

BULLETIN of *The* BUSINESS HISTORICAL SOCIETY

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Members to Receive a History of Two Bank Groups in the Northwest

Before the next number of the BULLETIN is issued, members of the Society will receive a copy of the latest volume in the Harvard Studies in Business History. The book is entitled the *Development of Two Bank Groups in the Central Northwest: a Study in Bank Policy and Organization*. Its author is Dr. Charles Sterling Popple of J. M. Dain & Co., of Minneapolis.

Though this work is an historical study, its interest is focused on the present situation in banking and it derives special significance from the fact that it highlights a live issue, that is, whether or not American banking will find security in the future in its own strength or in the strength of government insurance and control. The emphasis of the book is on the development and operation of two groups of urban and rural banks in the St. Paul-Minneapolis region which were organized in the late 1920's around the nucleus of strong Twin City banks.

While Dr. Popple is chiefly concerned with the two bank groups, he also sketches their historical background, that is, the beginnings and growth of banking in the region. The earliest banks provided, principally, a medium of exchange and carried

on a domestic exchange business with some commercial loans. In the next stage, banks supplied to the developing pioneer communities short- and long-time loans by means of funds drawn from the East. Gradually a local surplus was accumulated in the region's metropolitan center, St. Paul-Minneapolis.

The prevailing banking system, that of independent unit banks, was exceedingly vulnerable under strain. There was a high mortality, especially in country banks, in time of panic and depression. The agricultural collapse of 1920 threatened the regional banking structure. Only the strongest country banks survived. Some of the Twin City banks which had followed a conservative course were in good condition when the trouble came, and they were strengthened by the urban prosperity of the 1920's. During that period of urban prosperity a few large banks in Minneapolis and St. Paul, which had traditionally specialized in commercial banking, began to broaden their functions and thus go over to financial capitalism. They entered the trust business and they entered heavily into the handling of securities.

It was a logical step for those banks to become interested in country banks. The weakness of the country banking situation was a threat to all banking in the region, and the possibilities of improvement through group operation seemed very real. This appealed to certain bankers in the Twin Cities, who also saw an immediate advantage in the issue of new securities in the process of converting unit bank stock into holding company stock. Banks of the industrial-capitalist type, managed largely by non-owners, therefore got together in two separate groups and put their plans through shortly before the crash of 1929.

The two groups came to be centered in the Northwest Bank Corporation and the First Bank Stock Corporation. Each of these holding companies acquired control of the stock of scores of banks throughout the region. The system which was set up combined central control of policy with local management of the operation of the individual banks.

The remaining unit banks in the region continued to operate independently. While the strength of the group banks lies in the strength of the resources and administration of the group, the strength of the unit banks is in the final analysis their dependence on the national government, that is, on federal deposit insurance and the Federal Reserve Bank.

Dr. Popple writes of men and firms. He shows them operating in a rapidly developing region, subject to the usual vicissitudes of general national and world business conditions. He secured his information in part from printed sources and in large measure from the records of the banks themselves. He also drew heavily on his own observations and his own acquaintance with the men and with banking in the region about which he wrote.

Meeting of the Council of the Business Historical Society

The annual meeting of the Council of the Society was held in Boston on April 21. President Higgins presided. The following members were present: Charles Francis Adams, Donald K. David, Allan Forbes, N. S. B. Gras, John W. Higgins, and Henry L. Shattuck. All the officers were reelected for the coming year.

Dean David and Professor Gras announced a gratifying increase in membership resulting from the addition of the Associates of the Harvard School of Business, who through the action of the School have become general members of the Society.

The Council favored the proposal of the Vice-President to increase the size of the BULLETIN; this action, which has been contemplated for some time, is facilitated by the addition of the Associates as members of the Society.

There was considerable discussion of the plans for books to be published and presented to members of the Society during the next two or three years. As announced elsewhere in this issue, members will receive copies of Dr. Popple's *Development of Two Bank Groups in the Central Northwest* in about a month.

It was voted not to hold a general meeting in the near future. In making plans for a meeting after the War, the Council favored concentrating on one topic, such as the history of commercial banking. Suggestions as to a possible subject will be welcomed by the Executive Secretary.