

Nelson
Dec. 5 to Dec. 26

L.L.

Depression

In 1900 and then at the age of 20 my father called me into his office and wanted to know if I had made any definite plans for the future in regard to what business or vocation I would like to follow; it was finally agreed that I take a short business course and join him in the banking business, which was excepted and as junior member of the firm my duties were anything from janitor to president of the bank.

The bank was organized in 1880 and one of the pioneer banks located in the northeastern part of Nebraska, on the Missouri river and near the mouth of the Niobrara river.

At about this time the Indian Reservation was opened for homesteads and settlement; the country around there and northwest to the Dakota's was soon taken and settled and was quite prosperous for those times.

In the early nineties the drouth and hard time struck the country (we did not call it the depression in those times) it looked like the homesteaders or settlers would all starve or move out of the country, but most of them had no place to move to now, or nothing to move on so they had to stay.

One of the old settlers after he became quite wealthy used to tell us this story; I walked 12 miles to town to get a sack of flour and had to return with out it, as no one in town would trust me for it; I had some corn at home which we ground through the coffee mill and faired quite well on that.

The bank in those days had very little money on hand and none to

loan, but by now the homesteaders were receiving some relief through the Eastern City in the way of flour, bacon, coffee, old clothing and seeds for spring planting. It was no unusual sight to see a farmer going down our streets dressed in a Prince Albert coat and gummy sack for shoes or overshoes.

By this time most of the cattle and hogs had been sold off or butchered. Crops were good again and with abundance of feed with very little cash value, the Bank was able to help in restocking the country with cattle. By an arrangement with a Sioux City Bank to carry these loan secured by the stock purchased and about everything else the farmer owned. These loans were soon paid and the country was developing and improving very fast by now.

In about 1901 the C & NW Ry. began extending its line through this country and up to Winner, S. D. this increased the value of lands and value on most everything the country produced.

In 1911 the Depositor's Guaranty Fund was enacted and this had its effect on the public and the hoarded money (mostly gold) began to find its way into the Bank and the old sock was just as popular then as the saying is now. I generally saved these old socks to show to my less skeptical friends to prove to them that some of the gold was really soaked. During this period the Bank grew rapidly and was prosperous. The World's War inflated prices both of lands and other properties to such an extent that a business boom developed that swept bankers, business men and farmers into the maelstrom of speculation. Standard of values and normal bases of credit were lost sight of, and sound business

principles were forgotten. During this period more than 300 additional state banks were chartered in Nebraska and the State Banking Board at that time did not have the power to refuse them charters. Subsequently, hundreds of banks were chartered for which there was no economic use and men permitted to operate them, who for want of ability and honesty, have disgraced the banking business. The unsafe and unnecessary expansion in banking during this period led to a dangerous increase in loans and credits with too many banks and not enough good bankers. Made competition ruinous, bad loans became common because there were not enough safe borrowers to absorb the funds that should be loaned to show a profit, if you didn't loan these funds you were forced with bankruptcy for another director, the inability to pay the operating expense.

During this period for 1911 to 1918 the banks deposits increased some 300% to 400%. This of course invited competition, which did not effect our growth, but both seemed to grow and prosper.

Shortly after the Worlds War economic causes, general in scope and character distroyed agricultural and commercial credit. The fall in speculative land values and of all farm property had swept away the supposed securities and caused a serious distruction of credit; lands that sold for \$150 to \$200 per acre wouldn't bring \$50; cattle selling for \$80 to \$100 per head brought about \$25 per head on the market; corn that sold for \$2 dropped to as low as 25¢ a bushel. Under these conditions we found hundreds of deflated or almost worthless securities, many of these notes were given by farmers who had help settle the country or their children who had taken their place and were honest and hard working

people, and another class who under normal conditions were considered good, but at the first signs of depression would take almost any means or advantage of getting out from under the load with as little effort on their part as possible either through bankruptcy or other unfair means.

The deposits in the Bank slowly began to disappear and this caused some worry and expense as we were forced to borrow large sums of money or collections through the note case. We still had confidence in the country and at that time figured the depression would only last a year or two and with good crops and fair prices we still would be able to weather the storm.

We still had many good notes or securities but collections were too slow, so we had to resort to borrowing and discounting through an Omaha Bank to replenish our reserve. The rate of interest was high and 30 to 60 days time was the limit of time you could borrow on and trips to Omaha became quite frequent, always getting some relief but never enough or what you asked for and by the time you got home you had about enough time to change shirts and return to Omaha for more funds. I remember one of these fast return trips to Omaha very well. We had a good customer who had moved to the West coast after selling out during the high time. He still had a large sum of money on deposit with us and while I was in Omaha he drew on us for quite a large amount, the boys at home figuring I would get enough credit to take care of this extra amount. So they remitted for his check with a draft on Omaha. This of course would wipe out our balance in Omaha, and I hurried back to the city for help. I was able to get a little more credit but not a cent to pay on this draft and that it was up to me to take care of it in some other way.

If they had known the Old Englishman as I thought I did I don't believe they would have wished anything like this on me. He was a man that always got what he went after, although we had never had any trouble with him, and this was one thing I figured he would not stand for. After arriving home I finally mustered up enough courage to write him asking him to return the draft for credit and requesting him to draw his check in smaller amount and over a period of several months. After waiting about a week and not hearing from him it began to worry me, then another week and no answer; I was sure now he was on his way back to Nebraska and would tear the roof off the bank unless he got his money at once; our reserve was still very low, another week passed and by this time when the morning train would whistle it would sometimes give me such a shock that I would almost jump out of my chair. After about the 5th week his letter arrived, stating, "Draft inclosed as per your request."

During this time we were driving everything possible to collect, the discount rate was high and taking all the profits of the bank. Loan values continued high even after the drop in cattle, hogs and grains, Insurance Co's and Loan Co's were fighting for these loans and were still loaning on these high values and many of our notes were paid on reduced through these loans.

The farmers was unwilling to sell and sacrifice his live stock, and loans were secured for them on their lands, those who's lands were clear as a rule paid out in full, the ones with loans on their land were able to secure substantial increases. On many of these incumbered farms we were later compelled to take a second mortgage as security and some were deeded direct to the bank. Later on all the speculative value had vanished,

the Insurance and Land Co. acquiring title, leaving nothing for the bank or owners.

During the early days of the depression banks began closing their doors in Nebraska and South Dakota and being located on the railway line from Omaha to Winner, South Dakota this country was seemed to be in our own back yard.

Now every few weeks reports of bank failures at the far end of this line would reach us; at first nothing much was thought of it until it seemed to be a regular habit, first striking this town, then the next, some time passing over a town or two but always returning and cleaning out the banks it had missed before advancing again, but ever advancing towards you, taking nearly every bank in its path to the state line, with drouth, grass hoppers and distraction following in its wake. This did not happen in a day or two but over a period of about 2 years. By this time we were fully aware of our own weakened condition and the regularity of these failures began to have their moral effect, and setting in a direct line of its operation, you began to regard it as some huge monster creeping toward you. Now banks in Nebraska began closing their doors with about the same but slow regularity as in South Dakota, striking town after town, advancing slowly but surely towards you until every train whistle or telephone call would startle you, and leave cold chills running up and down your back. The train or telephone by now never brought you any good news so it seemed.

But we had more to do than set around and lissen for the different signals. This was just one of the trying moments, waiting for the morning mail, which would indicate whether you were good for one more day or not.

Collections

The collection of chattle and some of the unsecured notes was slow and in many places impossible, the bankrupt courts were to handy, in which some found relief, and some would just quit, leaving you with what little securities they had left. Nearly all of them now were discouraged and needed some kind of help, crops were poor and the shortage of feeds did not help matters any. In many cases you were obliged to buy feed for the stock in order to market or winter them. On this class of paper^{people?} we did not ask or try and force collections except renewing and what interests you could collect, and by now you had to drive the county day and night even to get your notes renewed, and encouraging and assisting them all you could in planting another crop, still hopeful for brighter days and a few bumper crops.

As Sen. Millard of the Omaha National Bank said to me, you country bankers have made the mistake of your life, most of you have grown up in the community with these people and have become as one large family; never asking them to pay only what they felt like paying. If years ago you had established a rule of making every borrower pay you up in full once in every five years even if you had to turn around the next day and loan it back to them the next day. In this way they would of realized that their really was a pay day and they would have been more careful of their borrowing and you would all be in better shape today.

Just across the Missouri River in South Dakota was a territory thickly settled with Norwegians that was more or less isolated as to a good trading point, and selected our town as a way out. So the business men

and farmers formed a company and built a ferry boat, which gave the farmers from that side of the river a better and nearer market. During the depression we lost the ferry boat during the spring rise, leaving us with a few slow notes which needed attention. Rowing across the river at that point I struck out afoot through the brush and timber and by good luck found my first man, located in the foot hills.

His welcome greeting was hardy and friendly but for some reason was not paying any attention to what I was trying to say in explaining the object of my visit, but insisted that I enter his home. There I met his wife with a huge coffee pot in a hand and stirring the fire with a poker in the other hand, insisting that I have a cup of coffee and lunch, after which they were very attentive and agreeable.

After coffee and lunch I was then directed to the next place I expected to visit which was about $\frac{1}{2}$ mile up the draw. There they must have seen me coming and before I could get my breath I was ushered into their home, and there on the stove was the coffee pot all steaming and ready. My protests and excuses were unheard and I found myself seated at their table.

I still had three more places to go and was determined to finish up while I was on this side of the river. All three were Norwegians but by this time I had resigned to their kind hospitality and with all due grace partook of their coffee.

I was fortunate that the road back to the river was all down hill, and by the time I arrived back to the river I was able to bend forward enough to row across the river and home, vowing never again to ~~tackle~~ trouble over two Norwegian collections a day.

Located as we were between two Indian reservations with some 1200 to 1500 Indians in the territory we loaned some money to them in small amounts. The younger generation and breeds did not seem to have much of any regard for their credit, while most of the older (full bloods) seem to take a great pride in paying their obligations. It was no use of sending them a notice of their due dates, but you just waited until they had the money. I have seen some of the older Indians come in with several of their tribe members, and seating themselves in chairs or on the floors around the wall in the back room of the bank, smoking and passing the piece pipe around. Nearly all these Indians could speak and understand you but rather make their wants known through an interpreter. After settling their accounts they would shake hands and walk out with great pride and dignity.

We had quite a few Bohemians in our country most of them depositors instead of borrowers, nevertheless we had some of the younger generations on our books.

I recall a certain young man who owed us quite a large sum but said he was able to fix it up through his parents. After preparing the proper papers we started to his fathers place some ten or fifteen miles in the country. The old folks were glad to see the boy and I seemed to be welcome. After inspecting the papers for a while, and then without warning, it seemed like a small war was about to break out. They started to talk in their native tongue (which I didn't understand) and seemed to be in a heated argument over something; talking very rapid and loud shaking their fists first at the boy then at me and at each other, sometimes both

talking at the same time. I commenced to figure that I had come to the wrong place but determined to stand my grounds. After about fifteen minutes of this kind of argument or war they seemed to find a stopping place then turning they informed me in English that everything was alright.

On our road home I asked the boy what seemed to be the trouble and if the old folks were angry at either of us. The young fellow looked surprised and said that dad was just explaining to mother about the papers, and that everything was satisfactory and just the way they wanted it.

In some of these trips into the country you found yourself confronted with many difficult and sometimes seemingly dangerous positions. We had a certain party who wasn't inclined to help himself much or you either, but finally agreed that if I would find someone who would take over his property in settlement of his notes that he would consider it.

A few days later I drove into his yard with a party who I figured might take the property over. As soon as he found out the purpose of our visit he went into a crazed spell yelling at the top of his voice and ordering us off the place, then starting for the house on a run still yelling and shouting that he would show us fellows something. It didn't take the party I had with me long to reach the highway. I figured he was bluffing and stood my grounds. Instead of coming out of the house with a gun as we both expected by his actions it was some kind of a card or a diploma showing he had attended and reached a certain grade in school.

Still yelling at us to get off the place he rushed for the barn turning out all the horses, cattle and hogs he had on the place and setting the dogs on them, it was not long before he had horses, cattle, pigs and chickens running for their lives all over the place.

A few days later I happened to be passing this same place and just for the fun of it I stopped in to see him how he was getting along. Today he seemed to be in a very different mood and suggested that I drive him to the next town where his wife was visiting and talk things over with her. After arriving there he went into the house and in a few minutes he came out informing me that he expected to stay over night. I could see more trouble brewing so left him.

By this time it was getting dark and driving up town stopped about an hour for lunch, after which I started for home. About a mile out of town I noticed someone walking down the road, stopping and inviting him to ride. By then I seen it was the same party I had just left in town, he did not recognize me at first but shortly did and demanded that I stop and let him out, but instead I started to speed up figuring he would soon come to his senses, but no, he threatened to jump and was preparing to do so before I slowed down to let him out.

I then tried to persuade him to get back in but he flatly refused but requested me to deliver the sack of groceries he was carrying to his children at home, then stating that no one would ever see him alive again as he figured he would stop under one of the many bridges along the road and that they could look for him there in the morning. This I didn't take very serious as I had had others threatening to commit suicide, but those who were bold enough to announce their acts, are still alive and healthy yet as far as I know.

Now for the first time in 5 years we had a little breathing spell the reserves were back to their legal requirements and all the heavy

borrowing had been repaid. Now you had a little time to reflect back on the passed few years, wondering how you ever was able to hold out as long as you had; during nearly all this time you were below the legal reserve with hardly enough money on hand to open the bank doors the next morning, and about the same story day after day.

Then again you would go through your old note case, seeing what good you could find in them, but they didn't look so good after five years of steady pounding. Most of the good securities had vanished in their place were encumbered real estate mortgages and deeds, judgment and tail ends, with very little value left in them. Some time the haunted feeling that you might be prosecuted, or even thrown behind iron bars or was it just the old saying that was worrying you, "that their were thirteen different charges you could be jailed on if you went broke honest."

Banks were being closed almost daily now and many striking in our own community, seemingly strong banks and men that you knew for years had to close their doors. Banks that but a few years ago would sell for two or three times their book value, now were almost worthless. You couldn't even give them away. Selling banks is not like selling or trading horses, as there always is a certain financial and moral obligation that follows them, you had no choice only staying to the end, hanging on to what little ray of hope that was left.

But this was short lived for one early day in June 1925, five large men entered the bank and standing around for a while awaiting their turn, finding one of them presented his card, inviting himself to a private interview.

After inviting him in our private office he still didnt have anything much to say, so I finally asked him if he had been sent to close the bank. He said "Yes, thats the instructions." After a thorough examination they left leaving one man in charge. Relieved of my responsibility I was free to come or go at my leisure, but always willing to give him such help or advise that he would ask for.

The country now seemed to take a different attitude to the situation, realizing that their chattles and securities soon would be forced onto the market, some of them began to dispose, hide or trade their chattles or securities around and he was having some trouble in locating the property.

I remember one deal that envolved some 30 or 40 cattle and 18-20 horses with some hogs and farm machinery. This note was one that looked good and might pay out. After he had checked the property over, he said it wouldn't pay 20% on the dollar, he seemed pretty well warmed up about it, almost accusing me of mis-representing the property in drawing the mortgage.

Figuring that it might have been possible that he had visited or checked the wrong place or property, I ask him to describe the property and place. While the number of cattle and horses checked out by numbers only it was not the same property all had been exchanged for an inferior grade and was not worth 25% of the original property.

He then gave them 48 hours to have this property back on the place. After doing this we made several night trips along the road and nearly always seen live stock moving along the highway back toward the old home.

The receivers in Sept. 1925 had collected about all they could by

now, and the remaining assets were sold to the highest bidders, and all the depositors were paid in full through the Depositors Guarantee fund.

This is about the only pleasant recollections left; that all of your many depositors especially the older people, women and children all received their money in full, and I still have many friends in that now seemingly depressed country.

Banks continued to fail throughout the country and even some of the banks that was reorganized for the second time had to close their doors, until every bank in the county was closed at least once.

Now good little banks have opened in all the larger towns of that country, but they do not reflect over 10% of the wealth of former days, nor do they serve the country in the same spirit as of old.