BANKS AND BANKERS IN DENTON COUNTY, TEXAS, 1846-1940

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This thesis investigates the importance banks, and bankers had with the development of the Denton County Texas from the 1870s until the beginning of the Second World War. Specifically, their role in the formation of both private and public infrastructure as well as the facilitation towards a more diverse economy. Key elements of bank development are outlined in the study including private, national, and state bank operations.
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CHAPTER 1
INTRODUCTION

The role bankers played in the formation and development of small towns, as the United States national frontier moved westward, is an understudied area of American history.\textsuperscript{1} As the young nation expanded westward, financial know-how and leadership were needed to create sustainable, economically diverse towns and cities in the young capitalist nation. The ability of a town to adapt from a single enterprise such as farming, ranching, or logging, into a more diversified economy, required foresight and risk-taking from community leaders as well as sturdy capital resources. A stable bank, lending to businesses and individuals as well as to local governments, often provided elected leaders and entrepreneurs with the needed capital to build public and private infrastructure. In this study, the role bankers played in the formation of towns in Denton County, Texas, is examined.

Historical documents show the close relationship Denton County bankers often had with their local government. They were involved in promoting, supporting, and funding much of the town’s economic growth as early as the 1880s. Bankers in the county’s towns often provided the needed capital to enable it to grow, essentially providing the economic support for a modern society along with social institutions, such as churches, and government. Bankers also engaged their communities in all of these areas, through political involvement, community associations, and lending. Many bankers helped to encourage outside investments into the county, in an effort to facilitate growth and modernization throughout the region. Many of Denton County’s bankers

\textsuperscript{1} See Appendix
often served in various local and state government offices, including holding offices as judges, sheriffs, town councilmen, and mayors. Most likely, these men saw their role as community leaders seeking to modernize the region as being consistent with the goal of accumulating personal wealth.

Somewhat ironically, given the role of banks in economic development, Texans resisted a formal banking system and distrusted bankers from the state’s earliest years. Other than a brief period during Reconstruction, Texans outlawed state banking until 1905, indicating a general distrust of banks and bankers for more than half a century in the state’s early history. Nevertheless, at least in Denton County, men involved in some way in banking enterprises often moved from bank boardrooms to government office and back regularly. Moreover, the financial condition of these banks often represented a barometer for economic conditions in the county. This close association between government and private enterprises was critical to the county’s economic development.
CHAPTER 2
BANKS AND BANKERS IN EARLY TEXAS AND DENTON COUNTY TO 1905

The history of banking in Texas is complex. A majority of the people who moved into the Mexican province that eventually became Texas were from the southern United States, many of whom were admirers of President Andrew Jackson, the notoriously anti-bank leader, who had killed the Second Bank of the United States. Furthermore, many blamed the panic of 1837 and its subsequent six-year depression on the banks’ willingness to extend credit well beyond their reserves. The timing of that crisis loomed heavily over the leaders who established the Texas Republic government, as well as the Texas state government that was formed after annexation to the United States in 1845.²

Banking had few supporters at the 1845 Constitutional Convention. Henry L. Kinney, San Patricio County’s representative to the convention, believed that the body went too far in outlawing banking. Kinney supported Bastrop County representative John Caldwell’s measure, leaving bank creation to the discretion of county government leaders. Nevertheless, Kinney and Caldwell were outside the majority opinion. During the debates leading up to the deciding vote, Thomas Jefferson Rusk, the Constitutional Convention’s president, voiced the general opinion of the Texas delegates on the matter:

I think, as a member of the Convention and the community that it is due to myself, the country, and the people themselves, to restrain them from doing anything, which would result in their injury. The gentleman from San Patricio [Henry. L. Kinney] says that many individuals have been benefited by banks. Thousands upon thousands, sir, have been ruined by them. I consider it a bright page in the history of General Jackson, that he had the honor of giving the blow which will eventually destroy them upon this continent. And I wish by no vote of mine, here or elsewhere, to authorize the institution

of a bank, which may benefit a few individuals, but will carry, here as elsewhere, ruin, want, misery and degradation in its train. 3

Intense arguments were presented by both sides. As the ayes and noes were called to reconsider the constitutional provision outlawing banks, the noes, led by Rusk, easily defeated the ayes, setting the tone for banking in Texas for the next fifty years. Other notable dissenters from the anti-bank majority were Jose Antonio Navarro, Joseph L. Hogg, and James Love, along with Kinney and Caldwell. In total, thirteen voted for the motion to reconsider the anti-bank provision of the constitution, with forty-three voting to keep the anti-bank provision. Subsequently, Article VII, Section 30, was passed and became part of the Constitution of Texas. It read, “No corporate body shall hereafter be created, renewed, or extended, with banking or discounting privileges.”

Texas’s secession from the United States did little to change popular opinion regarding the Texas bank law. The Constitution of 1861 merely carried forward the previous constitutional provision word-for-word, reiterating that “No corporate body shall hereafter be created, renewed, or extended, with banking or discounting privileges.” After the Civil War, a new constitution was written in 1866, during Presidential Reconstruction. Given another opportunity to change the banking provision, Texans declined to allow banks, and maintained the anti-bank clause verbatim. Nevertheless, while the creation of state banks was outlawed in Texas, the National

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Bank Act of 1863 and 1864 allowed the establishment of national banks throughout the country, regardless of state law, and some Texas businessmen quickly took advantage of the federal law to open national banks. The first of these opened in Galveston in 1865.

It appears that following the Civil War there was rapid acceptance and use of banks by Texans representing a sea change in popular thinking regarding the subject. As early as 1867, there were at least fifteen private banks operating in Texas, five of which corresponded with New York’s J.H. Brower & Co., and insurance and banking firm with investments throughout the country.\(^7\) These banks performed rudimentary functions.\(^8\) In Galveston, they engaged primarily in the cotton export business, while others simply acted as a depository for individuals' gold and silver. By 1869, there were at least twenty-five private banks operating in Texas, including Buford & Jordan in Dallas and J. D. Newsome, & Co. in McKinney.\(^9\) The 1869 Constitution, put in place during Congressional Reconstruction, notably left the anti-bank provision out. At the same time, private banks began opening with increased frequency. By 1873, there were at least seventy-four private banks, four state banks (permitted under the 1869 state Constitution) and five national banks operating in Texas.\(^10\)

As the county seat of Denton County since 1857, the town of Denton had the county’s first banks, all of which were private establishments. By the mid-1870s, only a handful of small


\(^10\) Bankers Almanac of 1873, *Hathitrust Digital Library*, https://babel.hathitrust.org/cgi/pt?id=njp.32101068322179;view=1up;seq=10. (accessed May 21, 2016). This source denotes a brief period of time when Texas allowed state banks to exist, as will be explained below.
businesses operated in various towns of the county. The town of Denton, incorporated in 1866, had a hotel, shoe store, drug store, attorney’s office, grocery, and barber shop, as well as Denton County’s first bank, which Thomas W. Daugherty, a lawyer who had commanded a company in the 29th Texas Calvery, operated with his brother James M. Daugherty, another Confederate veteran who became better known as a cattleman.11 The Daugherty brothers involved themselves in many aspects of the town’s daily life. Before his time as a banker, Thomas served as a justice of the peace in 1868, and eventually served as an alderman in 1872–73.12 The Banker’s Almanac of 1876 listed his bank as the only bank operating in Denton County that year. Like many of the region’s banks, the Daugherty bank’s underwriter and reserve agent was a New York firm, Donnell, Lawson & Co. This was a necessary partnership and not only helped to finance the young bank but also likely helped to guide the firm, while essentially creating a franchise for the New York bank. Although the Daugherty bank still existed in 1879, according to the Rand McNally Bankers Directory of that year, and as late as 1880 according to the Osgoodby’s Attorney’s and Bankers Directory of the United States and Canada, no records exist for it beyond the year 1880.13

By 1880, another private bank operated within Denton’s town limits under the ownership of David A. Robinson, a real estate developer who, in addition to serving as a town banker, represented Denton in the Republican National Convention of 1880. He and his sister-in-law

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12 Edmond Franklin Bates, History and Reminiscences of Denton County (Denton, Tex.: McNitzky printing company 1918) 377, 318.

Tillie Trimble operated this bank for a short time. However, by 1880, H.M. Spalding was the president of the bank, and Robinson was not named among the officers of the bank.

Nevertheless, Robinson maintained his involvement in the town’s government and its economic growth. A faithful member of the Republican Party, he served as Denton’s mayor in 1883. Also, Robinson represented Denton County Republicans in the Texas state convention as well as the National Republican Convention in 1880 in addition to serving as president of the State Republican League of Texas. In one instance, Robinson served as a Secretary for the Texas and Great Western Railway Company. Robinson intended to connect Denton with a line from Greenville in Hunt County that would continue westward through Wise, Jack, Montague, Clay, Archer, and Baylor counties. Railroads were a critical component of the rapid population growth in the region and led to the dramatic economic growth for Denton County. Robinson’s involvement in the railroad committee, as well as in politics, indicates a strong connection Denton County bankers had with the developing society around them as community leaders.

By the beginning of 1881, the only bank operating in Denton County was H.M. Spalding’s Denton Bank. Spalding, like Robinson, involved himself in other functions beyond banking. Spalding served in the State Republican Party as well and was a voting delegate who threw his support behind James G. Blaine, the Secretary of State and Republican presidential candidate.

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candidate from Maine at the Republican State Convention in Ft. Worth. According to the Banker’s Almanac, by 1882, two banks existed in Denton County, the Denton Bank and the Exchange Bank. Sometime that year, the Denton Bank became the Denton National Bank, the first national bank in Denton County. This was no small task, and required significant capital. Under the National Bank Acts of 1863 and 1865, a minimum of $50,000 was required to open a bank under the national charter. Few small-town economies could support such a significant financial investment, and the fact that the town of Denton could, showed the dramatic economic growth in the county as well as the belief in future growth by the bank’s investors. The ability of Spalding, as Denton National Bank’s first president, to raise the needed capital likely meant a significant undertaking that spoke of the quality of his organizational and networking abilities, as well as a general belief within the community that the local economy was expanding.

Clearly, Spalding knew his business, and in 1890, he was appointed as the national bank examiner for Texas, Arizona, and New Mexico. On March 1, 1889, Spalding sold his interest in the bank to C.R. Buddy, his former partner, and James P. Blount, a physician and former legislator. The directors of the bank were retailer Alexander E. Graham, insurance agent (and future mayor) M.W. Davenport, S. R. Davis, physician J. M. Inge, farmer and rancher H. F. Wakefield, and attorney H. C. Ferguson. Later, Spalding served as the cashier at the First National Bank of Denison in Grayson County. Spalding, like so many other bankers in the

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18 Gainesville Daily Hesperian. April 27, 1888.
20 Bankers Almanac and Register (1883), 220.
21 Brenham Daily Banner, February 13, 1890.
22 Dallas Morning News, February 14, 1889.
23 The Sunday Gazetteer. (Denison, Tex.), May 29, 1892.
region, had moved from business to public and political work and then back again with seemingly little difficulty.

Not long after the creation of the First National Bank of Denton, Joseph A. Carroll, President of the private Exchange Bank, along with S.F. Reynolds, W. A. Ponder (namesake of Ponder, Texas), and J. C. Coit, opened the Exchange National Bank in 1883.\(^\text{24}\) Carroll had arrived in Denton in 1857 from Louisiana. When the Civil War began, he served as an officer in the 29\(^{\text{th}}\) Texas Cavalry.\(^\text{25}\) Upon his return at the war’s end, he was an active community leader who often served Denton in leadership roles. He held the position of district judge and was Denton’s mayor from 1890–91, in addition to serving as the president of the Exchange National Bank.\(^\text{26}\)

The organization of the Exchange National Bank as well as of the First National Bank of Denton required tremendous capital by the standards of the day, and many of the county’s business leaders contributed in the ventures. The town of Denton represented a somewhat important economic center for the region’s farmers, as evidenced by the presence of not one, but two national banks. Throughout Texas in the years 1882–1883, there were only twenty-four national banks, and yet two of them were in Denton. Moreover, private banks were dominant during this period, with as many as 124 operating in the state in 1882, and yet, none existed in Denton County at this time. The significance of two national banks opening within a year of each other.


other is an important indicator of the expectations for rapid growth in the county as well as the
organizational abilities of the bank founders. One factor that can explain this growth is the
railroad, a venture in which Denton County’s bankers were involved. During 1881, two railroads
came to Denton. The first was the Texas Pacific Railway on April 1, 1881, followed soon after
by the Missouri-Kansas and Texas railroad. Historian C.A. Bridges wrote, “The coming of the
railroads may be called the most important single event in the first fifty years of Denton’s
history.”27 This represented a turning point for the small community, as the town of Denton
became an export hub. Cotton, wheat, hides, cornmeal, and flour represented the bulk of the
town’s exports. The population more than doubled over the next decade. In 1880, the population
of the town of Denton was 1,194; by 1890, it had ballooned to 2,558. Moreover, the *Hand-Book
of Northern Texas* (1886) reported that Denton’s economy was undergoing significant
development during the decade. It reported that the County had over $6,000,000 in taxable
wealth, including 55,000 head of cattle, 14,000 mules, and 6,000 sheep. The city of Denton was
very much the transactional hub of the county. The *Hand-Book of Northern Texas* also reported
that the trade flowing through the city amounted to over $1 million, “and [it was] rapidly
increasing.”28 The two national banks reflected this growth and provided the loans supporting
much of this growth. The First National Bank of Denton, operated by Spalding and Buddy, had
$76,258.04 in loans and discounts being applied to the county’s growth, while Carroll and
Ponder’s Exchange National Bank loaned $111,504.09 in 1884.29

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Perhaps more than any other individual banker, Carroll, president of the Exchange National Bank, represented the face of the community leader banker. Often serving in public office as well as engaging in a private enterprise, Carroll seemed to move seamlessly from public to private life, perhaps seeing little distinction between the two. Carroll recognized the need to diversify and at the same time, recognized the need to maintain his county’s agricultural economy. During a speech at the 1885 Annual Convention of American Bankers in Chicago, Illinois, he spoke of a rapidly growing state and detailed the growth of Denton to the audience. More importantly, Carroll spoke of the role bankers maintained in Denton’s economic growth. He said:

In 1872, we exported from our county, in round numbers 13,000 bales of cotton, yielding to the yeomanry of that county $650,000. This year, our crop will most probably exceed that. We have a large surplus of wheat, and it is known to everyone what we have in the way of cattle. All of this is for market. The only application that I can make of this is as to what duty of the banks of our state. We have to furnish the sinews for moving all this crop. These “sinews” were a greater capacity to lend. In this speech, Carroll lamented the low limit—one-tenth of the bank’s capital at the time of the speech—on what a national bank could lend at any one time. For his bank, this limit was consistently $5,000. This amount could be higher if the minimum capital rose. Though this was a large sum of money at that time, cotton buyers used these loans to purchase the cotton, and then held it until prices were such that a larger profit could be made. Essentially, Carroll was making the case that the federally mandated limitations of national banks were limiting the growth of Denton and Texas.

Carroll’s speech to the Convention of the American Bankers’ Association gave a clear indication of his natural leadership as well as the importance of banking in his community. In

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closing his speech, amidst “laughter and applause,” he stated, “In conclusion, let me say our State is prosperous. We want capital; we want men of brains and of muscle. We want every kind of man except a politician; we are most abundantly supplied with them. [Laughter and applause] We want additional facilities for our people to develop the vast resources of our country and to improve it in all the material elements of wealth.”31 Clearly, Carroll was an advocate for economic growth for the state and his region. Many in the audience likely had never heard of Denton, and Carroll’s address may have placed the small community on the minds of a national audience of the nation’s top money lenders. In addition to banking and community service, Carroll also attended the first National Cattle Growers’ Convention.32 Carroll, along with Buddy and Spalding, set the stage for the town of Denton’s banking, establishing sound financial institutions, in a town poised for dramatic growth.

From its founding, agriculture was a critical component of Denton County’s economy. In the year 1890, Denton County farmers produced 12,014 bales of cotton. Furthermore, the Denton Business Directory listed 107 businesses operating at that time. As the economy expanded, so did the county’s banking institutions.33 In 1892, a third national bank for the county opened in the city of Denton, demonstrating the rapid growth of the town during the previous decade. The Denton County National Bank, Charter Number 4708, opened its doors on February 26, 1892. Among the thirty-one original investors of the bank was James P. Blount, who had continued to serve as a well-known physician and community leader and was instrumental in bringing today’s

31 “Address of Carroll,” 65.

32 Ella B. Ensor Wilson, Parsons’ Memorial and Historical Library Magazine, (St. Louis, Mo.: Becktold & co., 1885), Volume I, 308.

Texas Woman’s University to Denton.\textsuperscript{34} He served as the president of the new bank with an initial personal investment of $7,000.\textsuperscript{35} Serving as the vice president of the bank was A. E. Graham, the community leader and local dry goods merchant, with an initial investment of $10,000.\textsuperscript{36} The cashier of the bank was B. H. Davenport, who served the bank for decades.\textsuperscript{37} During the first year, the bank grew at a steady pace, accumulating combined deposits totaling $30,843.74.\textsuperscript{38} Prior to his twenty-year leadership role at the Denton County National Bank, Blount served at both the Exchange and First National banks of Denton.\textsuperscript{39} Like many of Denton County’s bankers, Blount played a role in the community, and prior to his time with Denton’s banks served as a state representative from the twenty-sixth district. In addition Blount served as a Royal Arch Mason and district deputy grand master of a local chapter of the Masonic Lodge.\textsuperscript{40}

Soon after the creation of the town of Denton’s banks, Pilot Point, a town in the northern part of the county, got its first bank. Chartered in 1884, the Pilot Point Bank began under the leadership of President J.M. Weeks, who, along with the cashier Alexander H. Gee, brought capital organization to the rapidly growing town. The town had benefited from a telegraph line in 1877 as well as the arrival of the railroad in 1880. In one instance, Gee represented Pilot Point at a major railroad convention to establish a road from Gainesville, Texas, southeast to Alexandria,
Louisiana. This is another example of the important role that bank leaders often undertook to modernize their towns through infrastructure initiatives.

Like the town of Denton, Pilot Point’s economy was based on agriculture and ranching at the turn of the twentieth century. The arrival of the railroads made the sale of beef, wheat flour, and cotton logistically attractive by lowering the cost of transportation, which previously had relied on horse drawn wagons along poorly maintained roads. By 1892, Weeks and Gee raised enough capital to change the Pilot Point Bank into the Pilot Point National Bank, making it Denton County’s third national bank. Beginning with $60,000.00 in capital stock, the bank showed a small profit of $2,179.82 after its first year of operating. By 1894, Pilot Point National built the brick building that is still standing in 2016 and serving as a museum for the small town. The bank likely helped numerous entrepreneurs both directly through business improvement loans as well as to farmers expanding their operations. As a testament, by 1899, a 30,000 bushel capacity steel elevator was installed by the Pilot Point Milling Co. As demand for the region’s processed wheat and cotton oil grew, the Pilot Point Cotton Oil Mill Co. invested $40,000 in a new building to expand their operation.

Gee had a major influence on the town of Pilot Point and also helped support a German Catholic colony there. Similar to the involvement in economic growth of Denton’s bankers,

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41 Gainesville Daily Hesperian, June 27, 1889.

42 The Law List of the United Commercial Lawyers, Issue 1, United Commercial Lawyers, (Chicago: October 1897).


44 Denton County News, March 9, 1899.

Gee involved himself with his bank as well as the economic stability and growth of Pilot Point. He along with another Pilot Point business leader, G.E. Light, served as President and Vice President of the Pilot Point Ice and Power Company, a key business for the diversification and modernization of their town.\textsuperscript{46} Gee was also involved with the railroads and in 1918 was issued a patent for a rail fastener.\textsuperscript{47} By 1897, Gee’s bank held a modest $30,000 in deposits and a capitalization of $60,000.\textsuperscript{48}

The second bank to form in Pilot Point was the Farmers and Merchants Bank in 1896. The bank’s founders, David W. Light Sr., and David W. Light Jr., began with $50,000 in capital. C.L. Stone served as the cashier of the new bank.\textsuperscript{49} Light, Sr. had a long history in Pilot Point dating back to 1853 and had his beginning as a rancher east of the town.\textsuperscript{50} The bank did well and by 1900 held deposits amounting to $150,000.\textsuperscript{51} By 1904, it was reported in the \textit{Denton County News} that the town of Pilot Point had become the second largest town in the county being one of the “best built, for the size, in the state.” The town at this time was situated on the Texas and Pacific Railroad line as well as the Missouri—Kansas—Texas Railways, which contributed greatly to the town’s growth. The town had seven churches including three African American


\textsuperscript{47} \textit{The Railway Review}, Vol. 63, No. 1, (Chicago: July 6, 1918), 932.


\textsuperscript{50} “History of Pilot Point,” \textit{Pilot Point Chamber of Congress}, \url{http://www.pilotpoint.org/history.html}, (accessed May 1, 2016).

houses of worship. Furthermore, there were fourteen grocery stores, seven dry goods retailers, three hotels, four drug stores, and three hardware stores in addition to the two banks. Attached to the newspaper article was a photograph of the stone-and-masonry Farmers and Merchants Bank building, which likely served as a proud symbol for the small town.52

In 1900, President William McKinley signed the Gold Standard Act, ending bimetallism and establishing gold as the only standard for money in the United States. A lesser known provision of this act lowered the starting capital requirement of the nation’s national banks from $50,000 to $25,000. This had an immediate effect in Texas. Small private bankers were now encouraged to raise capital with an aim to turn their private banks into national banks, and the lower capital requirements spurred bankers from Fort Worth to invest in small town banks, some of which were in Denton County.53

South of the town of Denton, the small town of Lewisville had also experienced rapid economic growth as the twentieth century approached. Like Denton and Pilot Point, the coming of the railroad was critical to the development of Lewisville’s economy. Bankers E.L. Berry, J.W. Spencer, and Benjamin L. Spencer of Fort Worth leased a bank building in Lewisville and opened the first bank there in 1899.54 The small privately funded Citizens Bank opened with starting capital of $10,000, far less than the $50,000 minimum for national banks that year, but by 1904, due to lower funding requirements, the bank organized into the First National Bank of Lewisville with a starting capital of $25,000.55 J. W. Spencer had established the Farmers and Merchants Bank in Lewisville, which likely served as a proud symbol for the small town.

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52 *Denton County News*, September 2, 1904.

53 Grant and Crum, *The Development of State-chartered Banking in Texas*, 32

54 *Denton County News*, March 9, 1899.

Merchants Bank of Fort Worth, and brought with him to the smaller town banking skills as well as capital, making the Lewisville bank a successful operation in its early years. Serving as president of the bank, Benjamin L. Spencer along with his brother J.W., who served as the bank’s vice president, raised the required capital to open the bank. The Lewisville bank, like many banks, often had a purpose beyond conducting day to day financial transactions, and in 1901 the *Dallas Morning News* reported that the bank was the repository for money collected by citizens of the town as a reward for any information regarding “persons who dynamited two negroes’ homes.” It may have been unlikely that the reward was ever paid, and the article also mentioned that the African American who owned the homes had probably left town.\(^{56}\) Nevertheless, the bank thus played a key role in the town, as important as schools, churches, and law enforcement.

In the town of Sanger, just north of Denton, H.C. Davis started the Farmers’ Bank in 1889. Davis was an important figure in the Texas Bankers’ Association, for which he served as the treasurer of the annual meeting of the organization’s convention.\(^{57}\) However, by 1900, the bank was owned by the Spencer brothers of the Lewisville bank, and was renamed the Farmers and Merchants Bank, with E.L Berry working as the bank’s cashier. This bank was capitalized at $10,000 with $35,000 in loans and $50,000 in deposits.\(^{58}\) The same year Davis left his bank, he also stepped down from his role with the Texas Banker’s Association, and E. L. Berry of Fort Worth and Lewisville was elected in his place.\(^{59}\)

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\(^{56}\) *Dallas Morning News*, August 24, 1901.


The small town of Aubrey, about thirteen miles northeast of Denton, had its first bank open in 1902. It began as a private bank, but within two years it became a national bank. With a starting capital of $25,000, the bank began operating under president Boyd B. Samuels and cashier H.G. Musgrove.\(^{60}\) Taking advantage of the recent changes in the law governing a national bank’s capital requirements, the bank became the Samuels National Bank (later the First National Bank of Aubrey), sometime in 1903.\(^{61}\) Samuels, a successful businessman in mining, had established himself as a banker in the town of Fort Worth as early as 1901.\(^{62}\) He was an important figure in the development of banking in the region and served as a representative in the Fort Worth Clearing House Association.\(^{63}\) The clearing house in Fort Worth demonstrates the rapidly changing economy for Texas. The development of larger banking firms in Fort Worth was critical to the development of small town banks. Denton County banks more frequently turned to larger regional banks, rather than New York firms, for raising capital as well as providing leadership for the burgeoning industry.

From the 1890s into the early 1900s, a significant increase in the infrastructure of the city of Denton occurred.\(^{64}\) In a critical diversification of the local economy away from agriculture, the locally famed Denton “syndicate,” formed by W.A. Ponder, a director at the Exchange National Bank, organized the purchase of the land and then donated it to the town for the purpose of the


\(^{61}\) Rhodes Journal of Banking and the Bankers’ Magazine. 66, January to June 1903, 408; Dallas Morning News, December 4, 1904.

\(^{62}\) Fort Worth Morning Register, February 13, 1901.


\(^{64}\) C.A. Bridges, *History of Denton*, 212.
new Normal College (today the University of North Texas). This group of nine men, five of whom were associated with the town’s banks, provided the needed financial support and organization to lay the foundation for the college. These men included Ponder and Joseph A. Carroll, who represented the Exchange National Bank in the syndicate, while H.F. Schweer and M. S. Stout represented the Denton First National Bank. B.H. Davenport represented the Denton County National Bank in the group. The formation of the college was critical to the development of the town as well as the county. Denton’s bankers also promoted the community’s infrastructure growth.

Municipal bonds, frequently put forward by the local government for needed projects, often exceeded the town’s bonding capacity. Bankers, in many cases supplied the bulk of the capital for the work, thus, assuming the greatest risk of default. This was the case in 1908 when “unsanitary conditions” facilitated a growing typhoid fever epidemic in the late summer of that year. This was in large part due to a lack of modern sewer systems. At the time, Denton’s bonding capacity was insufficient to contract the required work. The needed infrastructure repair, had an estimated cost of $25,000, yet the bonding capacity for the town was capped at $12,500. To make up the difference, all three of Denton’s banks and A. E. Graham individually provided $8,400 to cover most of the shortfall. The remainder of the balance, $5,751.52, was divided among twenty-three businesses and individuals. Denton County bankers had the means as well as the organizational ability to help modernize the county and likely understood that their fate was tied to the region’s infrastructure.

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Bankers in the county often had to navigate international as well as local economic disturbances. The Panic of 1893 and the depression that followed, had a devastating effect on the country’s economic system. One historian noted that in a time long before the creation of Federal welfare programs, “some groups appealed to the federal government for aid.” Even so, the panic and subsequent depression had little effect on the financial growth of Denton County. While unemployment soared nationally, Denton County grew in population as well as economically. Unemployment nationally during the depression in 1894, has been estimated to be between 18.4 and 12.3 percent, and yet, Denton County’s economy moved forward.

The 1890s represented a boom time for Denton County as evidenced by the growth of populations as well as with bank deposits. The 1890s brought growth in infrastructure, public schooling, and an economy with greater diversification, though the county remained heavily reliant upon agriculture. Whereas there were few banks operating in 1880, by 1890 the county had four. Then, by 1904, the year before the passage of a state banking law, the number ballooned to ten banks operating in the county. Some of the growth in banking can be attributed to lower capital requirements at the turn of the century. This was a boon to private banks, many of which became national banks when the $50,000 limit was lowered to $25,000.

These early bankers, were critical to the development and operation of the county. Their ability to bring together the dynamic force of capitalism and government allowed them to provide direction to Denton County’s economy. These men were present in key aspects of the county’s growth including commerce, school and railroad depot construction, as well as the

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beginnings of two universities, still present today. The work these early banking pioneers accomplished set the stage for a growing and more diverse economy.
CHAPTE R 3

THE GROWTH OF STATE BANKING IN DENTON COUNTY 1905–1919

By 1900, the town of Denton’s population had grown to 4,187 people. The pace of population growth was steady from 1900 to 1910 with an increase of 545 (about 13 percent) people in the town that decade.¹ In the county, that same period saw a total population growth of 2,940 people or roughly 10.4 per cent.² This was a busy time for Denton County. Better infrastructure was certainly a critical element. Schools were being built or expanded throughout the county, such as the Robert E. Lee School in Denton, providing greater capacity for the growing population’s children. The College of Industrial Arts (originally Girls Industrial College), known today as Texas Woman’s University, erected its first building in 1903. A new railway passenger depot was erected at Denton in 1900, foretold future growth. Furthermore, the installation of an electric streetcar took passengers from the East Hickory Street railroad depot to various points within the town of Denton. Businesses grew around the county as well. In 1904, the Denton Mill and Elevator Company, organized by G.H. Blewett among others, represented a critical business for the wheat-producing region.³ The Razor Ice Plant opened in 1901, providing the people of Denton with a much needed resource for food preservation throughout the region’s long hot summers. A bottling company, two hotels, restaurants, a drug store, the Wright Opera House (1899), and numerous other businesses contributed to the growing economy.⁴ Much of

⁴ Bridges, History of Denton, 267.
this growth was made possible by financing from the town’s banks.\(^5\) Banking, as well as the economy, was growing at a rapid rate and Texas legislators helped this growth with their advocacy for state banking.

As mentioned above, Texas legislators were late in allowing state banking when compared to other states in the country. Finally in 1904, the Texas Bankers Association passed a resolution requesting the Texas Legislature to create a state banking system. This was the third serious attempt to do so, the first occurring during the days of the Republic, and the second, during Reconstruction with the passage of the General Bank Act of 1874.\(^6\) This failure on the part of the Texas legislature to support state banking laws prior to 1905 meant that the state had only private and national banks as late as 1904. Thus, the passage of state banking legislation provided a boon for banking in the state at a time when it was poised for incredible growth. To place this growth in perspective, by the end of 1905, the state had twenty-nine state banks and 440 national banks. By 1919, less than fifteen years later, state banks totaled 970 across Texas while national banks accounted for only 543.\(^7\) The reason is clear, state banks could be formed with much less capital than national banks. Most small town banks could not afford the $25,000 required for national banks. And even though the Texas law required that the “Capital Stock must not be less than $25,000,” which at that time was equivalent to the national bank capital requirements for towns and cities with populations of 2,500 to 10,000, in towns with populations of less than 2,500 people bankers could open a state bank with as little as $10,000.\(^8\) This reduced

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\(^7\) Robb, *The Guarantee of Bank Deposits*, 156.

capital requirement had tremendous ramifications for small town growth across Texas, particularly in Denton County. Greater competition from state banks meant that the previously hard-to-get loans were now made to enterprising farmers and business people. Moreover, Texans began to use banks at increasing rates, as judged by their increasing deposits in both state and national banks. Texas’s economy was expanding, and the passage of a law allowing state banking seemed to coincide with a period of rapid economic expansion. The growth of banks throughout Texas only facilitated this expansion as capital became readily available for farmers, ranchers, oil men, and a variety of business entrepreneurs in the early twentieth century.9

Like the Panic of 1893, the Panic of 1907 did little to slow the growth of Denton County’s banks. The roots of the panic started by a run on the Knickerbocker Trust Company in New York; however, the worst of the crisis was minimized by the actions of J. P. Morgan, the international financier during the crisis. Still, the effects of the panic were significant across the nation. The value of all stocks listed on the New York Stock Exchange declined by as much as 37 percent, “making it among the most damaging financial crashes of the nineteenth and twentieth centuries.”10 This panic, in turn, led to a depression in 1908. Subsequently, after the crisis, the federal government began to move towards greater control of the nation’s economic system with Congress’s passage of the Aldrich–Vreeland Act on May 30, 1908. The precursor for today’s Federal Reserve (created in 1913), this act created the National Monetary Commission “to study the adequacy of the financial system in the United States.”11 The effects

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9 Grant and Crum, 91-98.


11 Bruner & Carr, The Panic of 1907, 146–46
of the Panic of 1907 also had a hand in changes to state banking laws throughout the country as state governments around the nation sought greater protection for depositors as well as creditors for state banking institutions.\textsuperscript{12}

Although Texas had been slower than other states in its adoption of state banking, it was on the cutting edge of banking innovations regarding the development of deposit insurance. After the panic of 1907, concern arose around the country regarding the stability of banks. As the country became more reliant on banking, many legislatures passed deposit insurance programs for their state banks. This was particularly true of the Democrat-controlled states. Their 1908 national party platform included a commitment to “legislation under which the national banks shall be required to establish a guarantee fund for the prompt payment of the depositors of any insolvent national bank, under an equitable system which shall be available to all State banking institutions wishing to use it.”\textsuperscript{13} Leading the way, Oklahoma’s “enactment of [such a] law marked the beginning of a remarkable movement, which, within nine years, placed similar laws upon the statute books of Kansas, Nebraska, Texas, South Dakota, Mississippi, Washington, and North Dakota, and powerfully influenced many other states.”\textsuperscript{14} Texas’s legislature recognized a need for such policies. Moreover, state banks would receive a needed boon as depositors began to see them as “safer” than either private or national banks, which did not guarantee deposits.\textsuperscript{15}


\textsuperscript{14} Robb, “The Guarantee of Bank Deposits,” 20-80.

Denton County residents likely favored the provision because the town’s representative in the Texas legislature authored a guaranty law bill. Representative Worth S. Ray, serving the 79th District, played a key role in the passage of a guaranty law due to his membership of the Committee on Banks and Banking, and his authorship of similar legislation. While residents of Denton County may have appreciated the provision, many bankers throughout the region were less enthusiastic.

Texas’s version of deposit insurance was unique in that there was no one specific program. One choice, to which the state bank operators could subscribe, was the depositors’ guarantee fund. Initial funding for the programs constituted 1 percent of the member bank’s previous year’s average for demand deposits. After the first year’s payment into the program, subsequent years were much reduced and required only .25 percent of the average demand deposit, with the possibility of an increase to 2 percent in the case of an emergency. In other words, this was a self-insured program, paid for by the member banks, not tax payers. Another form of the program allowed member banks to obtain insurance through a “depositor bond security system.” In this system, banks could file a state bond equal to the amount of the individual bank’s deposits. Nevertheless, this system never truly caught on, and only a small minority of state banks took advantage of this form of deposit insurance. In both cases, the

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19 The term demand deposit means money that can be withdrawn without prior notice from a financial institution. In essence this is the cash on hand with which a bank can pay the depositor.


21 Ibid., 837.
Texas system relied on the banks themselves funding the program, rather than being tax funded as in other states. By 1921, “upwards of $750,000” was used to pay depositors, as proof of the robust system actually paying depositors of failed institutions.22

Almost as soon as the law allowing state banks passed, bankers in small towns around Denton County began taking advantage of the new legislation. The county’s first state bank was in the town of Garza (by 1930 named Lake Dallas), which opened its doors on April 18, 1906. Isaac B. Walker served as president along with J. M. Sanders during the bank’s first years of operation. Walker had been affiliated with other banks and businesses including the Union Bank and the Trust Company of Dallas, which became the National Bank of Dallas, and a “neckwear” shop in Denton.23 By all measurements, the bank seemed to be doing well, and by November 1909 it had total resources amounting to $33,122.71.24 Nevertheless, the Garza bank was short lived. Either due to the slow growth in that part of the county, or because of increased competition in other towns, the bank liquidated its assets in September 1914. The $12,000.00 in deposits were refunded to account holders by the Denton County National Bank.25 Almost as quickly as it closed, however, the bank’s directors reorganized and elected new officers. The new bank, now a private institution known simply as the Garza Bank, reopened after a 50 percent assessment of $5,000 was collected for the permit.26


23 The Dallas Morning News, March 2, 1907.


25 Fort Worth Star-Telegram, September 7, 1914.

26 The Temple Daily Telegram, January 10, 1914.
In northern Denton County, Aubrey banker Boyd B. Samuels, the man who had brought banking to the town in 1902, left the First National Bank of Aubery, which was subsequently taken over by Thomas F. Rodgers. Known as “Daddy” Tom Rodgers, he was a significant figure in banking for the region. By 1914, he owned ten banks in the counties of Grayson, Collin, and Cooke in addition to his bank in Aubrey. Rodgers had opened his first bank in Collinsville in 1900 with a starting capital of $5,500. He went on to achieve prominence in the banking community, and he served as a member of the nominating committee for the Texas Bankers Association.

The town of Roanoke had its first bank open on February 5, 1909. It was one of the twenty-nine branches of the Continental Bank of Fort Worth. Roanoke had a small population, with only 350 people living in the town in 1890. By 1914, despite its small population, the town had at least four churches, weekly newspaper, and grain elevator, as well as the Denton Oil and Gas Company. By 1940, the population had not grown significantly and some 485 people lived in the town. For towns with very small populations, the advent of branch banking allowed banks to open and likely contributed to the economic stability and growth of the town.

The town of Argyle, like Roanoke, had a very small population, when compared to the town of Denton. The community developed around the Texas and Pacific railroad line within

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28 Fort Worth Star-Telegram, May 6, 1914.


30 Texas. Department of Insurance and Banking, Second Biennial Report, 800.

31 Handbook of Texas Online, Lisa C. Maxwell, "Roanoke, TX," accessed May 05, 2016, (Published by the Texas State Historical Association).
months of the laying of the track in 1881. By 1890, the population of the small town totaled 148 and maintained a handful of small businesses. Some of these businesses included two steam gristmills, a cotton gin, at least one general store, a hotel, and a hardware store.32 The bank’s charter, filed on October 1, 1906, by W.W. Smoot, created one of the earliest state banks in the county. The Argyle State Bank took advantage of the lower starting capital required for state banks and opened with $10,000 in starting capital, $15,000 less than would have been required for a national bank at the time. By December 1907, the bank’s assets totaled $19,359.12.33

In 1907, a second national bank was formed in Sanger. The bank’s organizers were F. H. Sherwood, B. D. Jones, A. M. Wilson, S. A. Crandall, and R. B. Wells, O. M. Gentle managed to raise $30,000 in starting capital for the establishment of the bank for which Jasper P. Wells served as the president.34 The Dallas Morning News noted that, “Wells is one of the most prominent men,” who had been successful in banking as well as farming.35

Lewisville, the home of the Lewisville National Bank, had its second bank open in the town in 1910. The Lewisville State Bank received its certificate of authority by the state in the January of that year, and was opened for business soon after with advertisements as early as May. Opening officers of the bank were J.W. Degan, president, Alvin Hill, cashier, F.C. Davis, first vice president, and Hood Cunningham, second vice president. Prominently displayed on the

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32 *Handbook of Texas Online*, Lisa C. Maxwell, "Argyle, TX," accessed May 05, 2016, (Published by the Texas State Historical Association).


34 *Dallas Morning News*, May 17, 1907.

35 *Dallas Morning News*, September 1, 1909.
advertisement was the phrase “Texas Guaranty Law,” in hopes of assuring customers of the protection, real or imagined, the bank offered for their deposits.  

In the small town of Krum, the Farmers and Merchants State Bank opened early in the year 1911. This bank was a consolidation of the First State Bank of Krum and the Continental state bank, which had opened a number of years earlier. The first bank in Ponder owes some of its beginnings, as well as the town’s name, to Denton’s Exchange National Bank operator W.A. Ponder. The State Bank of Ponder opened its doors in May of 1910. The bank seems to have done well and by 1918 and sought to increase its capital stock from $10,000 to $12,500, perhaps hoping to increase its lending capacity and take advantage of the region’s economic growth. The bank’s resources certainly indicate a strong balance sheet, and by 1916, the bank’s total resources amounted to $129,480.83. By 1925, the bank applied for the national charter, perhaps to limit its liability associated with the Texas State bank guarantee law and became the First National Bank of Ponder.

In the town of Hebron, the Hebron State Bank was formed in June 1912. Like other small town banks of the region, the directors were often from larger towns and affiliated with the banks there. Some of the directors for this bank included W.C. Furneaux from Carrollton, J. R.

36 Record and Chronicle, May 12, 1910.

37 Dallas Morning News, February 13, 1911.

38 Dallas Morning News, May 12, 1910.

39 Dallas Morning News, February 14, 1918.


41 Dallas Morning News, April 10, 1925.
McFarland of Dallas, and J. W. Sheppard of Plano. Local directors of the bank included R. M.
Everett, M. T. Griffin, J. H. Morgan Jr., and J. B. Preston.42

Property values around the county increased at a steady pace after 1905, and bankers
were likely anxious to get the capital working as quickly as possible. In 1907, the taxable value
of property for Denton County was $14,490,805. By 1912, that value increased to $18,834,999, a
large increase in approximately five years. The value in many ways reflected a rapidly growing
economy that likely seemed to many contemporaries to be expanding in all directions. Bankers,
as the source of capital for much of this expansion, were all too happy to promote a variety of
businesses in the hope of greater returns.

In addition to the creation of a number of new small town banks throughout the county,
by 1913 two of the city of Denton’s oldest banks moved into newly constructed buildings. This
indicates the success—even with greater competition from banks inside, as well as outside the
town of the town of Denton—banks in the county experienced during this period. The Denton
County National Bank building was an impressive building for its time. Its imposing facade gave
the impression of security for both depositors and creditors. The interior construction of the bank
used fine materials, including “Paparazzo marble,” mahogany, and tiled floors. The Denton
Record Chronicle stated that it had, “A big double vault that will be as absolutely fireproof and
burglar proof as modern ingenuity and inventiveness can make.”43 The expense for this new
facility was substantial and is representative of perceived economic growth for the future.

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42 Dallas Morning News, June 29, 1912.

43 Denton Record Chronicle, May 1, 1913.
The Exchange National Bank too was noted as “one of the handsomest structures of its kind in the state.” The construction cost of the new building, as estimated by J.F. Johnson Contractors of Denton, totaled $25,000. The style was referred to as “modified classical.” The interior matched that of the Denton County National Bank, with inlaid tile, Paparazzo marble, and solid mahogany woodwork. In the cases of both the Denton County National Bank and the Exchange Bank, the investment in new buildings illustrated the financial success as well as the expectation of greater economic success for the future. Also, the year prior, Dr. James P. Blount, who had been the first president of the First National Bank (1881) as well as the Denton County National Bank (1892), opened the first state bank in the town of Denton. From the beginning, the First Guaranty State Bank was successful. The first day, the bank received deposits totaling $7,692.27. While this seems to be a small amount today, according to the Bureau of Labor Statistics, this amount is roughly equivalent to $182,378.28 in 2015. Within five years, total deposits reached $238,513.90—a significant sum.

As World War I raged overseas, the United States became the bread basket for Europe. Belligerents on both sides of the conflict sought agricultural goods to feed their population as well as their war machines. The United States met this need with a dramatic increase in crop

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45 Ibid.

46 Denton Record Chronicle, 1913.


production. The tragedy in Europe between the years 1914 and 1917, became an economic boon for agricultural communities across the United States.\textsuperscript{50} As an agricultural community, Denton County benefited tremendously. Bank creation, individual wealth, and deposits grew as a result and helped to spur economic growth and diversification in the region.\textsuperscript{51}

The economic growth of the region was not lost on criminal elements from inside and outside the county. In October 1909, the Lewisville First National Bank was robbed. A “gang of robbers” using nitroglycerin blew the safe and managed to steal at least $6,500.\textsuperscript{52} Two of the thieves were reported by W. C. Orr, who later became a Denton banker.\textsuperscript{53} Orr’s role as a sheriff, then later a town banker, highlights the role many bank leaders had in their communities. On the one hand they were capitalists seeking profit; on the other, they were invested as community leaders, connected to the security of their communities. Two years later, on January 24, 1911, an attempt was made to rob the Argyle State Bank. Although this attempt failed, a robbery of the same bank in the following year was more fruitful for the thieves.\textsuperscript{54} On February 15, 1912, the \textit{Dallas Morning News} reported that the burglars had escaped with $1,300 in currency and $500 in silver. These “yeggs,” as the paper referred to them, used explosives to get inside the bank vault. Sherriff Orr was awakened and made aware of the burglary not long after the explosives charges were heard, but his attempts to capture the thieves were of no avail. He quickly began a


\textsuperscript{52} According to the CPI inflation calculator, $6,900.00 in 1913, four years after the robbery, would have $166,757.67 worth of buying power on August 14, 2016. CPI Inflation Calculator, www.Data.bls.gov.

\textsuperscript{53} \textit{Dallas Morning News}, October 12, 1909.

\textsuperscript{54} \textit{Dallas Morning News}, January 25, 1911.
search but the thieves were not located.55 Other robberies occurred among the county’s banks in subsequent years. In 1919, at the Garza State Bank, “yeggs” attempted to blast the door off the vault of the bank, but failed. As was the case with other burglaries around the county, the thieves cut the telephone lines prior to the burglary.56 Thieves also tried to rob the Ponder State Bank’s safe late one night on April 27, 1925. Rather than explosives, the burglars used an acetylene torch to cut through the outer vault before going on to the inner safe. However, the burglars were unable to complete the job for an unknown reason and only managed to burn some of the cash in the safe.57 On June 30, 1932, thieves were more successful: two masked men robbed the same bank during daylight hours, stealing an undisclosed amount of money.58

In addition to the Lewisville, Garza, Ponder and Argyle robberies, a more serious robbery occurred in the town of Krum, in which it was thought that fourteen individuals took part. Apparently, the Guarantee State Bank was robbed sometime in the daylight hours on June 9, 1925. This was one of the numerous bank robberies and burglaries in the area. Eventually the robbers were captured. However, Denton’s Deputy Sheriff R.B. Patterson was shot as he attempted to apprehend the gang.59 Also, in 1932, masked bank robbers managed to steal $7,891 from the Pilot Point National Bank.60 In this brazen attack, six people were temporarily kidnapped at gunpoint, and the town’s telephone lines were cut. The robbers went to the home of

55 *Dallas Morning News*, February 15, 1912.

56 *Fort Worth Star-Telegram*, November 28, 1919.

57 *Dallas Morning News*, April 28, 1925.

58 *Dallas Morning News*, July 1, 1932.

59 *Dallas Morning News*, January 14, 1926.

60 *Denton Record Chronicle*, February 6, 1932.
J. Earl Sells, the bank’s cashier, and he along with his wife drove them to the bank. While his wife waited in the car at gunpoint, Sells was ordered to open the bank. When Sells explained that he could not open the vault, the robbers drove to another bank employee’s home and holding his wife in the same manner as Sells’ wife, forced him to open the vault. A passerby witnessed the robbery and was also quickly made a hostage by the burglars. Using nitroglycerin, the thieves managed to gain access to the money and made off with $8,000. Eventually all the hostages were released, and the robbers got away.61

Despite the ever-present danger of bank robbers, the rapid creation of small town banks throughout the county indicates the growth in population as well as economic activity. It is likely due to many of these towns’ small populations that branches of larger banks were the only feasible banking operations possible there. This was certainly true in Argyle as well as Roanoke—two towns with very small populations. Nevertheless, the small town bank meant that ranchers, farmers, and individuals could secure their money in a safer, albeit not foolproof, place to keep their money. Newspapers often reported theft along roadways, and thieves likely knew when farmers and ranchers sold their harvest. Carrying around a large amount of money invited trouble, and banks could often use the money to lend to other entrepreneurs who sought to grow their business, providing greater economic stability for the county. Moreover, the usage of these small banks encouraged a sense of community and of having a stake in the town’s growth. Many of these banks were community efforts, often by local business people as well as political leaders, who understood the need for a lending institution as well as a depository for their citizen’s money, despite the ever-present risk of a panic, bank robbery, or embezzlement from a dishonest bank employee or owner.

61 Sweetwater Sunday Reporter, February 7, 1932.
By 1916, Denton County banks were doing very well. In the town of Aubrey the two banks, the Farmers and Merchants State Bank and the First Guaranty State Bank, had combined total resources of $466,138.92. In the town of Denton, the First Guaranty State Bank had a total of $463,602.03 in resources, and the national banks there had $1,390,506.00, totaling over $1.8 million for that town alone. In Pilot Point, the national bank had $185,535.00 in resources and the Pilot Point State Bank had resources of $387,333.91, totaling $572,868.91 in resources for

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62 Biennial Report, Texas Comptroller, 103.

the town’s banks.\textsuperscript{64} Even in the small town of Krum, the Farmers and Merchants Bank had $381,686.34 in total resources.\textsuperscript{65} Hebron’s state bank had total resources of $62,132.62, comparatively less than other town banks throughout the county. Conversely in Lewisville, the State Bank of Lewisville’s total resources were $374,838.86 in 1916, and the First National there had $178,743, totaling $553,581.86 for the town’s banks.\textsuperscript{66} Perhaps the weakest national banks in the county in 1916 were in the town of Sanger. The Sanger National Bank and the First National Bank of Sanger had combined resources of $243,893.00, with the Sanger National as the weakest, having resources of $76,231.00.\textsuperscript{67} Nevertheless, Denton County’s banks were doing well and would remain strong at the close of the decade.

One key to the continued involvement of the county’s growth were the establishment of business networks, giving them a united voice on areas important to their businesses. These organizations helped to unify business people for greater community development, using entrepreneur’s unique skill sets as well as their capital, to help modernize the county. An example of this type of community involvement is evident from an article in the \textit{Dallas Morning News} on July 10, 1909. The article mentions that, “No more enthusiastic session of the full Chamber of Commerce has been held than that last night, at which announcement was made that a tentative contract had been agreed upon whereby a new school of statewide importance will be located in Denton, and conditions surrounding the proposition were such that work might be


\textsuperscript{65} Texas Department of Insurance and Banking, Biennial Report, 113.


\textsuperscript{67} Ibid., 754.
Bankers were expected to contribute more than just a safe place for capital. Their financial skills were viewed by some as a necessary part of a larger society, no less important than schools, law enforcement, or government. Dr. Charles A. Eaton, clergyman, journalist and United States Congressman, writing for *Leslie’s Weekly*, a nationally distributed weekly magazine, acknowledged the role of the banker in the community in a 1921 article entitled “Banker’s Duty to Workers.” This was likely a timely article, as fears began to surface of growing socialist movements around the world as well as in the United States. He wrote:

The bank, hitherto, has been principally an economic agency in the community. I want to see the bank become a great human agency of leadership and education among all the people. I believe it is as easy to accustom the workingman to go to the bank for leadership and counsel as it is to have him go to a Socialist meeting. He will not and cannot go to the bank uninvited and unwelcomed. He must be sought out by the local banker, and a relationship of personal confidence and

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69 *Dallas Morning News*, January 7, 1911.

70 *Dallas Morning News*, December 30, 1920.
friendship established between them. The rest will be easy. I want to see the workingman earn more, get more, save more and invest more. Then our economic, political and social structure will become more broad based and permanent...  

Aubrey, may have gotten his wish, as more and more working class investors sought higher gains, leading eventually to an overinflated and unsubstantiated stock market that would inevitably deflate, leaving massive poverty in its wake. Still, his understanding of the role of community bankers in small towns is telling. Certainly for readers of the *Dallas Morning News*, where the *Leslie* article was republished, this expectation of a banker’s role in the community came as no surprise.

As European production of agricultural goods renewed after the close of the First World War, demand for American farmers’ production began to subside. Banks that were formed due to growth in agriculture in Denton County would find it increasingly difficult to operate in an atmosphere of declining profits for farmers. Still, in many ways, the 1910–1920 decade led to dramatic growth in population, infrastructure, and economic diversity. Frequently involved in this were bankers and their unique place in this development. Sometimes as economic advisors or community servants, and at other times acting for the benefit of their creditors, they provided capital for growing industries and agriculture in hopes of making a return on their investment.

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CHAPTER 4
WEAKENING CONDITIONS FOR DENTON COUNTY BANKS, 1920–1933

The year 1920 represented the culmination of a lucrative period for Denton farmers. Land values reached an all-time high that year when total farm property value in the county stood at $55,916,524—a significant sum.¹ Robust export demand, primarily due to the events surrounding the First World War, had drove an agricultural boom that took place for much of the previous decade.² Cotton prices averaged $.35 per pound in 1920. Prices had been rising rapidly since 1915, when the average price for upland cotton had been only $.07 per pound.³ Furthermore, wheat and corn farmers benefited from high prices as well. Average wheat prices between the years 1914–1920 stood at $1.81 per bushel, almost a dollar more than the average prices for wheat from 1909–1913. Corn farmers also benefited from higher prices. During the same period, from 1914 to 1920, corn prices averaged $1.14 per bushel, almost double that of the previous five-year period.⁴ This agricultural success is evident in the population growth of the town of Denton, which grew from 4,732 in 1910, to 7,626 in 1920.⁵ Inversely, ranchers in the


surrounding county were on the decline. In 1910, cattle in Denton County, numbered 42,000 head, but by 1920, the number decreased to 25,000 head. The explanation of this decline is two-fold. First, the number of acres of farms had been steadily increasing in Denton County since 1900. The peak of agricultural production occurred in 1910, with over 5,000 farms producing on 609,280 acres. Second, grain prices had been increasing steadily. These two conditions likely edged ranchers to either sell to farmers or to transition their ranches to farmland. However, by 1924, the prices of corn, wheat, and cotton declined. At the same time beef cattle prices improved from the 1915 levels ($5.80 per 100 lbs.) to $8.21 local market price, but still fell below the five-year period ending in 1920 ($8.77 per 100 lbs.).

Banks had shared and helped to finance and shared in the economic success of Denton County during the decade prior to 1920, but now they also suffered the impact of an agricultural slump. The construction of a new bank in 1912, as well as the moving of two banks into newly constructed buildings in the town of Denton, attested to the strength of the county’s economy leading up to the year 1920. On December 4, 1919, the four banks in the town of Denton reported having total assets of $2,916,042. However, throughout the county during the next ten years, banks that had opened to accommodate the rapid economic and population growth weakened as agricultural price declines undercut the county’s economy. By October 10, 1927, bank assets in the town of Denton totaled $2,545,963, reflecting primarily a reduction in deposits. This decrease was likely due to lower market values of cotton, wheat, and corn as well

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7 Ibid.,

as the value of the land on which those crops were grown. While this was a decrease in total assets of the banks, it pales in comparison to the change in value in the two years prior to the great stock market crash of 1929.

Beginning in 1924, the consolidation of farms began to take hold in Denton County. That year, over 5,000 farmers, on 509,632 acres, were producing agricultural products. However, by 1928, less than 4,000 farms were producing on 529,254 acres of land.9 In four years’ time, there were more than 1,000 fewer farmers in Denton County. Moreover, it seemed that the larger farms were becoming larger due to the increased acres farmed coupled with fewer farmers. This consolidation of farms is important because it suggests economic weakness. Apparently, as small farms struggled to produce a profit on ever tightening margins, larger farms benefited due to economy of scale. It seems that while the region had diversified, it had not diversified enough, and bank closings in the surrounding area tell a story of economic stress for the county.

Compounding bank weakness throughout Denton County was a significant change in the state banking laws and the overall failure of the state bank guarantee system, which had operated throughout the state for the better part of the 1920s. The law, effective as of January 1, 1910, helped to build trust in state banks which, prior to 1905, could not operate in Texas and may have been disadvantaged when compared to depositor uncertainty with the new institutions. State banks were competing with long established national banks, some of which had operated since 1865, in many areas of the state. In 1908, the Comptroller of the Currency ruled that national banks could not participate in any state bank guarantee funds. This may have ultimately doomed the guaranty fund in Texas. Many national banks were well-run, long established institutions, and their competency and underlying capital may have prolonged or sustained the program.

National banks had large capital requirements that made these institutions stronger than the average state affiliated bank. As more and more state banks opened across the state, many were poorly funded and could not weather any significant economic crisis. While in the short run, the bank guarantee program helped facilitate the growth of state banks, it also began to be a greater burden for member banks and arguably encouraged higher risk taking by the state bank management.¹⁰ By 1920, the program began to show significant problems. Over the next two years, guaranty fund banks across Texas failed, costing surviving member banks over $8 million during that same period, much of it in an additional special assessment which could not have been planned. Still, “No depositor of a guaranty fund bank lost a cent.”¹¹ By 1923, member banks were assessed over $10 million to shore up the fund.¹² In response, many state banks began the process of becoming national banks. Prior to the 1920s, only a handful of state banks became national banks, and in 1921, only one bank made the transition. However, from September 1, 1921, to December 31, 1923, thirty-two banks made the transition in the state.¹³ Bankers clearly began to lose faith in the state guaranty system.

For the many bankers across the state who were running profitable operations, the increasing assessments for the failures of member banks began to become a significant financial burden, threatening to turn balance sheets from black to red. In 1924, the Texas Bankers Association elected Robert L. Thornton as the president of the organization. Within three months


¹¹ Grant and Crum. The Development of State-chartered Banking in Texas, 173.

¹² Ibid., 176.

¹³ Ibid., 173.
of his election, he wrote a dim assessment of the program, reflecting the sentiment of many of
the state’s bankers. He stated:

The Guaranty Fund Law, after a fair trial, in my humble opinion, has
failed and the experiment has cost the solvent banks an assessment exceeding 10
million dollars. Isn’t that time enough for the experimenting and isn’t the cost
enough to pay, and why shouldn’t Texas follow at least the lead of Oklahoma
again (referencing the initial passage of the law after Oklahoma’s legislature had
originally passed the law) and repeal it, or so modify it that a bank can pay the bill
and not live the life of a cripple...My conclusions are that the Guaranty Fund
System of securing deposits is economically unsound, unworkable, and unfair.14

Echoing Thornton, the Dallas Morning News reported that, “Many State bankers have
asked for a change in the guaranty bank law because of the heavy drain on those solvent banks
which have to meet assessments whenever a State bank fails. Banking Commissioner J.L.
Chapman favors a complete repeal of the guaranty law fund laws for State banks, provided a
shock absorber can be attached so that no public confidence will not be shaken by the change.”

Some of the recommendations Chapman made were:

1. Biennial auditing of all state banks.
2. No individual or group be allowed to purchase in excess of 25 per cent
   of one bank’s capital stock within a twelve-month period without
   notice to, or possibly written consent of, the State Banking
   Commissioner, and that all capital stock shifts over 10 per cent of the
total reported each month.
3. All interest-bearing deposits drawing more than 1 ½ per cent yearly
   interest would not be required to be listed in the average daily deposit
   report. “This change in itself,” explained Mr. Chapman, “would reduce
   assessments on large banks by 25 per cent and increase smaller bank
   assessments by only 5 to 10 per cent.”
4. A law to forbid sale of bills receivable without recourse, and which
carry a repurchase agreement.
5. Reduce the statutory borrowing limit for one individual firm of
corporation from 25 to 15 percent of the bank’s capital stock.
6. A law to compel bank officials to make minimum bonds for all
employees, commensurate with the risks taken required uniform bond
blanks to be prepared by the Attorney General.

14 Ibid., 175.
7. An amendment to permit banks to change from the guaranty fund system to the bond system with thirty days’ notice.
8. A law requiring the Guaranty Fund Bankers’ Committee of Twenty-One to appoint two bankers to assist the Commissioner and Banking Board in passing on all charters, disbursements of the guaranty fund and giving these two bankers voting power within the board.
9. A law providing minimum four-year terms for banking commissioners and requiring bankers to nominate seven men, from which number, the Governor would be required to name one.
10. A law providing a special attorney for the Banking Department.
11. An amendment to the banking law clarifying the reorganization procedure for banks and the purchasing of failed banks by newly organized banks.
12. A law to compel national banks, designated as reserved agents, for making state banks furnish “proper sheets from their examination reports” to the Banking Commissioner.
13. A law to empower bank stockholders to enforce collections of assessments made on stockholders for restoration of capital stock impairments, when three-fourth of the stockholders have agreed by vote.  

Many of Chapman’s recommendations were sound; however, they may have been too late to change the tide of bankers who had already made up their minds against the program. Some of his recommendations found their way into the Thirty-ninth Session of the Texas legislature, particularly the ability to switch from a guaranty fund bank to the bond security system. This may have done more to expedite the system’s demise as banks fled the guaranty system for either the bond system or transitioned to national banks.

Thornton’s condemnation of the law resonated with the state’s bankers, and attempts to make the system work better in 1925 ultimately did little to save financial institutions in Texas. By February 1927, the legislature repealed the measure. Then state chartered banks, not having the long established roots that the national banks had nor the large amount of resources, proved much more susceptible to closure. Customers once lured by the promise of a guarantee no

15 Dallas Morning News, January 24, 1925.

16 Grant and Crum, The Development of State-chartered Banking in Texas, 181.
longer gave deference to state banks. As larger economic concerns both inside of Texas as well as outside of the state began to become more prevalent, many depositors shifted their money to national banks. Still, as the people of the town of Denton would soon learn, even longstanding national banks could succumb to fear, mismanagement, and corruption.

The first bank in Denton County to close in the 1920s was the First State Bank of Sanger, which closed its doors on July 1, 1920. In May 1925, the Garza Bank was ordered in receivership by the Ninety-Fifth District Court. Receivership began the process of accounting, and then the liquidation of the bank’s assets for creditors as well as depositors. In this case, the bank’s owner, George W. Riddle, who had been a judge for Dallas County as well as a candidate for the United State Senate in 1916, needed to liquidate some of his assets. While the bank seemed sound, other financial concerns of Riddle seemed to have caused the bank’s demise.

Like many of the region’s bankers, Riddle walked a fine line between politics and business. As late as 1924, Riddle wrote a letter to the editor which was published in the *Rockdale Reporter and Messenger*. The letter, titled “Supports Mrs. Ferguson to Defeat Ku Klux Klan,” Riddle criticized the secret society and Felix A. Robertson, who was the opposition candidate to Miriam A. Ferguson, and a Klansman. Riddle had local notoriety and was affiliated with a number of banks before and after the closing of the Garza Bank. Affiliated with the bank were other banks which were also liquidated, including the Riddle Banking Company of Farmers Branch as well as the Vickery Bank located in Dallas County.

At least one consolidation of a bank also occurred in the region as wealth began to decline. In Aubrey, the Farmers and Merchants State Bank consolidated with the First Guarantee

17 *The Rockdale Reporter and Messenger*, August 14, 1924.

18 *Dallas Morning News*, May 20, 1925.
State Bank, becoming the Security State Bank, leaving the town with only one bank in 1921.\textsuperscript{19} This likely helped this community retain their bank, at least for a time. By December 1927, the bank’s business was consolidated once again out of the town of Hebron. Hebron accounts were shifted to the First State Bank of Carrollton.\textsuperscript{20} Residents of the small town were no longer able to bank within town limits, and this consolidation represents the general economic consolidation which had taken hold of banks throughout the region.

Few likely foresaw the increasing weakness that took hold of the county’s economy, ultimately leading to a number of bank failures. In one instance, a serious failure occurred in Pilot Point with the closure and liquidation of the First State Bank by the Texas Department of Banking. After thirteen years in business, the bank closed on April 25, 1925.\textsuperscript{21} Also, in the town of Frisco, a town on the border of Denton and Collin County, the closure of the Frisco State Bank occurred on December 2, 1927. This bank’s closure is illustrative of the greater economic woes which befell the region. The newspaper account stated, “due to the crop conditions around the county…it has been a natural condition to tighten credit conditions…Due to this fact, it has been impossible to arrange for finance as it was hoped for.”\textsuperscript{22} This statement is important for two reasons. First, the reliance on agriculture by the Frisco bank was a common phenomenon throughout the region, especially in Denton County. Second, the story of the bank mentioned the “tight credit,” which likely affected all area banks, and subsequently, the farmers who needed capital as agricultural prices declined. This seems counterintuitive to the common belief in the


\textsuperscript{20} \textit{Dallas Morning News}, December 6, 1927.

\textsuperscript{21} \textit{Shiner Gazette}, (Lavaca County, Texas), October 8, 1925.

\textsuperscript{22} \textit{The Frisco Journal}, (Frisco, Texas), December 2, 1927.
prevalence of easy money in the months leading up to the Great Stock Market Crash. For Denton County, this was not the case. As evidence, the newspaper openly acknowledged the lack of monetary liquidity as a key reason for the bank’s closure.

As previously mentioned, the town of Hebron had its state bank close in 1927. The First State Bank of Carrollton took over the Hebron State Bank’s assets, with the encouragement of the Texas State Banking Department on December 1, 1927. Therefore, this was technically not a failure that led to a closure, where both depositors and creditors would have to engage in a court battle to have their money returned. Had the Carrollton bank not stepped in, however, a default was imminent. In addition, the Argyle State Bank, established in 1912, succumbed to an involuntary closure by the board of directors. The Texas Department of Banking liquidated its assets, on October 29, 1927. The townspeople of Aubrey in Denton County saw the Security State Bank close its doors on April 24, 1928. In its place, the Aubrey State Bank opened on the same day the Security State Bank closed, though this bank closed on February 3, 1930, as well. The First State Bank in the town of Sanger also closed on December 22, 1928. Thus, five state banks closed throughout Denton County in less than ten years.

Most people living within the town limits of Denton at the beginning of 1928 would have been well aware of the flurry of bank closures throughout their county in the preceding three years. Newspaper articles in the Denton Record-Chronicle, as well as in other newspapers, told the story of bank failures, bank runs (as depositors tried to claim their savings), and general economic woes in the national news. Many would have probably been concerned with losing

23 Ibid., December 16, 1927.


25 Ibid.
hard-earned savings due to a bank failure in their own town, and although none had occurred in the town of Denton up to that point, this was about to change. In August, 1928, the Denton Record Chronicle carried a story that likely shocked many local townspeople. The title read, “First National Bank in Hands of Examiner, Doors Opened Wednesday But No Deposits Received, or Checks Cashed.” The article went on to quote the bank’s long-time president, H.F. Schweer as saying, “This was a great tragedy in my life” and that he was, “filled with sorrow at the banks’ suspension of business.” 26 Schweer, at this point, had no statements to make as to the cause, though the reasons would become clear for depositors and creditors in the coming weeks, as they anxiously awaited a return of their savings. On August 17, 1928, readers of the Denton Record-Chronicle had a better understanding of what happened to the First National Bank. Schweer, charged with the embezzlement of $3,717.85, was placed under a bond of $2,500 in lieu of a formal arrest. The article mentioned that Schweer’s son, L. H. Schweer (the bank’s cashier), was actually arrested, given similar charges, and jailed in the town of Denton, awaiting the federal marshal to take him to Sherman, Texas. 27 By October 1928, L. H. Schweer, who asked for an expedited trial, received a minimal sentence of eighteen months. Reports of the trial stated that the judge gave L. H. Schweer a light sentence due to the nature of circumstances surrounding the case as well as the uncontested guilty plea by Schweer. Schweer’s father, found guilty of “misappropriations of funds and making false entries while president of the First National Bank,” received a suspended sentence of four years, likely due to his age (seventy years at the time of trial). 28 Most depositors were returned only a small percentage of their funds.

26 Denton Record-Chronicle, August 17, 1928,
27 Ibid.
Newspapers throughout the state, some as far away as Galveston, followed the saga and trial of the Schweers. For many in Denton, the closure of the First National Bank challenged notions of stability for the townsfolk. The fact that many depositors did not receive their full refund produced some unease, which would have repercussions for Denton’s oldest financial institution, the Exchange National Bank, in the coming months.

According to W. C. Orr Jr., a noted Denton banker and the son of former Denton First State Bank president W.C. Orr who was interviewed years later, the demise of Denton’s Exchange National Bank began at a lady’s tea party. He recounted that the wife of one of the bank officers of the Exchange stated that there were “many problems at the bank…including difficulty with a bank examiner.” However, Orr stated in his interview that, “Actually this was a sound financial institution.”29 Not long after, the rumor spread that there was a “run on the bank.” A Federal receiver, appointed to determine the actual financial condition of the bank, temporarily closed the bank until future notice. Orr stated that on the very day of the alleged bank run on the Exchange, his father, who was then the president of the First State Bank of Denton, sent a message to young Orr, who was then attending Denton High School. The teenager was instructed to drive to the Fort Worth National Bank to “pick up a package from Mr. Raymond Gee,” who was the president of the Fort Worth Bank. As instructed, Orr picked up a package “wrapped in newspaper” and brought it, unopened, to his father at the Denton First State Bank. Orr Sr. quickly opened the package, which contained large stacks of tightly bound dollar bills. He then stacked the bills in the teller window for customers to see. Orr credits the actions of his father for averting a run on the First State Bank. Orr stated that while many people came in to see if there was a flurry of withdrawals, his father spoke to many in the lobby, “shaking hands

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and talking to the customers.” Orr stated in the interview that some did withdraw their savings, however, most brought back the money on the same day.\textsuperscript{30} As for the Exchange, attempts to reorganize the bank never materialized. Orr went on to say that the Exchange National Bank paid every one of its depositors 100 per cent of their accounts.\textsuperscript{31}

The closing of the two banks, while sudden, represented a trend of weakening financial security that had been expanding throughout the county and region. After the closing of the two banks, bank assets declined rapidly. Just prior to the closing of the Exchange National Bank on October 13, 1928, Denton town banks reported total assets of $2,041,804, down $504,159, from the total assets reported in 1927.\textsuperscript{32} By 1929, just before the Great Crash in late October, the two remaining banks had combined assets totaling $1,446,487—less than half of the total assets of Denton town banks in 1919, when they reported total assets valued at $2,916,042.\textsuperscript{33}

In an article from the \textit{Sanger-Courier} reprinted in the \textit{Frisco Journal}, the editor urged calm in January 1929. He wrote that “recent bank failures in Texas have caused some uneasiness with depositors close to home,” but that the banks in Sanger were fiscally sound and in an “excellent condition.” Moreover, the article quoted one of the bank’s cashiers, who was “delighted to explain the financial condition of his institution,” stating that “he could pay off his depositors in short notice and have enough left to start another bank.”\textsuperscript{34} Nevertheless, by February 1930, the town’s two national banks, the Sanger National Bank and the First National

\textsuperscript{30} Ibid.

\textsuperscript{31} Ibid.

\textsuperscript{32} Bridges, \textit{History of Denton}, 100.

\textsuperscript{33} Ibid., 368.

\textsuperscript{34} \textit{The Frisco Journal}, January 11, 1929.
Bank, merged as one. This was likely a necessary measure as the poor economy lingered. The town which had at its peak three banks (two national and one state bank), had only one after this merger. The officers of the only bank in Sanger at the time of the merger were J.T. Chambers, who served as president, and E. L. Berry, Benjamin L. Spencer and J. H. Hughes, who shared the title of vice president. Also named in the operation of the bank were E. B. Spencer, active vice president, E.B. Brown, cashier, Joe C. Hughes, assistant cashier and Paul Silliman, bookkeeper.35

On March 8, 1929, the Continental State Bank of Roanoke, which had been in business since 1909, closed its doors.36 Also, in 1930, the First State Bank of Aubrey closed its doors on February 4. The closing of the Aubrey bank had little to do with the bank’s performance, and at the time of its closing, it had $85,000 in deposits. The problem for this bank was its affiliation with the Texas National Bank of Fort Worth, which needed to liquidate assets. Representatives of the state banking department found no fault in the operators of the Aubrey bank, saying that at the time of its closing, it was in “excellent condition.”37

Despite the many economic challenges residents of Denton County experienced during the 1920s, the collapse in agricultural prices may have helped to further diversify the town’s economy. In the year 1927, the well-known Lewisville banker and business owner J.W. Degan bankrolled J.L. Huffines and partner D.C. Degans’s Chevrolet franchise. As of 2016, Huffines dealerships are some of the largest in the Dallas-Fort Worth area, with multiple locations in Plano, Lewisville, McKinney, and Denton. Bankers such as Degan helped the county to diversify

35 *Dallas Morning News*, February 14, 1930.

36 Texas Department of Banking, *Complete Historical List of State Banks in Texas*.

37 *Dallas Morning News*, February 5, 1930.
its economy and slowly move away from being primarily focused on agricultural production. Furthermore, the same year that Huffines began operating, the Aubrey State Bank, along with other interests, invested in oil drilling in the county. However, the 2,500-foot test well was unsuccessful.\textsuperscript{38} Despite such efforts to diversify the economy of the county, by 1930 tremendous uncertainty about the local as well as the national economy loomed. Among the farmers who had survived the challenges of the 1920s, many likely recognized the uncertainty of the agricultural economy in the years to come. In 1929, \textit{The Dallas Morning News} reported that “farmers in this section (Sanger) are becoming more thrifty is evidenced by the fact that loans at both the local banks are lower than they were a year ago, and deposits were larger.” The article went on to mention that “Farmers are diversifying their crops.”\textsuperscript{39}

Denton County’s agricultural production thus began to change once more. As farms enlarged and cotton prices declined, livestock took on a more prominent role. Lending to this movement was continued urbanization, as modernization and advancements in agricultural production minimized the need for labor. The year 1929 was the last that farmers devoted more than 100,000 acres to cotton production in Denton County.\textsuperscript{40} Other agricultural diversification began emerging in the 1930s. The county saw increased legume production, while poultry, dairy cattle, and beef cattle increased significantly.\textsuperscript{41} Efforts to diversify both economically and agriculturally offered some protection from the looming economic storm approaching the

\textsuperscript{38} \textit{Dallas Morning News}, April 6, 1927.

\textsuperscript{39} \textit{Dallas Morning News}, April 11, 1929.

\textsuperscript{40} Bridges, \textit{Economic History of Denton County}, 68.

\textsuperscript{41} Ibid., 69.
country, but few individuals in the county could have imagined the severity of what would become the Great Depression.

In the year leading up to the great stock market crash on October 28, 1929, Denton County residents were likely more concerned with local economic challenges than with fiscal problems far away in New York. Despite many local bank closings, fears of an economic catastrophe seemed far away for many business leaders in Texas who believed prosperity was right around the corner. On January 1, 1928, expectations seemed high for business people, declaring that “Conditions (were) ripe for good times, practically all agree.”42 Similarly, on March 29, 1929, the *Dallas Morning News* published an article that concluded “No Danger in the Stock Market.”43 However, by June, the paper also reported the growing concern that the United States Senate had with stock market speculation.44 As late as October 27, the *News* reported that the Secretary of Commerce Robert P. Lamont had abandoned plans to speak to the public regarding efforts to “help sustain public confidence in the business situation.” It seems that Lamont, rather than address waning public confidence in the market, deferred to a previous statement given by the then president, Herbert Hoover, in which he voiced “a belief in the stability of business” and that, “depression as a result of stock market breaks is believed improbable.” The article went on to mention that Lamont had previously stated that “the stock market, instead of being a barometer of business conditions, was now only an incidental factor.”45 Whether or not this was the administration’s understanding of the economic situation on the eve of the greatest financial calamity the United States had ever experienced or instead an

42 *Dallas Morning News*, January 1, 1928.
43 *Dallas Morning News*, March 29, 1929.
44 *Dallas Morning News*, June 5, 1929.
45 *Dallas Morning News*, October 27, 1929.
attempt to quiet rising fears is unknown. What is known, is that, in the *Dallas Morning News*, a widely distributed regional newspaper, fear of the potential for a market crash, or the subsequent economic disturbances such a crash would entail, were not really communicated to readers. This article was published two days before “Black Tuesday” and gave no indication of the coming economic crisis. By the time the crash occurred, many failed to grasp the gravity of the financial disturbance the over-leveraged economy would sustain. This sentiment is clearly present in the immediate aftermath.

Many businesspeople downplayed the horrific stock market crash on October 28, 1929. On October 30, 1929, two days after the crash, the *Dallas Morning News* published an article declaring that “Local Loss on Market Light, Bankers Say.” The article went on to say:

> Recent collapses in the stock market that have written new pages in financial history of the United States will rebound ultimately to the great benefit of legitimate businesses throughout the country, in the opinion of business and financial leaders of Dallas. While the losses incurred will affect business to some extent, due to the intertwining of interests over the country, observations of several bankers and merchants indicate this will be slight and of no immediate consequence.46

Few likely suspected the years of economic struggle that lay ahead, nor could they have foreseen the economic catastrophe that befell the nation in the succeeding years.

Along with generally poor economic conditions for Denton County bankers and the customers they served, the county’s banks seemed continually plagued by bank robbers as the collapse began and deepened. In the town of Ponder in October 1929, Eddie Bentz, a known associate of George “Machine Gun” Kelly, robbed the Ponder State Bank in broad daylight. While two of the suspects got away, Bentz was charged with the theft.47 Bentz had been charged

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46 *Dallas Morning News*, October 30, 1929.

47 *Dallas Morning News*, November 15, 1932.
in other bank robberies in Texas as well as other states and was surprisingly released on a bail of $15,000. When he failed to show up for his hearing, Federal Bureau of Investigation officers found him in New York. The Lewisville National was robbed in April 1934. The robber, Ray Hamilton, an escaped convict from Eastham State Prison Farm who had fled in January of that year, stole nearly $1,000, and was captured within two hours of the hold-up. Reported notorious robbers Clyde Barrow and Bonnie Parker were connected to Hamilton and his accomplice. On April 2, on the same day as the Hamilton robbery, it was believed that the pair had been waiting near the town of Grapevine in Tarrant County, a number of miles from Lewisville where the bank robbery took place. When two state highway patrolmen approached the pair, they were shot and killed. Decades later, bank robbers of this sort have often been romanticized. Nevertheless, for those living in this at a time when telegraph or telephone lines could be cut, wiping out communication with the outside world, these criminals likely struck fear in the hearts of bankers and townspeople alike. While bank robberies have always been a fear in the minds of bankers as well as their customers, robberies that occurred during times of economic decline added to fears of bank instability.

In the year after the stock market crash, Denton County’s banks slogged along and the county thus found itself limping into the Great Depression, damaged as much by many years of economic decline as by the loss of confidence begun by the great stock market crash. Denton’s economic reliance on agriculture, alleviated to some degree by the presence of two growing

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48 *Dallas Morning News*, March 14, 1936.

49 Ibid.

50 Ibid., April 26, 1934.

51 Ibid., April 2, 1934.
colleges, limped along through the 1930s. Some efforts were made to help those hit the hardest by unemployment. In one instance, perhaps foreshadowing work projects which would grow as the depression went on, the town of Denton began “the city’s most ambitious project to relieve the local unemployment situation.”52

As stated above, farm property value in 1920, had reached a high of $55,916,524. However, by 1934, farm values slumped to $19,170,796, a horrific decline in fourteen years.53

The drop in crop values as well as the fall in land values meant that banks were offering credit on declining assets, which was not sustainable. Moreover, farmers could do little to increase income, and in an environment of declining profits, costs had to be reduced, further exasperating the local as well as the national economy. The numerous closures of banks in the twenties tell the story of economic weakness before the “Great Crash” had started. In some ways, the banks that were able to survive the twenties were perhaps better equipped to weather the depression of the 1930s. Fewer banks meant lesser competition. Also, banks that weathered the 1920s knew how to manage themselves despite the economic weakness. As the economy shifted to the pre-war economy of the late 1930s, these surviving banks were well positioned to regain much of their lost value, and at the same time, help to finance the county’s future economic growth.

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52 Ibid., March 19, 1932.

53 Bridges, The Economic History of Denton County, 71.
### TABLE 2 – BANKS IN OPERATION FROM THE 1870s TO 1930s

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On March 6, 1933, on his third day in office, Franklin D. Roosevelt, took drastic measures to stop the flow of money out of banks across the country. Bank panics in small towns as well as large cities had accelerated, and the fear that many economically viable banks would have to close due to insufficient deposits began to look more and more like a reality. Business as well as government leaders recognized the danger that a failure in the banking system could mean to the nation’s economy. In what would be known as the “bank holiday,” banks across the country were ordered to suspend all banking transactions except making change. Three days later, at the urging of Roosevelt, Congress passed the Emergency Banking Relief Act, giving the president sweeping powers to determine which banks, based on their financial stability, could be reopened and which would be forced to close due to insufficient funds. Banking institutions, which had often helped to support local, state, and national infrastructure projects, now relied on the Federal Government for support in order to stem the rampant fear that had developed throughout the country. Helping to explain the closures on March, 12, 1933, Roosevelt held his first “Fireside Chat,” to explain the government’s actions.

For residents of Texas, the bank holiday may not have been a surprise. Prior to Roosevelt’s executive order to close the banks, Texas governor Miriam A. Ferguson, without the immediate support of the Texas legislature, had already proclaimed a five-day bank holiday that went into effect on March 3, three days before Roosevelt’s national proclamation.1 Fred. F. Florence, president of the Dallas Clearing House Association, a regional banking institution

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1 *Dallas Morning News*, March 5, 1933.
established to allow checks and bills from member banks to be exchanged, publicly supported
Ferguson’s message and agreed “to observe the five-day holiday which it enjoins upon all the
financial institutions of the State…because we believe it to be the part of patriotic citizenship to
support the administration in its efforts to spare Texas the ill effects that other States have
suffered from public misconceptions of conditions prevailing in certain centers of American
industry that have been uncommonly influenced by the business depression.” 2 Florence made
clear the growing national hysteria sweeping the nation, and fully supported the governor’s
action, perhaps minimizing bank runs in Texas. Generally, bankers across the state seemed
supportive of the measure. Robert L. Thornton, who had previously served as president of the
Texas Bankers Association, spoke on the floor of the Texas Senate. He argued for the necessity
of the measure saying, “the moratorium was the only way I can see to protect our resources. The
course of wisdom is some sort of orderly procedure to hearten depositors and obtain orderly
withdrawals as funds deposited in an orderly way.”3

Thus, by the time Roosevelt made the nation aware of the closure of all banks, Texans
were ahead of the national citizenry by a few days. The immediate response to the “holiday” was
generally supportive. The Dallas Morning News reprinted an Associated Press story that
conveyed a message of calm to the region’s readers. The article mentioned that:

Mr. and Mrs. John Doe, average American Citizens, found by Wednesday
night that the bank holiday is interfering little with their normal mode of living.
Although the might have little cash, few of their creditors were insisting
on cash. Checks, technically, might not be worth, at the moment, more than the
paper they were written on, but most everyone was accepting them in good faith.

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2 Dallas Morning News, March 3, 1933.
3 Ibid., March 4, 1933.
And if Mr. and Mrs. John Doe happened to have their money tied up in savings accounts or in some other manner that prevented them from being personally in a liquid condition, there was still little to worry about.4

Apparently, this article minimized the fear many likely felt in Denton County, as well as across the nation, as bank officials denied requests by depositors for their savings. Still, Dallas banks were allowed to reopen by the federal government due to its status as being one of the twelve Federal Reserve Bank cities.5 This action is important because it underscores the confidence the administration had in the region’s bank stability, although no branch banks were allowed to open outside of Dallas in the first day. Some banks had a policy of only allowing depositors to withdraw no more than 5 percent at any one time, “not to exceed $10 for the day.”6

In the town of Denton, the bank holiday had an immediate effect on the college. Campus Chat, the newspaper of North Texas State College, cited the crisis as the reason for a “rather severe drop from the total of last term and the Fall term.” The article mentioned that, “students probably have not been able to raise the money necessary for the payment of their fees.”7 This demonstrates how fully integrated banks had become in Texas, as people had become habituated to using banks and relying on them as a repository for any significant capital. Tuition could not be paid simply because the cash could not be removed from the bank.

In addition to the closure of banks across the nation, Roosevelt signed into law the Banking Act in June. This is perhaps the most critical step that the president took to strengthen individual trust in the American Banking system. Often referred to as the Glass-Steagall Act, named for the Democrat senator Carter Glass of Virginia and representative Henry B. Steagall of

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4 *Dallas Morning News*, March 9, 1933.

5 Ibid., March 12, 1933.

6 Ibid.

7 *The Campus Chat*, (North Texas Teachers College), March 24, 1933.
Alabama, the law created the Federal Deposit Insurance Corporation (FDIC) among its numerous other provisions. Initially, the FDIC provided deposit insurance up to $2,500 for individual deposits. What had failed in numerous states due to poor organization or lack of political will, was more successfully implemented by the Federal Government. From the outset, bankers treated the program favorably. For example, in 1934, the president of American Bankers Association, Frances Marion Law, stated that “The Temporary Federal deposit insurance plan under which deposits in banks up to $2,500 for each account are insured has been in effect for six months and has proven a potent factor in restoring confidence.” He went on to state the importance of American banks, “which pass daily many millions of checks and drafts, aggregating hundreds of millions of dollars...[and have been] largely financing the federal government in its recovery program.” Law was arguing that, much like small town bankers who often serve in support of the community, the bankers across the nation too stood in support of the federal government. Clearly, government officials at the local as well as at the national level recognized the importance of banking as an institution which must be maintained.

In 1925, Denton County had eight national banks. By 1935, this number was reduced to three—Denton County National Bank, Pilot Point National Bank, and First National Bank of Lewisville. Predictably, state banks fared far worse than national banks. In 1925, at least

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9 *The Carrollton Chronicle*, October 5, 1934.


thirteen state banks were operating in the county. By the end of 1935, only four still operated, including the First State Bank of Denton, Justin State Bank, Farmers and Merchants State Bank of Krum, and Lewisville State Bank. Denton County, which had boasted as many as eighteen banks within its border, retained only seven by the end of 1935. Banks, which had invested heavily in the economic growth of Denton County, suffered the consequences when that economy collapsed.

With seven banks remaining in 1936, Denton County’s economy had stabilized. Of the banks that remained operational, a lack of competition, as well as an increase in perceived security due to the FDIC deposit guaranty, seemed to sustain them. In the few remaining national banks in the county, deposits began to rise. The Denton County National Bank in 1933 held only $588,993 in deposits. However, by 1937, the amount of deposits almost doubled to $1,083,165. In the town of Pilot Point, the national bank saw an increase of $98,928 over the same period. Nevertheless, weakness still persisted in some areas of the county. The First National Bank of Lewisville had total deposits of $269,639 in 1933 but by 1937, deposits had declined to $113,660. This indicates that the slow recovery at this point was uneven inside the

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13 Texas Department of Banking, Complete Historical List of State Banks in Texas.


county. Nevertheless, there were bright spots in the county’s economic recovery. As reported on April 11, 1937, building permits were up by a modest $22,000 over the previous year, and retail sales across the region reported higher sales for the month compared to the year prior.18 Also in the town, Alexander H. Gee’s Pilot Point National Bank celebrated an open house to inspect “modernized interior decorations, new furniture, air conditioning and entirely modernized exterior finishing,” demonstrating to the bank’s patrons that the bank had weathered the economic storm of the previous decade.19

The fall of cotton can partly explain Denton County’s uneven recovery. Some contemporary academics acknowledged that the Roosevelt cotton control policy, coupled with continued Hoover era tariffs, weakened the region’s agricultural economy that so relied on exporting cotton. They argued that tariffs, which sought to protect producers of American goods, had since the Hoover era essentially provoked a trade war, and at the same time, made American goods less competitive in the global marketplace. Peter Molyneaux, economist and editor of the Texas Weekly, maintained that “Texas and the Southern cotton growing areas are today faced by their greatest crisis since the Civil War.” At the heart of this problem, which was discussed at a meeting that included the dean of the North Texas Agricultural College in Arlington and the President of Southern Methodist University, was criticism of excessive tariffs. Some in the meeting argued that the national policies were “decreasing domestic production while foreign nations [were] increasing theirs.” In this way, national policy likely affected Denton’s economy. Farmers in the county responded by producing less cotton and producing a greater agricultural

18 *Dallas Morning News*, April 11, 1937.

19 Ibid., March 19, 1940.
variety aimed at local markets as opposed to international ones.\textsuperscript{20} This transition in agricultural production likely meant increased cost of production as farms had to retool, change methods, and purchase varied seeds to adapt to the changing economic conditions. Bankers likely understood, as always, that their interests were tied to the community, and some of them offered assistance.

In 1935, bankers sought to help farmers who were struggling in the changing economy. During a meeting on April 9, 1935, a conference was held in Tyler, Texas between bankers, agricultural leaders, and representatives from the Federal Housing Administration “to consider plans for bettering farm conditions in Texas.”\textsuperscript{21} Two weeks later in Mineral Wells, Texas Bankers Association representatives declared that “The first six inches of top soil is the most valuable of all the State’s resources,” bringing statewide attention to soil erosion.\textsuperscript{22} The attendees of the meeting hoped to introduce a five-point plan which would help farmers through loans and conservation, with the aim of creating sustainable agriculture. In addition, in 1939, the Agricultural Committee of the Texas Bankers Association met in Fort Worth to organize an “educational campaign designed to create a closer relationship between bankers and farmers of Texas.” Some of the projects, which farmers and bankers hoped to work together on, were soil conservation, farm budgets, farm inventories, credit statements, pasture improvement, and other pressing concerns for farmers across Texas. While this was a statewide campaign, two of Denton’s bankers, R.W. Bass and Ellis E. Eagan, were acknowledged as “key bankers” in the program.\textsuperscript{23}

\textsuperscript{20} Dallas Morning News, October 18, 1939.

\textsuperscript{21} Ibid., April 9, 1935.

\textsuperscript{22} Ibid., April 23, 1935.

\textsuperscript{23} Ibid., October 10, 1939.
For the handful of remaining banks, the worst of the depression ended by mid-decade. Many of the banks that were able to survive past 1935, survived for decades. Some banks benefited from the federal mortgage refinancing program that helped drive mortgage applications to banks. \(^{24}\) The growth of home ownership in Denton County accelerated as 1940 approached, and this fact was recognized at a Denton Chamber of Commerce meeting in 1939. Thus it seems that 1939 represented a turning point in the county’s economy, and it was noted at the meeting that, “retail business was good, bank deposits heavy and construction work, particularly the building of new homes, the biggest in ten years.” \(^{25}\) Nevertheless, despite improvements in the public perception of banking, bankers became increasingly concerned with their standing in the community.

In some ways, bankers came out of the depression with less public confidence than they had enjoyed prior to the collapse. Bankers hoping to maintain sustainable profit and loss statements were likely more careful than prior to the Great Depression when lending to businesses. Critics contended that banks were not doing their part regarding the nation’s recovery. \(^{26}\) In 1939, Bert H White, a guest speaker at the Financial Advertisers Association meeting in Fort Worth, seemed to articulate public opinion of bankers at the time:

> The old story about the banker who had one kind eye—a glass one—will have to be revised in the future, for the day of the “high-hat banker” is over…Banks have had a lot to live down, for the time isn’t far distant when banks were generally regarded as places where money went in easily, but came out with difficulty and at high interest rates. Bankers assumed a superior attitude as stewards of other people’s money and often were charged with working to their selfish interests rather than to the interests of the community…The attitude of the public in general toward banks wasn’t friendly…

\(^{24}\) Ibid., March 17, 1935.

\(^{25}\) Ibid., January 26, 1940.

\(^{26}\) Ibid., January 24, 1940.
For White, who was trying to help bankers better understand public sentiment regarding their profession, this was an unfair judgment. He went on to say that “banks are essential to the communities” in which they operate; however, it was critical for them to treat their customers fairly and without disdain.27 It seems likely that for bankers attending the Fort Worth meeting, this description of the public perception of bankers came as no surprise. As early as 1936, some bankers were concerned with “lost prestige.” 28 In one instance, the *Dallas Morning News* published a letter to the editor that argued that “private bankers’ lending to the government was not in accordance with the Constitution. The author wrote, “It is manifestly unfair, unjust and unconstitutional for the government to delegate authority to a small minority of its citizens—known as private bankers—to create the nation’s medium of exchange out of thin air, so to speak, and then lend that sort of money substitute to the people, business, and the government at high rates of interests. The New Deal has gone in strong for a planned economy in most every direction except in the matter of calling for a revised monetary system capable of keeping in circulation just the required amount of money.”

Although this was one individual’s opinion of the state of banking in the country, the publication of this opinion in the *Dallas Morning News* is telling, and perhaps it would not have been published if the writer were the only individual with these beliefs. One city editor in Houston noted that “The great stone-face banker is on the way out. The bankers have a selling problem which must be attacked just as the grocery stores are attacking it. There is an insistent demand for sound, adequate public relations and unless the bankers can establish such they will

27 *Denton Record Chronicle*, January 9, 1939.

28 *Dallas Morning News*, August 7, 1936.
continue to lose business to finance and investment companies which in some cases are taking more profits on capital invested than the banks.”29 Clearly, bankers played an important role in the development of the Denton County’s economy, yet public support seemed to be waning due to decades of failure, particularly with state banks, but also with national bank failures, as with the two in the county seat of Denton. Despite efforts by bankers to assist their communities, persistent articles which depict bankers as stingy money hoarders seem to be more prevalent in the 1930s than in other periods in this study. It seems that the once revered businessman had lost his leadership role. Nevertheless, efforts by individual bankers as well as banking organizations to involve themselves in community action remained strong.

29 Dallas Morning News, November 18, 1938.
Historians seeking to understand how small agricultural towns grow and become economically diverse must consider the role bankers played in the community at large as well as the economy. Denton County bankers helped to bring two universities to the town, often sat on community boards responsible for building better infrastructure, as well as helping in bringing the railroads to the town. Organizationally, many of these economic pioneers offered a unique ability to move capital in such a way as to promote economic diversification as well as providing an important tax base from which effective government could be sustained. In addition, these bankers were often members of numerous community and religious organizations, helping them maintain their involvement in community development. Despite Texan’s general distrust of a banking structure from the very beginning of the state’s formation, Denton County residents seemed to embrace banking rapidly during the second half of the nineteenth century. Banks gained acceptance as necessary institutions as many of the county’s most influential businesses and government leaders eagerly helped to form banks, which often supported their communities in an endless cycle of economic action and reaction, providing both support and direction for much of the county’s capital investments. The story of Denton County is one of a passage from rural agricultural community to a dynamic economy which included, manufacturing, education, and a robust service economy by the beginning of the 1940s. A key aspect of this modernization were local bankers who saw their place in their communities as more than a business people plying their trade. Many served as government leaders. Their dual roles in private as well as public ventures often can be seen throughout the county’s development. The reason is obvious, without these financial institutions, the tax base could not have grown as significantly, entrepreneurs such as the Huffines car dealership, would have lacked the ability to experiment.
and grow new industries. These new businesses in turn, contributed to that tax base, supporting needed infrastructure, modernizing the county. Banks were also essential to agricultural growth throughout the county. Loans to farmers for various crop seed, new breeds of cattle, horses, sheep and hogs, as well as new equipment purchases is obvious throughout the 1870s to the 1940s. Moreover, early leaders such as Joseph A. Carroll and Alexander H. Gee provided much more than loans in the early development of the towns. Their civic mindedness coupled with their ability to organize capital helped Denton to diversify and become more than an agricultural community in North Texas.

Still, banks like all institutions were imperfect. Just as bankers helped change Texan’s anti-bank bias, bankers over time undermined the public confidence previous generations worked so hard to build. Bank failures due to mismanagement or dishonest practices undermined public confidence. In some instances bankers were victims of the same macro-economic forces that affected individuals and other businesses; however, their key position in a capitalist civil society meant the bar was much higher for bankers who had a fiduciary responsibility to their customer which few other businesses could claim. Because of this their failures could be devastating to individuals and towns and even to other banks. In the decade leading to the Great Depression, the closings likely helped to undermine growth and public confidence in the institution of banking. By the time President Franklin D. Roosevelt gave his first public address after his inauguration on banking, Denton County residents were well aware of the weaknesses of bankers.

Ultimately, bankers played a critical role in the development of Denton County. Still, bankers were imperfect in their duties, thus contributing to public disillusionment in their mission of fiduciary responsibility. Nevertheless, bankers helped to shape how people and
government leaders in Denton County saved and invested wealth, often to the benefit of the community at large.
APPENDIX

BRIEF HISTORY OF TEXAS BANKING
The role banks and bankers played in the formation, growth, and stability of small towns represents a poorly researched area within the field of Texas history. The latter half of the nineteenth century witnessed a tremendous growth in the economy of the state of Texas, and small-town bankers often provided the capital organization, as well as the leadership for much of a new town’s infrastructure. Despite the bankers’ importance, little has been written on these individuals which many small towns depended. One good exception is *But Also Good Business: Texas Commerce Banks and the Financing of Houston and Texas, 1886-1986*, in which Walter L. Buenger and Joseph A. Pratt detail the rise of Houston banks beginning in 1866. Their particular focus is on Texas Commerce Banks. They argue that banking in Texas was difficult from the beginning. Antebellum as well as postbellum farmers needed short-term credit to carry them until their crops could be brought to market and the need for a banking infrastructure remained a constant through the history of Texas. However, the Constitution of Texas forbade the creation of state-chartered banks until 1905. Private banks, formed before the 1860s, however, failed due to the limited scope these banks were allowed by the state’s government as well as no laws mandating sufficient capital requirements. The National Banking Acts of 1863 and 1864, promoted change in Texas. While Texas law eschewed state banking, the federal law promoted it. The capital requirements for federally chartered banks were high. However, this allowed for greater confidence by depositors who regularly saw the published bank balances in their local newspapers. By 1866, Houston opened its first federally chartered bank. For my research, the analysis of the effects of Texas law on the Houston banks is instructive. For example, Buenger and Pratt discuss the importance of the Texas Guaranty Fund Law (1909). The law—at least initially—helped to promote confidence in the stability of state banks allowing
for tremendous growth in state banking in Texas. Eventually, however, the promise of the fund could not keep pace with the need and seeing the problem, Texas legislators repealed the measure.

In 1970, a study of Texas’s state-chartered banks was written by Joseph M. Grant and Lawrence L. Crum. Crum and Grant’s study explained the formation, rise, decline, and resurgence of Texas state-chartered banking. The book is broken into eleven chapters, beginning with Mexican Texas in the early 1800s and concluding in 1969. It begins with a brief history of banking in the state of Texas dating back to 1822. According to Crum and Grant, Texas was then under the control of a newly independent Mexico under the short lived leadership of Agustín de Iturbide. Established by the Governor José Félix Trespaelacios, the Banco National de Texas became the first bank in Texas as well as the first chartered bank west of the Mississippi. Though the bank’s sole function was to issue notes, the bank failed soon after it was established, making the bank’s notes worthless. Crum and Grant argue that the failure of the bank set the stage for a general distrust of banks and paper money that would continue through the 1800s.

Crum and Grant also discuss banking in the republic Era. Anti-bank sentiment remained the mainstay of Texas Republic legislation and persisted into the early period of Texas statehood. The Panic of 1837, destroyed many “wildcat” banks established in other states, making their paper—some of it held by Texans—worthless. Crum and Grant argue the panic and subsequent depression had a lasting effect on Texans, who had long distrusted banks and paper money. Moving on, Crum and Grant discuss banking in the state before 1865. Due to laws against the printing of paper money, enterprising entrepreneurs had to side-step the law to provide a needed medium of currency. The firm of Robert & David G. Mills used the absence of laws regarding promissory notes, which effectively became a form of currency. Furthermore, the establishment
of the Commercial and Agricultural Bank in 1847, despite laws outlawing its presence, benefited from a charter granted by the state of Coahuila when Texas remained part of Mexico, twelve years earlier. Eventually, the Commercial and Agricultural Bank was ruled in violation of the state constitution and subsequently closed in 1858. Crum and Grant also point out that many private firms throughout the state provided limited banking services through the use of promissory notes, effectively establishing a private banking system.

Crum and Grant provide excellent information on banking in Texas from 1865 to 1905, in their book. After the Civil War, Texas passed the 1866 State Constitution, which maintained the anti-state chartered banking provisions. However, the 1863 National Bank Act, passed by Congress allowed nationally chartered banks to operate in all states within the union. Crum and Grant contend that during this period private banks grew “simultaneously with National Banks.” The reason for this, they argue, were due to an environment of complete freedom and a lack of supervising authority.¹

In 1869, the Texas legislature omitted the clause outlawing state-chartered banks and Crum and Grant point out that in the years 1870 and 1871 thirty state banks were authorized. Nevertheless, with the passage of the 1875 Constitution of Texas, state-chartered banks were outlawed, leaving Texas with only private and nationally chartered banks. Crum and Grant provide excellent detail of many of the state and nationally chartered banks as well as information on a number of the private banks operating in the state at this period.²

The development and the impact of the Texas State Bank Law of 1905 is an important section in Crum and Grant’s study. They argue that by 1888, there was growing support within the newly created Texas Bankers Association (TBA) for state-chartered banks. Eventually the TBA’s recommendations were adopted as part of the State Democratic Party platform (the dominant party of Texas at the time) in 1902. Chapter five discusses the five years after the passage of the 1905 law. Crum and Grant provide tables and charts providing totals for the number of state-chartered banks that opened under the new law in the first five years. Moreover, the Panic of 1907 seems to have affected bank closures immediately following the disturbance according to their research.3

Important to my research, Crum and Grant discuss the unique form of deposit insurance that developed in Texas. Known then as the “Guaranty Fund,” it acted as a backstop for state banks with low deposits, helping to keep them afloat in case of a “run on the bank.” The Guaranty Fund, represented a unique feature during this period in American history due to the funding mechanism for the fund. Later chapters detail the failing of this fund as well as many of the state banks in Texas as well as the effects of the Great Depression and Texas state banking’s continued decline. Lastly, Chapter 11 deals with years 1940 to 1970, which my research does not focus on.

Other than Buenger and Pratt’s study on Commerce Banks in Houston and Grant and Crum’s study of state banks, no regional studies of banks and bankers in Texas written in recent history exists. Moreover, there have been no formal studies of the role banks and bankers played in the development of Denton County, Texas. Many of the sources presented in this annotated

3 Grant and Crum. The Development of State-chartered Banking in Texas, 94
bibliography indicate that Denton County bankers played a prominent role in the economic, infrastructure, and educational development of the town of Denton as well as the county that encompasses it.
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