, service, and cooperation, which was continued year after year, substantially aided the banker in regaining the confidence and business of the citizens of the State.

Activities of the American Institute of Banking

The extensive and complex legislation enacted in 1933 and 1935 left many bank officials confused as to the legality of certain banking operations. In an attempt to render assistance in the interpretation of the laws, the American Institute of Banking became exceptionally active during this period. Through the various local chapters, bank officials and employees were instructed as to the meaning and scope of the new changes.

A sample of the subjects taught were: commercial law, negotiable instruments, money and banking, analysis of financial statements, public speaking, banking and the new deal, economics, contemporary legislation, and banking problems. The educational work of the chapters was carried on through the extension divisions of the universities of the State. College credit was given to those bank employees who successfully completed their work. The instructors were chosen mostly from the ranks of the profession. However, in certain fields professors from the universities were used.²⁴

²³Minutes of the Utah Bankers Association's 30th Annual Convention, op. cit.

²⁴Minutes of the Utah Bankers Association's 28th Annual Convention, op. cit.

In 1937 the American Institute of Banking established a Graduate School of Banking which offered course work on a correspondent basis. Many of the bankers took advantage of this program and received additional education which aided in the operations and service of the bank.

Effects of Bankers' Educational and Public Relations Program

These various programs did not create an immediate increase in bank business. Of course, the bankers did not expect that it would. Theirs was a long-run program which was intended to prove that the banks were efficient and that they could handle the financing needs of the people of Utah.

Money was still relatively scarce in the State. The per capita income increased only \$127 during the five years covered between 1935 and 1940.²⁵ It was extremely difficult to change people's attitudes and actions so soon after the depression.

The educational program, which helped create an image of a more friendly, progressive banker, did evidence long-range success.

Chart II (page 38) shows the growth in all loans over the early years. From 1935 to 1940 total loans of Utah banks increased from fifty-one million dollars to almost seventy million dollars. Similarly, bank assets increased from \$163,640,000 in 1936 to \$198,858,000 in 1940.

The educational program proved to the people of Utah that the banks were capable and willing to handle all of their financial needs. At the same time, the bankers succeeded in defeating any serious competitive threat from government financial institutions.

²⁵Statistical Abstract of Government in Utah, op. cit.

Bankers Begin to See the Value of Branches

The Statutes of the State of Utah were revised on March 9, 1933 to permit branch banking. However, bankers showed little interest in the branch banking movement at that time. Two explanations for this slow response became apparent. First, bankers were traditionally conservative; and second, the banks had just come through a very critical period and were generally not in a position to expand their facilities.²⁶

A few exceptions to this general rule stood out. On December 26, 1933, the First National Bank of Ogden assumed the liabilities of six banks located throughout the State and began operating them as branches. These six banks were located in Bingham, Magna, Provo, Richmond, Ogden, and Logan.

Continental National Bank and Trust Company of Salt Lake City took over the Continental Bank in Murray as a branch on December 29, 1933. The Richfield Commercial and Savings Bank established its Millard Branch in Fillmore on May 20, 1935. The same bank, on September 13, 1937, opened a branch in Delta.

On October 20, 1937, the Milford State Bank opened a branch in Beaver City. The Sandy City Bank established its first branch in Midvale on May 2, 1938.

Even though seven branches were established in Utah in 1933, it was not until the late 'thirties that bankers began to see the real advantages of branch banking. By this time it was realized that the branch, as an office of an established banking institution,

²⁶Luther Harr and W. Carlton Harris, Banking Theory and Practice (2nd ed; New York: McGraw-Hill Book Company, Inc., 1936), p. 371.

was more apt to appeal to customers than an independent bank largely because they recognized the branch as a part of an established institution.²⁷

It became apparent that branch banks could provide a means of giving the less populated areas the added accommodations and specialized services needed. In other words, the small rural customer would have access, through the central office, to the services of specialists and experts in various fields, thereby permitting big bank accommodations to the people of the small towns.

Following the depression, Utah began to show substantial economic growth. With this growth individuals, farmers, and manufacturing firms frequently had occasion to ask for large lines of credit. The unit bank could only lend an amount equal to a certain percentage of its capital and surplus. However, the branch could make loans to any one borrower based on the capital and surplus of the entire organization.

By the end of the late 1930's, more and more bankers began to see the advantages of branch banking and were giving serious thought to the establishment of branches in outlying areas. However, the outbreak of World War II prematurely stunted this movement. It was not until after the war was over that the branch banking movement again gained momentum. Evidence of this growth is found in the fact that forty-six branches were in operation by 1958.

²⁷Bernard Ostrolenk, The Economics of Branch Banking (New York: Harper Brothers Publishers, 1930), p. 51.

CHAPTER IV

1940 - 1945. A PERIOD OF EXPANSION

The period 1940 - 1945 was one of growth for Utah and its banks. The anticipation and entry of the United States into World War II brought almost instantaneous industrial expansion to the State. The most significant changes occurred in the government defense installations, but the demand for agricultural and mineral products also was stepped up. All of these developments served to stimulate a migration of people into the State and intensified the need for additional financing services and facilities.

Defense Expansion In Utah

Prior to 1941, slightly less than half of the total wealth and employment of Utah was attributed to the mining industry. The remaining amount came principally from farming and manufacturing. In late 1940, the federal government strongly urged the mining industry to operate at maximum attainable output.

At the same time, sugar beet production became the major agricultural activity of Utah farmers. The government exercised extreme pressure to increase sugar beet acreage and output in the State.

The increased activity in these two industries alone absorbed practically all of the employable people in the State.²⁷ In 1941

²⁷Minutes of Utah Bankers Associations 34th Annual Convention (June 12, 1942), Salt Lake City. (In files of S.L.C. Clearing House).

the federal government came to the conclusion that it was essential to the national defense program that Utah be developed into a great defense production area. The various projects which had been completed or had been approved in 1942 are summarized below.²⁸

1. Wendover was selected by the Army as a logical location for an air base with an adjacent bombing range which was fifty miles wide and one hundred miles long. This base when completed employed approximately 3,500 men.

2. The Army Air Corps was established at the Salt Lake Airport and was being expanded to handle up to 6,000 officers and men.

3. The Remington Arms Company had constructed a plant in Salt Lake City which employed 10,500 civilians.

4. It was estimated that the Ninth Corps Area Headquarters would employ approximately 12,000 civilians by the end of 1943.

5. Kalumite Incorporated was in the initial phases of construction of a plant costing three million dollars which would ultimately employ two hundred to three hundred men.

6. The Utah Oil Refining Company was expanding its refinery at a cost of ten million dollars. This expansion required 1,500 to 2,000 men for the construction and approximately the same number to operate the plant.

7. The construction of the United States Steel Plant at Geneva, for the manufacturing of pig-iron and steel bars, cost approximately \$150,000,000 and required two years to complete. When completed it was estimated that the plant would employ a

²⁸Ibid.

minimum of five thousand men.

8. The Columbia Steel Company was also planning a several million dollar expansion program in Provo.

9. The construction cost of the United States Navy Storage Depot at Clearfield was estimated at eighty million dollars. When completed, this operation would employ at least fifteen hundred civilian employees.

10. The Ogden Ordnance Depot and Quartermasters Supply Depot would employ a maximum of ten thousand people and the Ogden Shell Loading Plant called for five thousand employees.

11. The Hill Field Air Depot was partially completed and employed six thousand people.

12. The Brigham City Hospital cost approximately \$6,000,000 and employed 1,200 people.

13. A plant employing one hundred civilians, and designed to employ two hundred when completed, was engaged in manufacturing parachutes at Manti.

14. A chemical storage plant at St. Johns was expected to cost \$13,500,000 and employ fifteen hundred civilians when completed.

15. When in full operation, the magnesium fields at Crescent Junction and the vanadium developments at Moab and Monticello were expected to require large scale operations requiring a substantial number of employees.

By 1943, Utah had one of the most critical labor shortage areas in the United States. The impact of the war activities with its increased requirements for strategic minerals, agricultural, and manufactured products had placed a labor demand on the area

which was completely out of proportion to the ability of the State to meet in terms of its normal population figures.

Chart I indicates that this great labor demand brought an influx of people from other areas of the country. As a result, the population of Utah increased almost 20 per cent between 1940 and 1943.

Utah was not prepared to accommodate this influx of people and a serious housing shortage soon developed. This shortage, primarily in the industrial areas of the State, seriously aggravated the labor recruitment problem.

The labor shortage became so acute that the various industries began training new domestic workers from the ranks of housewives, youth, retired people, and the physically handicapped. The impact of these developments is reflected in the rapid growth of per capita income, which increased from \$487 in 1940 to \$1,132 in 1943 (see Chart I). This 230 per cent increase was due to a combination of a high rate of employment and the high wages offered to attract new workers into the labor force.

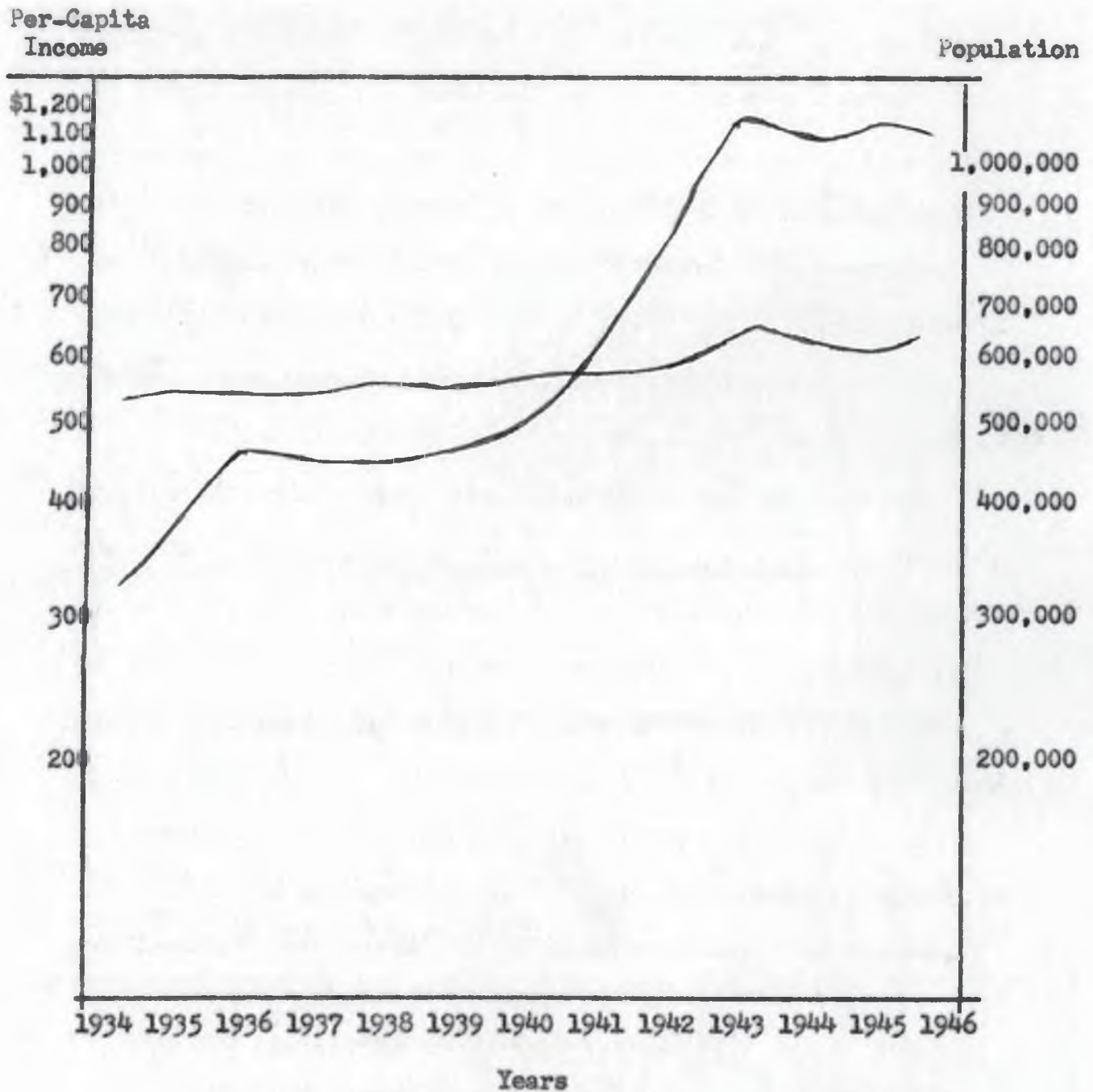
This defense spending and industrial activity set the stage for important developments in the field of banking and finance.

Utah Banks During the War Period

A number of substantial changes in the operations of the banks and bankers occurred during this period. In addition to handling their own business activities, the bankers assisted the federal government in raising funds to carry on the war effort.

CHART I

Population and Per-Capita Income in Utah from 1934 to 1946



Data used to compile this chart were taken from the Statistical Abstract of Government in Utah, op. cit.

Note: A semi-logarithmic scale is used because it best portrays the true rate of growth of different series of data.

Bank Deposits

Beginning in 1940, demand deposits of Utah banks showed a five-year increase of \$287,144,000. The year-to-year changes are depicted in Chart II.

This growth trend was the result of two main factors: (1) the high rate of employment and increased wages associated with the defense activity and (2) the method used by the government to finance the war.

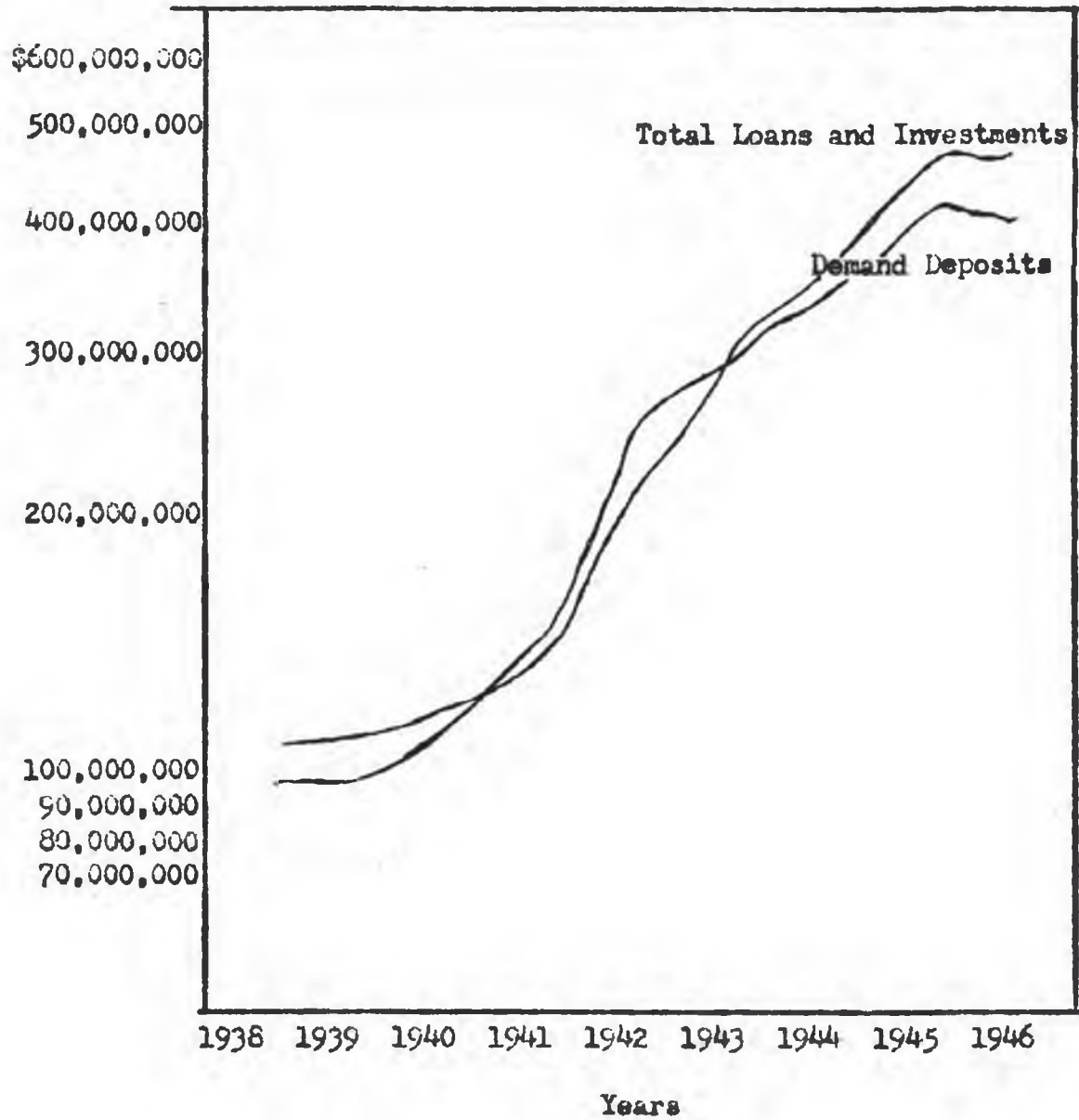
One of the government's principal sources of income during these war years was expansion of the money supply through bank investments in government securities. While bank loans remained relatively stable, and in some years actually declined, their investments registered a substantial increase. Payment for many of these bonds was accomplished simply by debiting the bank's investment account and crediting the government's demand deposit account (Treasury Tax and Loan). This method of financing the war resulted in the addition of millions of dollars to the national money supply (demand accounts). At the same time, the investment accounts of banks increased proportionately, thereby increasing the earning potential of the bank.

The close relationship which existed between the loans, investments, and demand deposits of Utah banks during this period is shown in Exhibit III and Chart II.

Between 1940 and 1945, bank loans in Utah increased 32.35 per cent while investments increased 662.76 per cent. The combination of investments and loans expanded 273.8 per cent, which correlated closely with the 252.9 per cent increase in demand

CHART II

Relationship of Total Loans and Investments to Demand
Deposits of Commercial Banks in Utah
from 1938 to 1946



Information used to compile this chart taken from F.D.I.C. Reports.

EXHIBIT III

Loans, Investments, and Demand Deposits
of Commercial Banks in Utah, 1938 - 1946

(in thousands)

End of Year	Loans	Investments	Total	Demand Deposits
1938	\$ 57,521	\$ 49,923	\$107,444	\$ 98,839
1939	61,861	50,518	112,370	101,878
1940	69,832	48,301	118,133	113,525
1941	78,540	56,971	135,511	140,396
1942	63,781	141,446	205,227	237,778
1943	67,995	215,560	283,555	283,971
1944	78,672	269,154	347,826	327,284
1945	92,424	349,101	441,525	400,669
1946	138,964	301,203	440,167	386,997

deposits (see Chart II).

Thus it is noted that the increase in deposits was due mainly to the increased money being generated by the government's deficit financing program.

Bank Loans

Since 1936, Utah bank loans gradually increased as the economy of the State recovered from the effects of the depression. However, the United States entry into World War II in late 1941 severely stunted the growth of loans granted by Utah's banks. Exhibit III shows that on December 31, 1940, loans equaled 61.5 per cent of the demand deposit liability as compared to 23.05 per cent on December 31, 1945. The dollar volume of loans increased only 32.35 per cent during this five year period.

The most significant factors affecting this decreased loan activity are listed below.

1. The disappearance from the market of automobiles and

other durable consumer goods the purchase of which had been financed by banks.

2. The restrictions against consumer loans brought about by Regulation W of the Federal Reserve System.

3. The National War policy of encouraging the payment of private debt during this period when incomes were high.²⁹

Exhibit IV indicates that the "residential property loans" were the only segment of the bank's portfolio which increased during the war years. This increase is explained by the increased labor demand and resultant housing shortage. The housing shortage during this period stimulated considerable resident housing construction and repair. Exhibit IV shows that resident property loans totaled \$9,825,000 during this five year period.

This decrease in total bank loans was to be expected when consideration is given to the war time conditions and the regulatory restrictions which were in force during this period.

Bank Profits

The profits of the State's commercial banks were low during the first three years of the war. This was due largely to the increased federal taxes levied to finance the war effort, and to the difficulty encountered in obtaining good loans.

Because the government required little or no reserves to back the Treasury Tax and Loan Account and because the banks literally created the money used to buy government securities (through simple bookkeeping entries), they acquired a substantial

²⁹Biennial Report of the Bank Commissioner of the State of Utah (June 30, 1942), p. 5.

EXHIBIT IV

Composition of Loan Portfolio of Utah Banks, 1936 - 1946
(in thousands)

	Farm Land	Agricultural Loans	Commercial and Industrial	Consumer	Residential	Other	Total
1936	2,621	9,297	610	2,973	N.A.	N.A.	51,539
1937	2,660	10,096	713	3,302	N.A.	N.A.	57,231
1938	2,731	9,206	14,852	3,318	12,549	15,056	57,521
1939	2,822	9,359	15,706	3,569	13,708	16,697	61,861
1940	2,862	10,459	17,417	4,039	15,543	19,512	69,832
1941	2,634	11,898	20,977	4,531	18,062	20,438	78,540
1942	2,467	8,240	15,624	4,266	18,513	13,498	62,608
1943	2,575	10,483	14,086	3,950	21,526	15,375	67,995
1944	3,139	11,680	17,421	3,949	23,681	18,802	78,672
1945	3,926	13,339	20,434	5,123	25,368	24,216	92,424
1946	5,806	14,676	40,987	13,553	39,333	14,609	138,964

Information used to compile this exhibit was obtained from Biennial Reports of the Bank Commissioner of the State of Utah.

investment in government bonds, often with no cash outlay. As a consequence, bank profits began to rise early in 1943 (see Chart III).

Asset Composition

The increased defense activity and the population expansion were the primary causal factors accounting for the 294 per cent increase in banks' assets between 1940 and 1945.

With the exception of a slight increase in loans and cash balances held in other banks, this increase was, for the most part, due to the banks' absorptions of government obligations. This large increase was facilitated by the multiplier effect of the government sponsored money expansion program and it did not involve the actual expenditure of saved funds. This inflationary method of war financing resulted in an increase in banks' holding of government investments of \$34,643,000 in 1940 to \$332,718,000 in 1945. By 1945, the investment in government obligations represented 56.83 per cent of all bank in the State. Chart IV gives a breakdown of Utah's commercial bank assets during this period.

Government Defense Bond Promotions

Prior to the attack on Pearl Harbor, Utah banks had been handling the sale of defense savings bonds in a casual and routine manner. With the outbreak of hostilities, however, the bankers recognized the government's need for funds to provide the goods and services necessary for the war effort and they knew that these funds would have to be derived from the sale of bonds and/or tax revenue. Therefore, shortly after the United States entry into

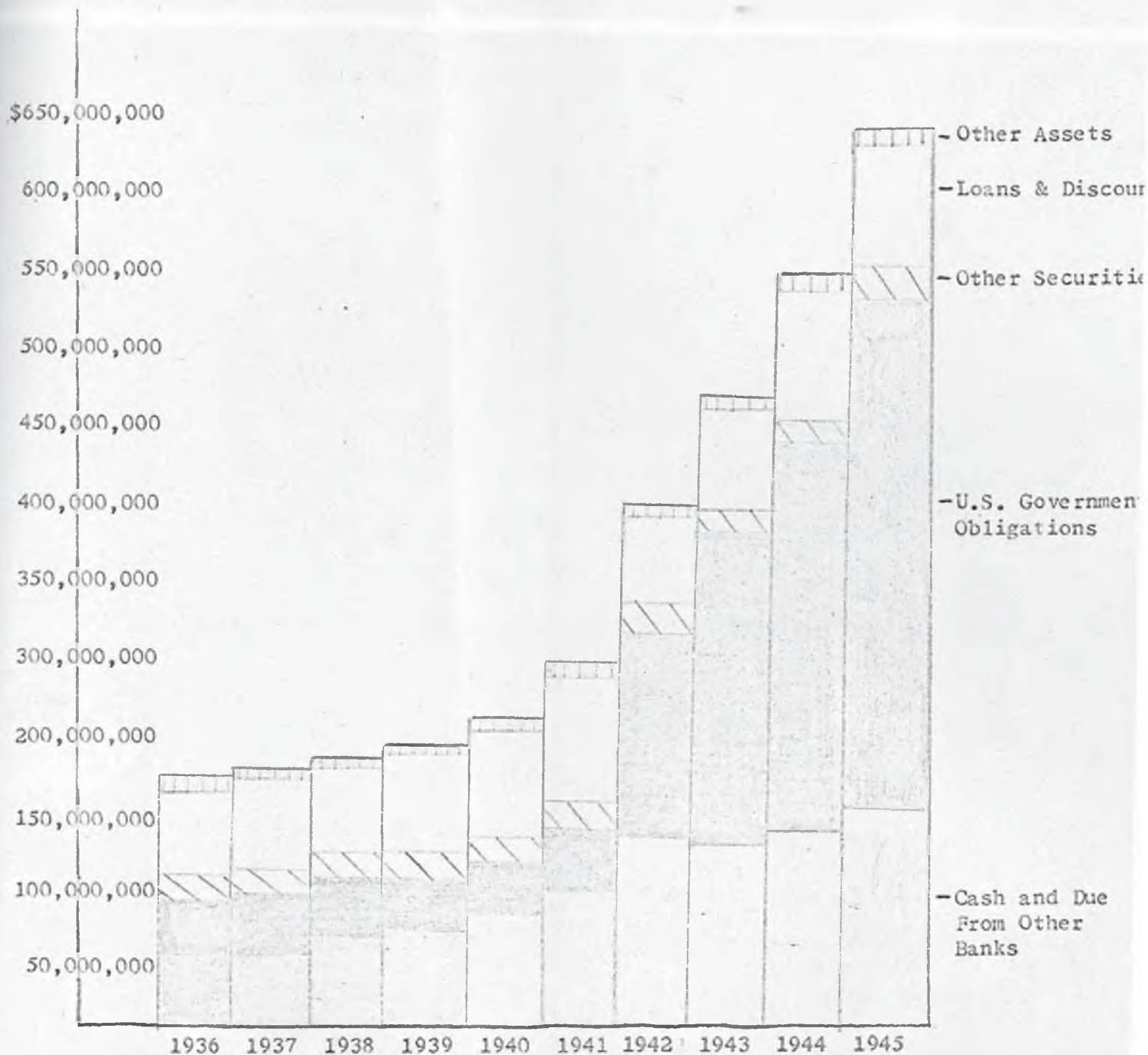
CHART III

Profit of Commercial Banks in Utah from 1936 to 1947



Information used in this exhibit was derived from Biennial Reports of the Bank Commissioner of the State of Utah.

CHART IV



Composition Of Assets Of All Commercial Banks In Utah
 (Dec. 31, 1936 — Dec. 31, 1945)

Information used to compile this chart taken from F.D.I.C. Reports.

World War II, banks in Utah began vigorously to promote the sale of war bonds.

The general attitude of the bankers was summarized by Mr. Orval Adams of the Utah State National Bank.

In order to carry out our part of the war effort we must sacrifice some profits for the country. We must use high pressure tactics, if need be, to sell war bonds. A war is being fought and the war must be financed. The banks are in the best condition they have ever been in history, and the selling and purchasing of all the bonds you can is being done in your own selfish interest, in the interest of your customers, in the interest of your savings depositors, and in preserving the power of the good old American dollar.³⁰

In addition to heavy bank investments in government bonds, the bankers managed the five war bond drives in Utah. These drives were conducted without any expense to the government and with no thought of monetary remuneration. The bankers were directly responsible for over eighty per cent of the bonds purchased by the public during this five-year period.

Time and space limit a detailed analysis of all the services rendered by the banks to the government. A brief summary of the more important services rendered, however, is given below:

1. Selling of War Bonds.
2. Management of five war Bond drives.
3. Purchase of government securities for their own accounts.
4. Handling subscriptions to securities sold during the drives.
5. Issuance of savings bonds to the public and the bank employees through payroll savings plans.

³⁰Minutes from the Utah Bankers Association's 36th Annual Convention (June 24, 1944), Salt Lake City. (In files of the S. L. C. Clearing House).

6. Certification of signatures on redeemed bonds.
7. Making loans to finance construction or repairs in war housing areas.
8. Making loans to contractors and subcontractors engaged in war operations.
9. Advancing loans to finance production of food for armed services and civilian requirements.
10. Establishment of banking facilities at military posts.
11. Cashing allotment and allowance checks for servicemen's dependents.
12. Cashing payrolls for war industries and, in some cases, the Army and Navy.
13. Providing receipts for taxes withheld and transfer of funds to Reserve Banks.
14. Handling of ration coupons and stamps.
15. Handling of ration accounts.
16. Cremation of expired coupons and stamps.
17. Distribution of millions of fibre tokens.
18. Control of movement of funds and assets of non-nationals.
19. Keeping a census of such funds and assets.
20. Making a census of American holdings of foreign assets.
21. Handling better than eighty per cent of all securities sold during War Loan Drives.

The President of the United States, the Governor, and the United States Treasury Department all voiced their appreciation in answer to the banks' pledges of assistance, cooperation, and effort in the sale and absorption of War Bonds.

Utah Bankers Achieve National Acclamation

Several Utah Bankers were elected to national offices in various organizations during the early 'forties. In 1941, Frederick P. Champ, President of the Cache Valley Banking Company in Logan was made President of the Mortgage Bankers Association of America. He was the first farm mortgage banker in many years to be accorded with this honor.

R. P. Wilson, Vice-President of the First National Bank in Salt Lake, served as President of the National Creditmen's Association in 1941-1942. Mr. Wilson was the first banker in twenty two years to hold this position.

Rulon F. Starley, State Bank Commissioner was made President of the National Association of Supervisors of State Banks in 1942.

The National Livestock Association elected as its Vice-President L. C. Montgomery, Vice-President of the Commercial Bank of Heber City.

During 1942, David B. Sims, Assistant Acting Manager of the Federal Reserve Bank served as Vice-President of the American Institute of Banking.

The selection of these Utah bankers was a testimonial to the caliber of people which were managing the citizens' money. These Utah bankers' capabilities were highly regarded and recognized, not only in Utah, but across the country.

Bankers Anticipation of the Post War Period

With the end of the war in sight, Utah bankers anticipated another transition period in the economy of the State. They realized that many difficulties would be encountered in absorbing the

many returning soldiers. Accordingly, they went on record as supporting the G. I. Bill of Rights which would give these soldiers the chance to learn a trade or get an education.³¹ The bankers also favored continuing the government bond drives and sales. They felt this would act as an effective curb against inflation in the post war period.

It was further realized that the end of the war would mean that various businesses would need money for reconversion and expansion. The defense industries would require money to make the transition to a peacetime economy. Moreover, the citizens of the State and nation had gone without many consumer goods for so many years that there would be a heavy demand for these products.

The post war period was expected to leave the banker with still another obligation--that of giving advice to customers. Many of the citizens and returning soldiers seemed to have more enthusiasm regarding business potentials than good judgement. These people were anxious to invest their money and other peoples' money in most any type of venture.

Mr. Pratt Thomas, President of the Commercial Bank in Spanish Fork expressed this obligation when he said:

We will be called on for advice and will hold it in our power, very materially, to direct the investment of this pent-up capital into ventures that have some semblance of soundness. We need business sense, judgement, and

³¹Minutes of the Utah Bankers Association's 37th Annual Convention (May 4, 1945), Salt Lake City. (In the files of the S.L.C. Clearing House).

deliberate reasoning probably more now than at any other time during our banking experience.³²

At the close of this period, the banks in Utah were looking forward to a tremendous business surge and a new period of prosperity for them and the citizens of Utah.

³²Ibid.

CHAPTER V

SUMMARY AND CONCLUSIONS

This chapter briefly summarizes the most important points presented in the report. Included is a brief resume of the study's objectives as set forth in Chapter I, along with an analysis of banking and economic developments for the periods 1932 - 1934, 1935 - 1940, and 1941 - 1945. Throughout the report, the primary objective was to show how banking developments and experiences have reflected and been conditioned by general business and economic growth of the State.

1932 - 1934

The depression of the 1930's dealt a severe blow to the economy of Utah. Mineral production, which had been one of the major sources of income to the citizens of the State, hit an all-time low in 1932. Many of Utah's manufacturing firms, especially those which had been organized since the end of World War I, met with failure.

As a result of the crash in 1933, the price of agricultural commodities and livestock almost reached a vanishing point with little or no market. This loss of markets coupled with the drought forced many farmers and livestock producers into bankruptcy.

Throughout the State taxes went unpaid, industry was reduced to a standstill, and unemployment ran high.

Some of the banks had enough liquid assets to enable them to withstand the depression. Others, particularly the smaller and more poorly managed banks, found themselves unable to meet the heavy withdrawal requests. As a result, thirty of Utah's banks were in the process of liquidation by the end of 1932.

The bankers had mixed feeling concerning government intervention and control during the early part of the depression. They soon realized, however, that if they were to recover from the shocks of depression, more government control and assistance would be necessary. Therefore, most of the banking legislation enacted at the State and national levels was supported by the Utah bankers.

1935 - 1940

Utah's banks were, for the most part, in a solvent condition by 1936. However, the problem of solvency was soon replaced by one of equal significance--possible government competition in the area of loans.

Many of the bankers, especially the smaller ones, feared that continued competition with the governmental agencies (established during the depression) would leave them with the alternative of losing their customers or being forced to accept loan contracts which would not yield a return high enough to realize a profit.

Thus, in an attempt to regain the confidence of the public and compete with government agencies, the Utah State Bankers Association, with one hundred percent membership, began an extensive education and public relations program.

The bankers presented lectures and talks covering every phase of banking to each segment of the population in an attempt to acquaint them with banks and the services they provided. For the first time in years, the bankers went out of their way to meet farmers on their farms and give them the financial advice and counsel needed. Also, they encouraged 4-H activities by offering prizes and gifts for outstanding performance.

These educational programs were designed to prove that the banks were capable and willing to handle all financial needs of customers. At the same time, the bankers succeeded in defeating any serious competitive threat from governmental financial institutions.

By the end of the late 1930's more and more Utah bankers began to see the advantages of branch banking and were giving serious thought to the establishment of branches in outlying areas. However, the outbreak of World War II prematurely stunted this movement until after the War was over.

1941 - 1945

By late 1941, Utah's economy was feeling growth pains resulting mainly from heavy federal expenditures for defense purposes. This development coupled with the increased activity in Utah's agricultural, mining, and manufacturing industries created a labor demand on the area which was completely out of proportion to the available supply. As a result, there was a great influx of people from other areas of the country. The impact of these developments was reflected by the increase, from 1940 to 1943, in Utah's per-capita income of \$645.

Demand deposits in Utah banks showed a substantial increase during this five year period. This growth trend was a result of two main factors: (1) the high rate of employment and increased wages associated with the defense activity and (2) the method used by the government to finance the war.

Even though bank loans remained relatively stable, and in some years declined, investments registered a substantial increase. These investments included mostly government securities purchased simply by debiting the bank's investment account and crediting the government's demand deposit account (Treasury Tax and Loan). This deficit financing program aided the war effort and the bankers. It resulted in the addition of millions of dollars to the nation's money supply (demand deposits). Simultaneously, the banks' investment accounts increased proportionately, thereby increasing their earning potential and profits.

During this period, the Utah bankers managed five War Bond drives and sold better than eighty percent of all securities purchased during the drives. In addition, the bankers handled the ration coupons and stamps and many other services without any expense to the government and no thought of remuneration.

These three periods indicate a definite correlation between banking development and economic activity.

When the economy was failing (1929 - 1935) the banking industry in Utah was subjected to a stagnant period with many failures. The post-depression recovery of the economy (1935 - 1939) was characteristic of the recovery of the Utah banks. Finally, the

government defense activity (1941 - 1945) resulted in substantial growth of the State's economy and also its banks.

Thus, it is the opinion of the author that banking development in Utah directly reflected the condition of the State's economy.

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