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［翻訳］

Establishment of a Unique Bankers Association by Small Banks in the Depression Era United States

— Why and how local unit bankers managed to organize an association in the face of expanding large banks —

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A selectively-abridged* translation of the article titled
"大恐慌期米国における小銀行独自の業界団体設立の動機と経緯"
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(* "Selectively-abridged" means that, most typically, those parts with little relevance for English-language readers with certain knowledge of U.S. banking are abridged: for example, parts mentioning upon Japanese-language-only literature or upon Japanese library stocks, or parts explaining occurrences or banking terms well-known to Americans. The author has also made a few minor corrections and additions as deemed appropriate.)

1. Introduction – Research objective, literature, and documents

(1) The ICBA – now one of the established organizations of banks in the U.S.

The Independent Community Bankers of America (ICBA), formally called the Independent Bankers Association of America (IBAA)(1) before March 1999, has been a special organization for the author, either in writing academic papers, or in writing books both academic or for the general public. In these writings, I have been mentioning the ICBA or the IBAA numerous times.

For example, Yuri [2000], in II of Chapter 3 and III of Chapter 5, writes mainly about the organization, its services for the member banks, and its lobbying at the Congress for the period of 1991–1996. Also, Yuri [2009a], in Chapter 5, writes about the lobbying of the ICBA at the Congress which enacted the Gramm-Leach-Briley Act(2) in 1999. The author also has written, in Yuri [2009b], about the activities of the ICBA at the Congressional regulatory reform debate just after the Lehman financial crisis.

The post-crisis debate in Washington D.C., centering upon the tightening of the regulations over the large financial institutions and derivative markets, led to the Dodd-Frank Act (Dodd-Frank)(3) in July 2010. Kaiser [2013], whose author is an editor-reporter at the *Washington Post*, writes about the lobbying of the ICBA, which was effective and influential up until the last stage of the enactment of Dodd-Frank.

In addition, *American Banker* put an article titled "ABA-ICBA Rift on Reg Reform Traces to Key Senate Vote," more than one full page long (Dec. 21, 2010, pp. 1 & 3), mentioning the ICBA as one of the key players which enabled the enactment of Dodd-Frank.

Books and financial media articles such as these show that the ICBA, representing community banks, increased its reputation and political efficacy after the financial crisis and the great recession which followed, while the "Wall Street" financial institutions, that are large investment/commercial banks and consequentially the American Bankers Association (ABA), lost their reputation and decreased their political efficacy.

(2) There are few researches and media reports over the origin of community bankers' organizations in the U.S.

As compared to current multiplicity of activities of the ICBA and its presence in the eyes of policymakers and media, its size and presence at the time of its birth was quite small. As told later in this paper, little documents have been found and no article appeared on *American Banker*(4) with regard to the establishment of the Independent Bankers Association (IBA), the predecessor of the ICBA, in May, 1930.

Putting aside the articles and publications by the IBA (or ICBA) itself, only Chapman and Westerfield [1942], Lamb [1961] and Popple [1944] make references to the existence and the activities of the IBA, as long as the author could find, and no academic article with the IBA in its title or key words could be found. Also, the chief executive officer as well as a former top executive at the ICBA, later referred to in (4), said that they did not know of academic books or articles writing about the history of the IBA.

Among the three academic books mentioned above, Chapman and Westerfield [1942] mentions the IBA and other associations of unit banks(5) in other states(6) (pp. 127–128). It says that none of these associations was nationwide, but that they exerted “considerable influence on state and federal policy and legislation with respect to branch banking.” The book also mentions that the federal bank regulators and the ABA, around the year 1930, chose the stance of promoting or allowing branch banking, which is, as told later in this article, quite important for understanding the motivation of the start-up of the IBA and its early activities.

Let us move to Lamb [1961]. It makes an overview of what occurred from early 1900s to 1930s in the banking industry, and of the moves of regulators with regard to whether to allow branch banking or not (pp. 37–34). The banking situation it describes is by and large the same as in Chapman and Westerfield [1942], and while Lamb [1961] does not list up the unit bankers’ group as in detail as the former book, it does mention the IBA’s name, the year of its establishment, and what it stood for, with Popple [1944] (next referred to) as its source. Chapter 7 “Regulation of Group Banking” in Lamb [1961] makes an overview of the discussion over the regulation of bank holding companies in Congress from 1938 to 1954, and during the course refers to the logics underlying the opposition against multi-branch banking expressed by small bank organizations such as the IBA (pp. 178–180). The book also notes that the membership of the IBA was over 5,200 in 1955 (p. 306).

Popple [1944], the third book, focuses on the two large group banking organizations in Minnesota: Northwest Bancorporation, and First Bank Stock Corporation, which I describe in some detail later in this article. Popple [1944] henceforth refers to the arguments made by the IBA, which was organized in the same state because of the very existence of the two large banking organizations there. The book, however, does not mention the name of the IBA, and quotes the discussions made by unit bankers, not necessarily members of the IBA, based on the Congressional records. I will make use of this book from time to time later in this article.

Aside from the tree books mentioned above, I also looked into, as long as I could, the books with the themes of banking system and/or banking industry in 1930s, written at the period or shortly after. However, they made only a few references, if any, to the activities or groups of the unit bankers, and no name, such as the IBA, of their groups was found.(7) I also looked into, although not necessarily extensively, the books of financial history or banking history, but such books made even fewer references to unit bankers.(8)

(3) Literature in the political science useful for understanding the factors relating to the inception and growth of the IBA

If the criterion of "related literature" is enlarged from "referring to the IBA" to "relating to the political organization and political influence of unit bankers or rural bankers," additionally several useful books can be found.

The first of such books is Roe [1994], which I referred to in Chapter 4 of Yuri [2000]. The main theme of this book is the corporate governance of U.S. corporations, and it discusses extensively about the related institutional and regulatory systems and the political thoughts, and the interplays among them. As for the U.S. banking industry, it points out that the stronger influence of small and medium-sized banks than that of large banks, as compared to in Germany or Japan, resulted in the corporate governance typically led by "strong managers" of non-financial corporations, rather than by major lender banks.

Roe [1994] points out that the influence of small banks,(9) and their associations(10) became influential after the World War II (hereafter "WWII") at the congressional debates over bank-related legislations (pp. 28–36, 96–100). In addition, the book points out that the public and legislators regarded such influence of small bankers positively as compared to the influence exerted by large banks and large corporations (which suggests the existence of populistic political sentiments at the period) (pp. 28–31). These observations may well be related to the history of the inception and growth of the IBA.

The second book to be mentioned is Clemens [1997], which is one of often quoted writings(11) on the early 20th century history of interest groups in the United States. Researchers in this field observe that the "interest group politics" had its origin in the first 30 years of the 20th century (pp. 1–8), with interest groups of farmers, laborers and women starting anew during the period.

According to Clemens [1997], "*How* groups organize is as important as what they organize for and the resources they can muster" (p. 6, italic as in the original). Whether a group has the "art of association" or not has much to do with its origination and growth, or its failure and extinction, the book says. Even if we can quote Roe [1994] as an explanation of the support from the general public for the claims of interest groups of unit bankers, the book alone cannot explain why it was the IBA which grew into the one and only nationwide interest group of small banks (there were many of such in 1930s, see note (6)). With this regard, such a preceding research as Clemens [1997], with a focus on the organizational factor of interest groups, should be useful for studying the history of the IBA.

One focus of Clemens [1997] is put on the farmers movement in the pre-WWII United States, and it depicts how local interest groups succeeded in expanding their influence in Washington D.C., as part of the book's effort of figuring out the factors of successful interest groups. Because Minnesota was one of the states where such farmers movement was active, such observations and findings may be useful in understanding how the IBA succeeded. The same type of usefulness is also found in Saloutos and Hicks [1951], which details the relationship between the farmers movement particularly active in the Midwest and the Congress or federal bureaucracy. With this regard, this classical study(12) can also be counted as among preceding literature for this study.

However, one significant limitation of these three books just mentioned is that they make little references to unit banks or banking. Therefore, little materials are extractable from these for the "fact finding" objective of this study, even if these are useful for "interpreting" the history of the IBA.

Thus, the author's search of literature *directly related* to the IBA brought only those as put forth in (2) above. Considering that even those in (2) mention only a few about the IBA itself, the author could not help but look for documents at the ICBA headquarters, which are discussed in the following (4).

(4) ICBA documents, publicized or retained, relating to the period of the origination and growth of the IBA

A couple of years before this study, the author had an opportunity of becoming acquainted with Mr. Salvator Marranca, then the president and CEO of Cattaraugus County Bank, and formerly the chairman of the ICBA (March 2011 – March 2012).(13) With the direct help of Mr. Marranca, the author could make an appointment of visiting the Washington D.C. headquarters of the ICBA, and of meeting with Mr. Mark Raitor, Senior Executive Vice President and Chief Operating Officer of the ICBA, in March 2015.

The author had beforehand told Mr. Raitor the academic purpose of this study and types of documents the author wished to see. However, the only first-hand document relating to the early stage of the IBA was the "DuBoise memo" (mentioned later), and the other dozens of documents were either second-hand documents regarding the early stage of the IBA, or documents regarding the post-war stage. The author do not think that the

ICBA intentionally withheld documents, considering such facts as (1) the author visited the ICBA headquarters with the direct help of its recent former chairman, (2) Mr. Raitor had a long experience of working as the top administrator of both the Minnesota and the D.C. headquarters of the ICBA (Sturgeon and Lobdell [2003]), (3) the author had friendly talks with Mr. Raitor, who was collaborative enough, in two days at the headquarters, and (4) the contents and the ways of talks of both Mr. Raitor and Mr. Marranca regarding the existence of historical documents.(14)

Therefore, for the purpose of historical writing in this article, the author is going to use only such "ICBA documents" (hereafter used in the meaning of also including "IBA documents" and "IIAA documents") as: (a) useful publications (original prints or copies) and copies of documents at the ICBA headquarters provided to the author at the visit, and (b) articles of the *Independent Banker* magazine(15) closely related to the IBA history.

Listed as [1]-[8] below are the documents the author got at the ICBA headquarters which are especially useful for finding and understanding the events, purposes of activities, and ideals of the IBA in its start and early stage of growth (roughly until mid-1960s). (Note: The order of the list are in accordance with the publication or document date. Comments in parentheses are the author's.)

[1] Ben DuBois [1963?(16)], "History of the Independent Bankers Association," pp. 8 (Called the "DuBois memo" in this article, this memo was written by Ben DuBois, who served as the *de facto* secretary general of the IBA for more than 30 years since its inception. Its original text can be found in the original Japanese-language article in the *Journal of Policy Studies*, Chukyo University, Volume 7, March 2016. According to Mr. Raitor, existing documents of the association and publication articles related to the inception and earliest stage of the IBA are basically based on this memo.)

[2] Independent Bankers Association [1965], *Independent Banking: An American Ideal*, Independent Bankers Association (A collection of articles and discussions from the *Independent Banker* deemed to be useful for introducing the IBA to the bankers, media people, and researchers. As a whole, it could be called a "position paper" of the IBA at the time.)

[3] Stenehjem [1965] (for full bibliographical information, see "Quoted Articles/ Documents" at the end of this article) (While based on the "DuBois memo" men-

tioned above, it also has originality in its observation and assessment of the accomplishments of the IBA as an interest party.)

[4] *Independent Banker*, Nov. 1966, “IBAA Dedication and Open House” (A special issue featuring the opening of the new headquarters building of the IBAA(17) in Sauk Centre. It also includes pictures of key persons of the association, including Mr. Ben DuBois, taken at the open house day, Sep. 22, 1966.)

[5] Resolutions of the IBA and the IBAA at their national conventions, 1951–1978, as printed in the *Independent Banker*. (The copy set does not necessarily include all parts of the resolutions.)

[6] Independent Bankers Association of America [1980], “IBAA in Perspective,” memorandum, Aug. 8, 1980, pp. 19 (Although it includes the same type of information as the “DuBois memo,” it also has its own unique information, such as IBA’s membership, income from member banks and “dues structure,” and the growth, organization, and challenges of the IBAA at the start of the 1980s.)

[7] *The Wall Street Journal*, “Country Cousins: Small Town Bankers Fight to Keep Curbs on Big Rivals’ Growth,” by Christopher Conte (staff Reporter), Jun. 3, 1983, front page (In the midst of interstate-branching legislation debate, a well-prepared report based on information collected at the IBAA Minnesota headquarters and at the First Bank System, a large bank holding company in Minnesota, and by talking with a son of Ben DuBois. It also looks back the initial stage of the IBA in a historical perspective.)

[8] ICBA [2005] (see “Quoted Articles/Documents”) (A photo book commemorating the 75th anniversary of the IBA [IBAA, ICBA], intended to be distributed among member banks and to related parties [not for sale]. It also includes a list of the chairmen of the association since its inception.)

In addition, as mentioned before, the author also includes among the “ICBA documents” particularly useful articles of the *Independent Banker* magazine the author had found before the ICBA visit, which are as follow.

[9] Cook [2005] (see “Quoted Articles/Documents”) (While its information on the IBA is by and large within the range of the “DuBois memo,” it puts the inception and growth of the IBA in the context of the development of the U.S. financial system.

The column of Gamble [2005] as a part of the article also reports the retrospective comments made by Ben DuBois regarding the years after the “DuBois memo,” although it does not mention its information source.)

[10] Patton [2005] and Phillips [2005] (see “Quoted Articles/Documents”) (As for the information on the IBA, they also do not include any beyond the “DuBois memo,” and they are generally inferior to the [9] with regard to the amount of other types of information. Nevertheless, some part of them are useful.)

(5) Contents and research objectives of this article

Based on the literature as mentioned in (2) above and others, Section 2 which follows makes an overview of the banking industry scene during 1920s in the U.S., particularly in Minnesota, which consisted the background of the inception of the IBA in the spring of 1930.

Section 3 and Section 4 depicts the history of the IBA since 1930 to mid-1960s, which by and large corresponds with the coverage of the “DuBois memo.” In addition to the “ICBA documents” just mentioned above, the author also refers to the literature mentioned in (2) before, as well as media reports like those in the *American Banker*. Within those sections, Section 3 covers the period of from the spring of 1930 to the spring of 1933, while Section 4 covers the period of from the summer of 1933 to mid-1960s. Considering the fact that the IBA changed its name to the IBAA in 1965 but retained its organizational continuity up until the current ICBA, the period Section 4 covers can be called the “early stage of growth” of the association.

This article as a whole depicts “how the IBA started and achieved its early stage of expansion,” and Section 3 and Section 4 serve as the central part of the article. Within those two sections, Section 3 is going to depict the IBA history in more detail, because the author think that the associations’ objectives, ideals, and events in its earliest years are of considerable importance for the organization’s identity and orientation afterwards. It also helps that the “ICBA documents” as a whole provide more detailed information of this stage of the IBA history.

The description of the IBA history in Section 4 is going to be less in detail, but the author intends to describe what the association’s earliest ideals and organizational character had to do with its following growth, and whether its initial objectives were achieved or not.

Needless to say, the author understands it a continuing challenge for him to write a more detailed IBA history for the period covered by Section 4.

In the last Section 5, the author intends to consider a larger picture of the history of the IBA, as the title of this article, particularly the underlined portion, expresses: “Establishment of a Unique Bankers Association by Small Banks in the Depression Era United States – why and how local unit bankers managed to organize an association in the face of expanding large banks –.” While the preceding Section 3 and Section 4 depict the fragility of the IBA at its earliest stage and the association’s later expansion, Section 5 tries to consider “why it was *the IBA in Minnesota* that became the first and foremost nationwide association of small banks.”

Behind Section 5 lies the author’s central question which motivates his whole study on IBA: “Why did the ‘tiniest’ bankers, although many in number, dare to start, and then succeeded to nourish, their own interest group, aside from the well-established ABA, which already had half a century of record(18) at 1930?”

If we look at the discussions over interest groups in the academic field of political science, many observers like Schlozman [2010](19) maintain that interest groups other than those of large corporations and of the well-to-do find it hard to grow and to become influential, even if they ever be organized. In fact, the same held true for the eight small bank organizations other than the IBA in the 1930s, as mentioned in endnote (6) of this article. From this observation, the historical fact of the expansion of the IBA since its infancy in the Depression, when unit bankers were quite fragile financially, could be seen with a certain level of surprise, and the author intends to bring about a couple of possible factors that enabled the start-up and growth of the IBA, making use of literature listed in the preceding (3).

2. Changes in the Minnesota banking industry as the background of the inception of the IBA

(1) The threat of two major bank holding companies in Minnesota, which are depicted in the DuBois memo

Among the “ICBA documents” mentioned in (4) of the preceding section, both the “DuBois memo” (number [1] among the document list and of essential importance for this article) and Stenehjem [1965] (number [3] and of complementary usefulness) write with considerable length about the two major bank holding companies in Minnesota and its threat to unit banks within the state. These two documents seem to show that the threat from these two major bank holding companies was the single most important motivation for the unit bankers to organize the IBA.

The following short sentences (starting from "a)") are the summarized descriptions of how the unit bankers, who eventually organized the IBA, thought about the two major bank holding companies, based on the DuBois memo pp. 1–3 and complemented by Stenehjem [1965].

> Listed below are a few rules by which the DuBois memo was summarized into those summary sentences. These rules also apply to the same type of summary sentences in Section 3 and Section 4.
>
> 1) The alphabet put on the start are by the author and does not appear in the DuBois memo. Each unit of summary sentences under particular alphabet usually corresponds to roughly one or two paragraph(s) in the memo, but more extensive abbreviation or partial deletion may be made for such parts of the memo where human names are listed with some length.
> 2) The number(s) of paragraph(s) noted at the end of each unit of summary sentences indicates the number(s) of corresponding paragraph(s) (counted and numbered by the author) of the DuBois memo.
> 3) Sometimes, wordings regarding, for example, organizational name, or adverbs and indicative words, etc., are modified or supplemented, for clarification or better readability.
> 4) The numbering and contents of endnotes, and the comments within "[ ]" are by the author.
> 5) The writer of the DuBois memo sometimes put more importance on depicting his feelings at particular historical moment, aside from more precise descriptions of the event or occurrences (which of course is quite understandable). In some occasions the author substituted or supplemented the words from Stenehjem [1965] for the words of the memo, in which case the mark of "*" are put.

a) The explosive expansion of two Minneapolis holding companies* was the key factor in motivating the independents [independent bankers; in those days almost the same meaning as unit bankers] in Minnesota to set up the new organization. (3rd paragraph [of the DuBois memo])

b) An officer of one of the holding companies had reportedly said that there wouldn't be an independent bank left in the Ninth Federal Reserve District[20] within three years. Hearing that, we saw only two alternatives for independent bankers – either to sell out to the groups, or to organize among ourselves to combat the holding company challenge with collective strength. (4th and 5th paragraphs)

c) The holding companies wielded so much power that some bankers were afraid to be identified as opponents. In the early days of the association, memberships were solicited with the understanding that the names of the banks would be kept a secret. (6th paragraph)

d) Officers of the Northwestern National Bank[21] saw an opportunity to bring many banks in the Northwest under their control through the holding company device, for there were little legal restrictions on the bank holding companies as compared to the branch banking [under Minnesota state laws – see endnote (9)]. In addition, the bank holding company organizers adroitly coined a phrase, "group banking," since their term of "holding company" aroused fear among the independent bankers.* They declared it was a remarkable discovery for the improvement in banking, with the banks owned by the corporation retaining their unit character and operating on a local basis.* This was only an illusion.[22] (7th–10th paragraphs)

e) In January 1929, the establishment of the Northwest Bancorporation was announced, and it began to expand in group banking [through the bank holding structure].[23] Its officers secured ownership of banks in Minnesota, the two Dakotas, Montana, Washington, Wisconsin, Iowa and Nebraska. (13th paragraph)

f) The success of the new Northwest Bancorporation [hereafter "the Northwest" – see endnote (21)] began to distress the First National Bank of Minneapolis [another large bank in the metropolis], finding many of its correspondent banks joining the Northwest. So the bank's officers collaborated with another large bank in St. Paul, the First National Bank of St. Paul, in jointly establishing a bank holding company, the First Bank Stock Corporation [hereafter "the First National" – see endnote (21)] on August 1929. Thus, the officers of another large bank holding company scurried through the territory, acquiring many good unit banks. Stocks of the First National, like that of the Northwest, found a ready market [among the unit bankers, who wanted to exchange their stocks with the stocks of the First National].(24) (14th–16th paragraphs)

g) Because the Northwest and the First National had been serving as correspondent banks for independent banks of the Ninth Federal Reserve District and even beyond, a curious situation arose. Subsidiaries of a holding company now became competitors with many [independent] correspondents of the core large bank of the same company. (17th and 18th paragraphs)

Following the descriptions above, the 19th paragraph of the DuBois memo mentions the following move among the unit bankers:

h) The menacing growth of these two holding juggernauts spurred the independent bankers to action. Late in 1929 and early in 1930, independent bankers met many times with the intention of forming their own organization.

(2) Overview of the bank holding companies around 1930, and how the Minnesota-based organizations ranked in the U.S.

As written in the last paragraph of the preceding (1), the DuBois memo mentions that the existence and the move of the Northwest and the First National was the very threat that "spurred the independent bankers to action." In this subsection, the author wants to make an overview of the two banking organizations, such as their relative sizes in the national context and the extent of oligopoly within Minnesota, making use of the standard data often used in the banking history literature.

In this context, Hirata [1965] is the preceding Japanese article most relevant to this study. Although written about half a century ago, it is a well-written article with a subject quite similar with this study, as its title "The Concentration Movement of Banking and the Changes in the Structure of Banking in the United States – in 1920s" signifies.

Also to be mentioned here are Willis and Chapman [1934] and Lamb [1961], the latter of which has already been mentioned in (2) of Section 1. Although Willis and Chapman [1934] mainly focuses upon the post-Depression period while Lamb [1961] upon the period between the Depression and the post-WWII, they both include abundant useful information regarding the 1920s as well, when the banking industry became more concentrated and large banking organizations appeared in the U.S.

In addition, Popple [1944], which has already been mentioned in (2) of Section 1, is a detailed case study describing the Northwest and the First National. Lastly, a data set, with comments, titled “Branch, Chain, and Group Banking” prepared by the Board of Governors of the Federal Reserve System (hereafter “the FRB”) is also a useful and trustworthy data (hereafter “the FRB data”). Prepared for the Banking and Currency Committee, House of Representatives of the U.S. Congress, it is included in the document of Banking and Currency Committee Hearings [1930] (the pages of the FRB data referred to in this article are those on this document).

First, the following Table 1 shows the large banking groups and chains(25) in the U.S. in 1929.

The sentence following this table in the FRB data mentions that there were 287 banking groups and chains in the U.S. at the end of 1929. Table 1 shows that the Northwest and

Table 1
Large Banking Groups and Chains in the U.S.

(The footnote of the original table reads “Based largely on condition figures published in July, 1929.”)

Name and address of management or controlling interest	Number of banks in group or chain in December	Loans and investments 1
Principal groups:		
Northwest Bancorporation, Minneapolis, Minn	92	$339,754,000
First Bank Stock Corporation, Minneapolis, Minn	78	339,267,000
Guardian Detroit-Union group, Detroit, Mich	35	403,996,000
First Security Corporation, Ogden, Utah	25	34,723,000
Old National Corporation, Spokane, Wash	22	32,981,000
First National-Peoples Wayne County group, Detroit, Mich	21	705,032,000
Southwest Corporation, Tulsa, Okla	21	77,753,000
First National-Old Colony Corporation, Boston, Mass	20	568,312,000
Marine Midland Corporation, Buffalo, N. Y	19	425,436,000
Transamerica Corporation, New York, N. Y	18	1,418,361,000
First Wisconsin National Bank, Milwaukee, Wis	18	168,466,000
Anglo-National Corporation, San Francisco, Calif	17	146,138,000
First Securities Corporation, Syracuse, N. Y	14	115,559,000
First National Bank, Atlanta, Ga	7	104,954,000
Principal chains:		
Rogers Caldwell 2, Nashville, Tenn	66	131,308,000
Otto Bremer, St. Paul, Minn	71	52,932,000
Foreman Family, Chicago, Ill	14	270,719,000
James F. Toy, Sioux City, Iowa	17	13,056,000
A. E. Sleeper, Bad Axe, Mich	16	5,612,000
Thurmond Bros., Oklahoma City, Okla	15	4,664,000
Geo. Wingfield, Reno, Nev	12	18,911,000

Source: Banking and Currency Committee Hearings [1930] p. 455

the First National were the two largest group banking organizations in terms of the number of banks under their umbrellas. In terms of the size of "loans and investments" in the table, they were 6th and 7th largest in the U.S.

Next, according to Table 2 from the same FRB data, we can see that for most of the states where large banking groups or chains are found in Table 1, branch banking was either limited or prohibited, or no legislation existed over it. Notably, among those states where branch banking was prohibited, there were many those in the Midwest, where the

Table 2
Summary of State Laws regarding Branch Banking

(A sentence preceding the original table reads "The board's counsel, with the assistance of the counsel to the various Federal reserve banks, recently prepared an up-to-date digest (X-6528) of State laws relating to branch banking.")

States permitting state-wide branch banking (9)	States permitting branch banking within limited areas (10)	States prohibiting branch banking (22)	States having no legislation regarding branch banking (7)
Arizona.	Georgia.[2]	Alabama.	Kentucky.[12]
California.	Louisiana.[3]	Arkansas.	Michigan.[13]
Delaware.	Maine.[4]	Colorado.	New Hampshire.
Maryland.	Massachusetts.[5]	Connecticut.	North Dakota.
North Carolina.	Mississippi.[6]	Florida.	Oklahoma.
Rhode Island.	New Jersey.[7]	Idaho.	South Dakota.
South Carolina.	New York.[8]	Illinois.	Wyoming.
Vermont.[1]	Ohio.[9]	Indiana.	
Virginia.	Pennsylvania.[10]	Iowa.	
	Tennessee.[11]	Kansas.	
		Minnesota.	
		Missouri.	
		Montana.	
		Nebraska.	
		Nevada.	
		New Mexico.	
		Oregon.	
		Texas.	
		Utah.	
		Washington.	
		West Virginia.	
		Wisconsin.	

1 No provisions regarding branches, but state-wide establishment of "agencies" permitted.
2 City or municipality.
3 Municipality or parish.
4 County or adjoining county.
5 Same town.
6 Same city.
7 Same city, town, township, borough, or village.
8 City limits.
9 Same city or city or village contiguous thereto.
10 Corporate limits of same place.
11 County.
12 No provisions regarding branches, but court decisions permit establishment of additional offices or agencies to receive deposits and pay checks.
13 Industrial banks may establish branches in city or village of head office, but no provisions covering establishment of branches by other banking institutions.

Source: Banking and Currency Committee Hearings [1930] p. 463

Table 3
Presence of Group and Chain Banking Organizations in Each State

(Additional notes by the author)
* Although this table does not explicitly show the number of unit banks in each state, pp. 464–465 of the FRB data mentioned before in the text shows it. (For Minnesota, the number is 738.)
* The number of independent banks in each state can be calculated by subtracting the number of banks at (2) from that at (4), and if the branch banking is prohibited in the state, that number is equal to the number of unit banks.
(For Minnesota, the number can be calculated by: $\overset{(4)}{1{,}046} - \overset{(2)}{308} = 738$.)

(Loans & Investments in $ millions)　As of End of Dec. 1929

	Number of Chains & Groups	Banks belonging to Chains & Groups		All Banks		(2)/(4)	(3)/(5)
		Number	Loans & Investm'ts	Number	Loans & Investm'ts		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
EAST							
New England							
Massachusetts	5	45	871	450	4,225	10.0	20.6
Rhode Island	1	3	153	33	533	9.1	28.7
Total, including others	9	69	1,132	1,080	7,088	6.4	16.0
TOTAL, including others	48	213	3,211	3,579	26,562	6.0	12.1
SOUTH							
Georgia	5	22	166	405	334	5.4	49.7
Florida	6	40	134	235	258	17.0	51.9
Arkansas	3	72	50	415	198	17.3	25.3
Kentucky	3	16	124	572	554	2.8	22.4
Tennessee	4	32	149	484	430	6.6	34.7
TOTAL, including others	46	321	815	5,706	5,168	5.6	15.8
MIDWEST							
Illinois	12	84	1,212	1,765	3,802	4.8	31.9
Michigan	11	135	1,262	743	2,021	18.2	62.4
Wisconsin	6	58	212	960	917	6.0	23.1
Minnesota	37	308	583	1,046	901	29.4	64.7
TOTAL, including others	90	731	3,644	9,032	13,176	8.1	27.7
WEST							
North Dakota	6	114	58	412	112	27.7	51.8
South Dakota	5	61	47	387	137	15.7	34.3
Montana	2	45	81	195	144	23.1	56.3
Wyoming	5	32	22	86	58	37.2	37.9
New Mexico	2	9	3	56	41	16.1	7.3
Oklahoma	8	85	103	617	401	13.8	25.7
TOTAL, including others	60	523	452	3,900	1,918	13.4	23.6
PACIFIC							
Washington	12	75	188	340	460	22.1	40.9
Oregon	7	36	82	234	260	15.4	31.5
California	5	49	1,528	437	3,420	11.2	44.7
Idaho	3	41	37	137	81	29.9	45.7
Utah	5	26	50	104	162	25.0	30.9
Nevada	1	13	20	35	38	37.1	52.6
Arizona	1	6	18	46	81	13.0	22.2
TOTAL	34	246	1,923	1,333	4,502	18.5	42.7
United States TOTAL	287	2,103	11,177	24,630	58,417	8.5	19.1

Note: Only those states where (2)/(4) ≧ 15% or (3)/(5) ≧ 20% are listed.
Source: Hirata [1965] p. 22 (English translation by the author)
Original Source: *Federal Reserve Bulletin*, Apr. 1930, pp. 153–154, 157

IBA achieved its earliest expansion outside of Minnesota. This seems to suggest the following causality: prohibition of branch banking (at the request of unit bankers) → growth of group/chain organizations (which seems in the eyes of unit bankers as evading the branching law) → expansion of the membership of the IBA (whose goal of regulating the group/chain organizations attracts unit bankers in such states).

Going ahead, let us look at the presence (that is, in-state shares in terms of branches, deposits, and loans) of the Northwest and the First National in Minnesota. As mentioned before, according to the DuBois memo, the very reason why the independent bankers were "spurred" to organize the IBA was the horrible threat of the Northwest and the First National. The author thinks that the extent of the threat ought to have depended upon the in-state presence and its growth of the two banking organizations, rather than their ranking in the U.S. we have already seen.

In this regard, Table 3 from Hirata [1965] is useful. This table shows that Minnesota was one of such small number of states in the U.S. where the chain banking organizations had significant shares in terms of both the number of banks and the "loan & investment" amount. Among those "significant share" states, such states as Wyoming, Utah, and Nevada had banking sectors of quite small sizes. Therefore, it was Michigan and Minnesota that stood out as states with significant presence of group/chain banking organizations. This observation is also consistent with the fact that, as in preceding Table 1, there existed large group/chain banking organizations in these states.

(3) Conditions among unit banks in rural Minnesota as one driver of the expansion of the largest bank holding companies

As we have seen in subsection (1), the descriptions of the Northwest and the First National in the DuBois memo might give the readers some sort of "villain" images. Related literature, however, provide us other factors on the side of unit bankers which influenced the moves of the two banking groups. Because such factors are not necessarily written in the memo but are useful for understanding, with more objectivity, the state of the unit banks in rural and small-town Minnesota, let us take a look at some of the information in these literature.

Hirata [1965] mentions the economic and social backgrounds behind the loss of independence among unit banks: depressed agricultural conditions prevailing in the Midwest during 1920s, beginning of the era of automotive transportation and chain stores, and the consequential weakening of the local economies which were the underpinnings of unit banks in rural Minnesota.

Wheelock [1993], on the other hand, analyses the changes of the number of banks per residents, and of the ratio of national banks to all banks, in order to find the factors determining such changes. It then discusses that the agricultural and agricultural real estate boom in the early half of 1920s, and the downfall thereafter, significantly influenced the rise and fall of the number of banks in agricultural states, particularly those with deposit insurance systems.

Another related study is Kobayashi [2009], which on pp. 61–65 discusses the number of bank failures and failure rates in 1920s, by asset sizes and by areas. It finds out that the failure rates in 1920s were higher (1) among small banks, (2) among banks headquartered in small towns, and (3) among banks in the West North Central (where Minnesota belongs to), in the South Atlantic, and in the Mountain(26) (Table 4).

The high bank failure rate in the West North Central shown in Table 4 (b) were partly due to the particularly high failure rate in two Dakotas, Kansas, and Nebraska where state-run deposit insurances existed and moral-hazard problems in bank management were observed (Wheelock [1993]). The banking industry in Minnesota shared a certain element of instability with these states.

For the purpose of looking into the banking situation in rural Minnesota at the time, Stevenson [1934] is a useful report. This report is one of the report series prepared and published by the Employment Stabilization Research Institute, University of Minnesota, with the introductory paragraph beginning as follows.

> When the Employment Stabilization Research Institute undertook to analyze the causes of instability that result in unemployment in the Twin Cities and Duluth, it was led almost immediately to a consideration of the problems of rural banking.

As the report was completed in the midst of the Depression, the larger part of it is devoted to analyzing the banking situation in Minnesota in the 1930s and finding out how to stabilize the rural banks. The report, however, repeatedly point out that the causes of the instability had already been apparent in the 1920s.

Table 5 is one of the tables in the report that show the instability of the rural banks in

Table 4
Bank Failures, Numbers and Failure Rates by (a) Populations of Headquarter Cities/Towns, and by (b) 9 Census Divisions

(a) Failure Numbers and Rates by Populations of Headquarter Cities/Towns

POPULATION	1921–1929		1930–1933	
	Bank failures	%	Bank failures	%
–500	2,108	39.0	2,496	28.3
500–999	1,089	20.1	1,690	19.2
1,000–2,499	1,080	20.0	1,725	19.6
2,500–4,999	437	8.1	858	9.7
5,000–9,999	224	4.1	567	6.4
10,000–24,999	200	3.7	504	5.7
25,000–49,999	57	1.0	225	2.6
50,000–99,999	65	1.2	195	2.2
100,000–	151	2.8	552	6.3
TOTAL	5,411	100	8,812	100

(b) Failure Numbers and Rates by 9 Census Divisions

(Additional note by the author: the West North Central, where Minnesota belongs to, also include Iowa, Missouri, two Dakotas, Nebraska, and Kansas.)

CENSUS DIVISIONS	1921–1929			1930–1933		
	Bank failures	%	Failure Rate per banks as of 1/1/1920	Bank failures	%	Failure Rate per banks as of 1/1/1930
New England	10	0.2	1.4	131	1.5	19.0
Middle Atlantic	41	0.8	1.6	692	7.9	23.3
East North Central	375	6.9	7.0	2,533	28.8	48.1
West North Central	2,567	47.4	28.5	2,647	30.0	42.5
South Atlantic	944	17.4	29.8	917	10.4	39.8
East South Central	200	3.7	11.0	549	6.2	32.2
West South Central	614	11.4	18.9	741	8.4	29.0
Mountain	530	9.8	33.7	300	3.4	32.2
Pacific	130	2.4	9.4	302	3.4	30.7
TOTAL	5,411	100	18.7	8,812	100	37.3

Source: Kobayashi [2009] p. 64 (English translation by the author)
Original Source: *Federal Reserve Bulletin*, Dec. 1937, pp. 1210, 1211

Minnesota in concrete numbers. According to this table, about 30 to 40 percent of banks in towns with population 600 or less in around early 1920s no longer existed in the middle of 1929.

Stevenson [1934] then proceeds to analyze the data and practices of rural unit banks in Minnesota around the banking crises in early 1930s. The conclusion of the assessment of the report can be summarized as “There are a lot of points to be improved in the orienta-

Table 5
Banks in Rural Minnesota, in 1913, 1929 and 1931, by Size of Towns

Note by the author:
The term “Rural Minnesota” indicates areas other than Minneapolis, St. Paul, and Duluth, and the term “country banks” at the footnote “**” indicate those banks situated outside of the [federal] reserve cities (that is, Minneapolis and St. Paul) (Stevenson [1934] p. 11). When such definitions are taken into account, the discrepancies of the total number of banks between the last line (“Total** banks”) and the second line to the last (“Total [outside of the reserve cities]”) become more understandable (but still seems to be a little bit large as for 1929 and 1931).

Population of Town †	Number of Banks				Percentage of Peak Year			Percentage of 1929
	1913	Peak Year	1929	1931	1913	1929	1931	1931
Less than 100	36	123 (1920)	67	51	29.3	54.5	41.4	76.1
100– 200	107	162 (1920)	104	76	66.0	64.2	46.9	73.7
200– 300	118	163 (1920)	110	86	72.4	67.5	52.7	78.2
300– 400	115	162 (1918)	95	78	71.0	58.6	48.1	82.1
400– 600	142	178 (1920)	116	99	79.8	65.2	55.6	85.3
600– 800	101	114 ‡	84	67	88.6	73.7	58.8	79.8
800–1,000	66	74 (1919)	55	42	89.2	74.3	56.8	76.3
1,000–2,000	173	206 (1920)	151	127	84.0	73.3	61.6	84.1
2,000–4,000	89	104 (1919)	78	73	85.6	75.0	70.2	93.6
4,000–6,000	38	50 §	33	32	76.0	66.0	64.0	97.0
More than 6,000	73	98 (1921)	69	59	74.5	70.4	60.2	85.5
Total	1,058	1,424 (1920)	962	790	74.3	67.6	55.4	83.2
Total ** banks reported by comptroller in operation, June 30th	1,048	1,486 (1921)	1,042	912	71.2	70.1	61.4	87.5

*Compiled from the figures in the *Monthly Review of Agricultural and Business Conditions in the Ninth Federal Reserve District*, Vol. V, No. 186 (June, 1930), and from figures for 1931 supplied by the Federal Reserve Bank through the courtesy of Mr. Oliver S. Powell.
† Grouped on basis of census figures for 1920. ‡ 1917, 1918, and 1920. § 1920 and 1922.
** State banks and national country banks.

Source: Stevenson [1934] p. 15

tion and the management of rural unit banks, and the chain banks, on the other hand, are managed more conservatively and their assets are sounder.”

Popple [1944], which has already been quoted from time to time, also discusses in Chapter III and Chapter IV about the agricultural recessions and the fragility and instability of rural unit banks in Minnesota.(27) It depicts how metropolitan banks including the Northwestern National Bank and the First National Bank of Minneapolis functioned as pivots of liquidity for rural unit banks in providing correspondence banking services (p. 132, for example). In conclusion, Popple [1944] puts forward the same type of view of the course for the improvement of the banking in Minnesota: that is, to organize the small banks around the two largest banking organizations in order to solidify the foundation of banking in Minnesota.

Lastly, Popple [1944] points out that the price difference between the original unit bank stocks and the nationally well-known large bank holding company stocks would provide the stockholders, including unit bankers themselves, of “an unparalleled opportunity for profits” (p. 172). The book also comments that the reorganization of small banks centering on bank holding companies in the Twin Cities is more favorable than the reorganization led by out-of-state, especially eastern, capital.(28)

Thus, according to the ICBA documents and related data or academic literature, the general condition surrounding the unit banks in rural Minnesota had been harsh even before 1929, and the Depression hit after the fall of that year. In such an environment, the banking industry in the eastern metropolises, the national government, academics mainly in the east,(29) and even the ABA which includes many unit bankers as its members, come to propose or approve the nationwide reorganization of the banking industry, with Midwest agricultural states like Minnesota estimated to move relatively earlier.

It was against such an unwelcome condition that the unit bankers in Minnesota moved to start the IBA to keep their businesses, as described in the next section.

3. IBA’s first 3 years of organizing and cradling – until the spring of 1933, when it weathered the Bank Holiday

(1) The eve of organizing the IBA, until just after the start

In (1) of Section 2, the historical description proceeded down to the 19th paragraph of the DuBois memo, that is, “Late in 1929 and early in 1930, independent bankers met many times with the intention of forming their own organization.” In this subsection, the author would like to continue to summarize the memo, writing in the same style as in (1) of Section 2.

As for the time period covered here (April–May, 1930), no document among the ICBA documents (listed in (4) of Section 1) other than the DuBois memo itself complements the memo. Only, Phillips [2005] included in [10] among the ICBA documents writes about the “75th Anniversary” web link within the ICBA homepage, and the minutes of the two key meetings (April 29, 1930, and May 9, 1930) of the just-budding association readable at the web page(30) are very precious first-hand historical documents.

i) Solidifying opposition to the two holding companies [the Northwest and the First National] was no easy task. The core banks of the two groups were largely the correspondents for the country banks, and only the bolder independents were willing to identify themselves as holding company opponents. Some of the participants of the early meetings used delaying tactics, and later it was found they had joined one of the two groups. (20th and 21st paragraphs)

j) On April 29, 1930, eleven independent bankers met in Alexandria,(31) Minnesota, and decided that there was sufficient sentiment to warrant a general meeting for the purpose of organizing an association of independent bankers in Minnesota. Vern Weaver of the Farmers & Merchants State Bank, Lowry, served as chairman of the meeting, and Ben DuBois was secretary. (22nd paragraph)

The author would like to supplement a little with regard to the Alexandria meeting above and the Glennwood meeting later mentioned in k), as well as the word of “sentiment” in j) above, making use of the minutes of the April 29 meeting.

According to the minutes, the Pope County Bankers Association (the county includes Alexandria) had “mailed out a large number of cards to different bankers to get their sentiments on a proposition of this kind,” and in response, the cards sent back showed “every indication that the independent bankers wanted an independent organization.” It seems that at this very moment the core members organizing the Alexandria meeting were convinced that it was the right move to establish a bankers association independent from the ABA and its local affiliate associations.

Additionally, according to the minutes, at the meeting before the motion to “proceed with our organization,” a “very general discussion took place which lasted for a couple of hours.” Also agreed upon was a move “that we hold a general meeting at Glenwood, May 9th, 1930” to which “shall be invited all independent bankers of the state whose banks are not owned or controlled by the holding companies.”

k) 28 bankers appeared in Glenwood on May 9 for the charter meeting. (23rd paragraph)

With regard to this charter meeting, the paragraphs 23rd–27th of the DuBois memo mainly describe the members of the meeting who played key roles, but the content of the meeting does not necessarily become clear. Here the minutes of the May 9 meeting is helpful, and according to it the meeting was carried in the following manner.

After the election of the chairman, “Nominating Committee” and “By Laws Committee” were appointed. Following the reports submitted by these committees, the constitution, by laws, officers, and Council of Administration of the Independent Bankers Association were adopted, elected, or qualified.

Then the meeting was "recessed for ten minutes for the purpose of registering and making payment of $25 from each bank as dues for starting the association."

After resumption, a motion was carried that the IBA "endorse" two member bankers "as representatives of this association to appear in Washington D.C. at the Congressional hearing on Banks and Banking." Also carried was a motion that "a meeting of this association be held in St. Paul at 3 o'clock P.M. on day previous to meeting of the 1930 Minnesota Bankers Ass'n, and that a notice be sent to all unit banks of this state of said meeting."

Thus, on May 9, 1930, the IBA was officially established. According to the DuBois memo describing about half a year period following that May, the association moved on without much trouble in those days:

l) Mr. Lee,(32) as president of the IBA, was authorized to hire an administrative secretary. He chose Robert Beery of Long Prairie [Mr. Lee's hometown]. Mr. Beery was a retired federal bank examiner, and he began to solicit IBA memberships. By January 16, 1931, with the assistance of some of the officers and members, he collected $2,620. (28th–30th paragraphs)

(2) From early 1931 to early 1933 – IBA biding its time in the midst of the turmoil hitting the banks across the nation

Following the factual writing style as seen in l) just above, the DuBois memo added the following descriptive comments with regard to the IBA at its earliest stage:

m) There was much opposition to the new organization. It was sometimes referred to as a "radical" group, even though its purpose was to perpetuate a form of banking that had rendered good service to the nation for many years. However, the term [presumably "Independent"] had a defamatory value for the enemies of the IBA. (31st paragraph)

n) Representatives of the large correspondent banks of the two holding companies were active in their opposition and were a factor in retarding the association's growth. (32nd paragraph)

After the description as in n) above, the DuBois memo suddenly moves to the activities and occurrences in 1933. Nor do others ([2], [3], [6], [9], [10], etc.) among the ICBA documents describe the IBA during the period of early 1931 to early 1933. Probably, the descriptions in l) and n) above qualitatively depicts the condition of the IBA in the period, and Ben DuBois presumably did not write much because the membership growth and lobbying activities were generally slow. (As was mentioned at the outset of (4) of Section 1, the office of the ICBA did not have the meeting minutes or documents for the period.)

As told later, no convention was held in this period, and this fact also may suggest that the IBA was biding its time for about two years, concentrating its resources in sustaining its organization and lying low so as not to invite opposition from the side of the two bank holding companies.

The period of 1930 through 1933 was of course the most turbulent time for the U.S. banking industry. As Wicker [2000] writes, preceding the "collapse of the banking system" in early 1933 (p. 125), there were three major waves of banking crises:

(1) November 1930 to January 1930 (806 bank failures with total deposits of $628 millions),
(2) April 1931 to August 1931 (573 bank failures with total deposits of $496 millions), and
(3) September 1931 to October 1931 (827 bank failures with total deposits of $705 millions).

And finally, the banking panic in February and early March in 1933 culminated in the nationwide banking holiday announced by President Roosevelt on March 6.

In this period of turmoil, the ABA altered its long-held position of upholding the interest of its unit banker members in terms of group banking and branching restrictions. This move came at the association's Cleveland convention in October 1930, when its top executives managed to make a resolution adopted, which admitted the value of branch banking within a metropolitan area or within a county (Lamb [1961] pp. 38–40, Chapman and Westerfield [1942] pp. 114–115, *American Banker*, Oct. 3, 1930, p. 1).

This abrupt change on the side of top executives of the ABA naturally disappointed its member bankers who ran unit banks, who should have occupied the largest portion among the ABA membership (reference: endnote (5)). For example, *American Banker* printed a charge, word by word, by a member banker urging the president of the ABA to make a survey of 20,000 member banks with regard to their views on branch banking.(33)

Such conditions and occurrences surrounding unit bankers should have increased the urge among the sentiment of unit bankers to make a move to deter the legislative direction toward branch banking. Even if the IBA itself was biding its time as mentioned above, the unit bankers who survived the banking crises may have increased their support for newly-born independent bankers associations like the IBA, and this may have worked as the underpinnings of the "first legislative fight" as described below.

(3) First half of 1933 – First legislative fight, cash depletion, and recovery

The description of the DuBois memo with regard to this period once again becomes concrete, as in the following.

o) In the Minnesota legislative session of 1933, a bill to permit branch banking was introduced. The IBA had realized from the start that the bill would greatly benefit the two holding companies. They would be able to make the larger subsidiary banks in various areas of the state the main offices under which the merged unit banks would serve as their branches. This was the plan used in South Dakota, where branch banking is permitted. (33rd paragraph)

p) Mr. Beery plunged vigorously into the branch banking legislative fight. He spent most of his time during the legislative session at the state capital St. Paul. The branching bill was defeated. (34th paragraph)

q) But the legislative battle made sizable inroads in the bank account of the IBA. This shortage of funds and the turmoil of the Bank Holiday of March 1933 left the fledging IBA teetering. Independent bankers became more interested in saving their own banks than working for the preservation of the banking system. By May of the year, the IBA treasury balance became as low as $98.18. (35th paragraph)

r) Almost just at the time,* Elmer A. Benson, the state commissioner of banks, called Mr. Beery and offered him a job as officer in charge of bank liquidation in the state banking department. When he asked Mr. DuBois "What shall I do?" the latter advised to take the job, saying "I'll take over until we can find a permanent secretary." (37th paragraph)

s) Cruel and drastic as it was, the Bank Holiday seemed to clear the atmosphere, and the independent bankers who survived were hopeful about the future once again.(34) Indeed the bankers had lost tremendously, but because of it they wanted the opportunity to recoup some of their losses. They were also reluctant to sell out to the holding companies at the time the sale price were quite depressed. Furthermore, the holding companies had – temporarily, at least – lost their taste for expansion. Under such atmosphere, the IBA began to pick up new members. (39th paragraph)

t) By June 14, 1933, the balance of the IBA treasury, with $591.17, had recovered from the bottom. The appointment of Mr. DuBois as acting secretary was confirmed at a meeting of the executive council. The president and the acting secretary were instructed to arrange a convention in St. Paul for August 30, 1933. It appeared that the IBA had weathered a bad storm. (40th paragraph)

The description above in the DuBois memo is concrete and detailed if we consider that the period covered is just half a year long. So there seems to be little need to add to it, except the point that the convention written in t) was actually held one year later, for both ICBA [2005] p. 11 and Patton [2005] p. 85 comment that the first convention was held in 1934 in St. Paul.

4. IBA's expansion thereafter – from summer 1933 to the mid-1960s

(1) Limited extent of documents collected so far for this period, and limited scope of description and discussion in this section

Considering such a state of the IBA as we saw in the last part of the preceding section, it seems that the IBA finally stood on its own after 3 years from its inception, in terms of what it stood for, membership, and finance. Of course, this observation was that of Mr. DuBois decades later, who served as *de facto* secretary general of the increasingly larger association, even if with the same official position of just “acting” or “temporary” secretary. In the eyes of the executives of the IBA at the time of summer, 1933, however, there should have been anxieties about the viability of the association, as well as about the viability of unit banks.

With this regard, how the IBA fared after the summer of 1933 is as important as its earliest history up to then. The author, however, does not have documents related to the IBA and its environment necessary to write in the same detail as he has done down to t) above. The ICBA documents, however, includes somewhat a rich assortment of documents dated around the middle of 1960s, and some of them are used later in order to show the condition of the association in the mid-1960s.

As for the prospect of collecting further documents, the author, frankly speaking, deems it difficult to ask for more at the ICBA headquarters, as already mentioned in (4) of Section 2. In addition, the documents regarding the U.S. banks from WWII period to 1960s are insufficient in Japan where the author mainly does his research. Thus, in order for the author to conduct a detailed research over the IBA history from the summer of 1933 to the mid-1960s, a considerable amount of planning and data collection effort will be needed.

At the same time, the DuBois memo itself extends its description of the IBA history beyond 1933, and it puts notable importance on the Bank Holding Company Act of 1956. The memo writes, in essence, that the IBA, getting its start because of the holding company threat in Minnesota, finally came “full circle” by playing an instrumental role in placing bank holding companies under federal control (48th paragraph). Thus, the author considers it appropriate to write down an outline of the remaining part of the IBA history, putting emphasis on how the initial objectives of the IBA were accomplished, or at least, continued to be shared among its member bankers.

Thus in this section, the author would like to show an outline of the moves and accomplishments of the IBA since the summer of 1933 to the mid-1960s, with special attention to how its initial vision and organization as described in Section 3 fared afterwards, and to what extent its initial objective were accomplished. The remaining part of this section are divided into two subsections as shown in their titles: one is about “organizational building” (going to Washington D.C. and nationwide expansion), another about “lobbying” (obtaining trust at the Capital, and the achievement of the Bank Holding Act of 1956).

In the following subsections, summarized quotations from the DuBois memo continually plays the key role, and the ways how the summaries are written, as explained in subsection (1) of Section 2, continually hold. One difference is that, in principle, only those contents of the memo as related to either organizational building (subsection (2)) or lobbying (subsection (3)) are going to be used. In addition, because of the relatively rich assortment of ICBA documents dated around the middle of 1960s as mentioned before, the weight of the DuBois memo in describing the IBA history in the 1950s and the 1960s is going to be considerably lower as compared to in the preceding sections.

(2) Organizational Building – Going to Washington D.C. and nationwide expansion

i) Washington D.C. travel in early 1934 convinced the IBA to go beyond the state border

In the DuBois memo, the following move of the IBA shortly after 1933 is written.

u) Expansion of the IBA into a national organization really dates from February 1934, when a week's stay in Washington D.C. convinced the IBA executives that an organization representing banks in only one state had little strength on Capitol Hill. Also apparent was that in order for the independent banking to survive, federal legislation was needed to restrict and control both holding companies and branch banking. (41st paragraph)

About this Washington D.C. travel, an episode appears in IBAA [1980] (ICBA document [6]) pp. 4–5. Mr. DuBois flew from St. Paul to Chicago by a 6-passenger Hamilton airplane (whose exhaust mechanism was broken so the door had to be open), then from Chicago to Cleveland by a 10-passenger Boeing. After that was a long ride on Ford Tri-motor whose heater did not work. After travelling all day, he was "nearly frozen to death" when he arrived at Washington D.C.

As written in u) above, to become an influential organization in Washington D.C. was to become an organizational goal for the growing IBA. It took a long time, however, for the association to set up a permanent office there. It was February 1963, and like the initial office in Sauk Centre, Minnesota (one room in the bank where Mr. DuBois worked), the Washington D.C. office of the IBA started from essentially a one-man operation (IBAA [1980] p. 8).

ii) Strengthening of membership and revenue, and interstate and nationwide expansion

IBAA [1980] also includes an important kind of information, that is, the treasury amount of the IBA in its very early stage. As already mentioned at the last portion of (3) of Section 3, "by June 14, 1933, the balance of the IBA treasury, with $591.17, had recovered from the bottom (DuBois memo summary t)). That balance grew to $754.82 at the start of 1934, then further grew to $1,574.27 a year later, according to IBAA [1980] p. 4. As we have already seen, during the period there was a travel to Washington D.C. and the first convention of the association. The fact that the treasury balance steadily grew while paying out the expenses of such events should mean that the IBA membership grew substantially during the period, which is consistent with the following description of the DuBois memo.

v) The IBA had already attracted the interest of a few banks outside Minnesota, and such banks had joined it without solicitation. So the governing board of the IBA decided to send circulars to independent bankers in nearby states asking for support. The membership grew slowly but steadily, and when any state achieved a fair representation in the IBA membership, a director for that state was elected, who then contributed enormously to the association. They not only increased the membership in their respective states, but also broadened the organization's scope and understanding of banking situation in a countrywide perspective. (42nd and 43rd paragraphs)

Although there are no concrete data of membership growth corresponding to what is written above, a souvenir photo of the first convention in 1934 is shown on p. 11 in ICBA [2005]. There seems to be some 150 bankers in the photo, which may suggest several hundreds of total membership at the time. A concrete number of membership afterwards is shown in IBAA [1980] p. 5, and that is 1,620 for 1946. These data would mean that the membership growth between 1934 and 1946 was at the pace of around 100 per year.

Also useful are the information of "membership dues" on p. 7 in IBAA [1980]. In 1936, it was $10 per bank, with voluntary donations, and this structure produced $7,152. If we assume 40% (or 20%) of $7,152 was made of donations, there should have been about 300 (or 500) of membership banks. These estimates are in line with the "several hundreds" estimate in the preceding paragraph. According to the same page in IBAA [1980], the total membership dues in 1946 had quadrupled to $28,776 with the same membership dues structure. Combined with the 1,620 membership data already mentioned, this total dollar amount should have included $16,200 fixed dues ($10 × 1,620) and some $12,500 of donations.

According to Mr. Raitor at the ICBA, the association's membership dues structure relatively flat among different sizes of banks(35) is one of the legacies of the IBA period. By design, it reduces the influence of relatively large banks, and it significantly supports the characteristics of the ICBA different from that of the ABA, in which larger banks are influential. Almost at the end of the DuBois memo, it reads "[the IBA] has always been a grass-roots organization" (51st paragraph), and this should be related to such an egalitarian organizational characteristics as mentioned above.

Although this is not written in the DuBois memo, according to two other ICBA documents, there were a lot of hard and lonely travels by Mr. Ben DuBois and his son Pat, calling on banks in state after state (Ben traveled in Midwest and East, while Pat in South and Southwest) (Stenehjem [1965] p. 31, IBAA [1980] p. 5). According to the former document (p. 31), "punching doorbells, ...Ben criss-crossed the country, traveling from Montana to Florida, and from Maine to New Mexico."

Thanks also to such continual toils, by 1956 the IBA's membership grew to 5,147, and by 1965 to 6,325 (IBAA [1980] p. 5). In 1965 the IBA had its membership in 40 states to the east to the Rockies, and along with the affiliated Independent Bankers Association of the Twelfth Federal Reserve District,(36) it had already achieved a nationwide presence.(37)

(3) Lobbying – Obtaining trust at the Capital, and the achievement of the Bank Holding Act of 1956

As for the IBA's lobbying efforts after 1933, the following moves are written in the DuBois memo.

w) Among the significant pieces of legislation the IBA successfully supported were the so-called Bretton Woods Proposals following WWII and the Bank Holding Company act of 1956. The IBA's support for the Bretton Woods Proposals, which provided for the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development, helped to erase the association's provincial image. The IBA was now recognized as an organization concerned not only with the problems of small banks, but also with international finance. (45th–47th paragraphs)

x) When the Bank Holding Company Act of 1956 was signed into law, it climaxed the 14 years of legislative effort by the IBA and the IBA of the Twelfth Federal Reserve District. It also marked the completion of a cycle, of sorts. The organization came "full circle," after 26 years from its start in the face of the holding company threat in Minnesota. In 1956, the IBA was instrumental in placing bank holding companies under federal control. (48th paragraph)

At first glance, the involvement of the IBA with the Bretton Woods Proposals appear to be a bit out of place, but not only the DuBois memo but also many later documents and articles on the history of IBA write about it, which convinces us that it was really an important thing to do(38) for the association with the aim to get rid of its local image.

As for the lobbying for the regulation over bank holding companies, IBAA [1980] again proves to be useful. In this document (pp. 7–8), we can know how Mr. DuBois persistently "traversed Congressional and agency corridors," and "built up friendships with powerful members of the House Banking and Currency Committee," such as Wright Patman, Brent Spence, and Speaker Sam Rayburn. It also describes his lobbying style: "with his persistence and zeal, Mr. DuBois had an unusual impact on people." We can also know that the seeds of the successful 1956 legislation was really sown "in 1942 when Mr. DuBois helped Congressman Wright Patman draft a bill." Also known is that he "teamed up with the late Harry Harding, executive manager of the IBA of the 12th Federal Reserve District" in their lobbying effort in the late 1940s, successfully enhancing independent bankers' influence in Washington D.C.

However, the ICBA documents alone do not provide us with concrete legislative moves leading to the Bank Holding Company Act of 1956, except for the Patman's draft in 1942 mentioned above. For this purpose, Eisenbeis [1978] pp. 40–42 and complimentarily Lamb [1961] pp. 178–180 provide us with useful information. According to these literature, the legislative moves preceding the 1956 legislation were as follow.

In the period of 1933–1956, there was "a continuing flow of proposed legislation on bank holding companies. In 1937, Senator McAdoo offered a bill, and in 1938 President Roosevelt proposed the elimination of all holding companies. Such moves to regulate holding companies did not cease even during WWII, and the FRB, in its 1943 *Annual Report*, listed the deficiencies of the 1933 banking legislation in the aspect of regulating bank holding companies.

Interest in new legislation again grew after WWII, and in 1947 a holding company bill was introduced in the Senate, upon which hearings were held. Between mid-1949 and mid-1955, as many as 15 bills were introduced in the Congress, and after 1953 support for new legislation was especially strengthened due to the Supreme Court case on Transamerica, in which the FRB failed to deter the bank holding company's expansion.

The IBA appears only once in these descriptions, that is, in Lamb [1961] on p. 180. From there we can know that the IBA and the IBA of the Twelfth Federal Reserve District advanced “passionately held opinions” at the “lengthy hearings.” One of the notes in Lamb [1961] on p. 306 mentions that the IBA in 1955 had “a membership of more than 5,200 banks” and the IBA of the Twelfth Federal Reserve District “approximately 300 unit banks.” Overall, these descriptions could be taken as a testimony of the IBA as already one of the interest groups not negligible in the Congressional debate.

Lamb [1961] on pp. 90–103 also describes the bank holding companies as becoming stronger again in the 1930s through 1950s after surviving the Depression, particularly in the Midwest and in the West Coast. Such a situation in the banking industry should have pushed the IBA toward further lobbying efforts.

Even after 1956, the IBA had incessant challenges from larger banks. According to IBA [1965] (ICBA document [2]), which has a characteristics as a collection of position papers of the IBA at that time, the focus of banking legislation had shifted to the regulation over branch banking. Because of the McFadden Act of 1927 and the Banking Act of 1933, the regulation over branching was a matter of state laws, which meant that the IBA had to carry lobbying efforts state by state. In IBA [1965], there indeed are reports from Illinois, Texas, Minnesota, Wisconsin, Missouri, New York, and so on, which shows how busy the IBA was fighting from state to state for keeping the legal foundations favorable for the independent banks.

Such busy days of incessant lobbying – from over federal holding company regulations to over state-by-state branching regulations – were nevertheless not bad for the organization, because more and more independent bankers, IBA members and potential members alike, would then notice that the IBA is really working for, and important for, their own existence. (Note that in the post-WWII period, IBA had become an association including not just unit bankers but also bankers with small number of branches, both of whom were called “independent bankers” [Albic [1965 (1962)].)

5. Summary of IBA’s history in this paper, and some considerations – What enabled such a local and grass-roots organization to survive and expand nationwide?

(1) Summary and themes & questions for further study

So far, the author has described the IBA history from 1930s to mid-1960s in Section

2 through Section 4, the “fact finding” part of this paper. There, making use of the ICBA documents, related academic literature, and legislative and governmental documents, the author has put in order numerous information, with critical comparisons among texts when necessary.

As already written in (2) in Section 1, no academic book or article can be found as long as the author could take a look, and accordingly the DuBois memo (ICBA document [1]) is a precious “through record” of the history of the IBA, however brief. So this article summarized the memo into paragraphs a) through x) in (1) in Section 2), Section 3) and Section 4). These summary paragraphs have been supplemented (or in rare cases corrected) by other ICBA documents, other kind of documents, and academic literature, and have been linked with information over U.S. banking industry and regulatory moves making use of endnotes and other means. Thus, as long as the author knows, this article serves as the first historical study in academia on the IBA in its start-up period and its early period of growth.

The history written in this article, however, is an insufficient one, due to the insufficiency of information in the ICBA documents the author could obtain, as mentioned in (4) in Section 1. Even for the relatively detailed portion covering the start-up stage of the IBA (from 1929 to the summer of 1933 in (1) of Section 2 and Section 3), more work could have been done if the author could obtain the documents prepared for the executive meetings, and minutes thereof, in those period. One possibility is such first-hand documents are really nonexistent now, neither in the ICBA and in the then-member banks, because of the “resistance-like” organizational nature of the IBA in those period in order to hide from the eyes of the unit bankers affiliated with the bank holding companies (see DuBois memo summaries i), m), l) etc. in Section 3). Even if that is the case, at least as for the lobbying activities in Minnesota in the early-1930s, other official information such as state legislative documents and local newspaper articles could be found, and this is one of the remaining research tasks for the author.

In addition, as mentioned in (5) of Section 1, this article provides only a rough sketch of the IBA history for the period from the summer of 1933 to the mid-1960s in Section 4. From an academic perspective, legislative and supervisory discussions over bank holding companies and branch banking also need to be considered, so that the history of the IBA is going to be understood in the context of the history of banking and banking regulation in the U.S.

(2) Coincidence with the burgeoning period of interest groups in the political history of the U.S.

As already mentioned in (5) of Section 1, the author's central question which motivates the whole historical study of the IBA was: "Why did the 'tiniest' bankers, although many in number, dare to start, and then succeeded to nourish, their own interest group, aside from the well-established ABA, which already had half a century of record at 1930?" Before concluding this article, the author would like to make a few discussions over this question here in (2) through (3), making use of the related literature mentioned in (3) of Section 1, even if the discussions here lead just to preliminary proposals of hypotheses.

In (3) of Section 1 just mentioned, the author put forward a few academic literature related to the IBA history in a broad sense. The literature mentioned first there was Roe [1994], and let us start with this book. It describes the foundations of the IBAA (renamed from the IBA in 1965) and other small bank organizations as steadfast, and mentions they exert non-negligible influence to the financial system and even to the nature of corporate governance in the U.S. Underneath of this phenomenon lies a populistic foundation among the U.S. people who favor the local small banks to out-of-town large banks, in which the local residents feel threats depriving their communities of their independence (pp. 28–33). Based on this foundation, the interest groups of small bankers have comparative advantages (pp. 42–45).

This article has studied a typical association among the small bank organizations Roe [1994] discusses about, and in fact the IBAA is mentioned on p. 45 of the book. However, as we have seen, the IBA experienced its own hardship quite a lot – from its inception from nothing, and with no concrete support neither from the general public nor from lawmakers, at a time when the ABA was the sole national association for all commercial bankers.

The difference between the observation of Roe [1994] and this article lies in whether the organizational details – how the (potential) member bankers see their organizational environment and how they are affected by groupthink – are taken into consideration (this article) or not (Roe [1994]). As we have observed in this article, at the time of the inception of the IBA, there were a significant number of unit bankers in Minnesota who thought that "As long as we already have the ABA, the IBA is a redundant organization we had better avoid." This way of thinking and conduct seems to have worked as a significant hindrance to the newly-born IBA. According to the theory of collective action, the "free rider" problem

– potential members do not want to be embarrassed by required contributions (if they were to join) but they can freely enjoy the fruit of the lobbying (e.g. holding company regulations) even if they remain nonmembers – often hinders the start-up and growth of interest groups (see [2] in endnote (19)).

The IBA suffered from this “free rider” problem, too. Stenehjem [1965], whose author served as the chairman of the IBA in the 1960s, could imagine the hardship and writes as follows.

> If you were to ask Ben DuBois and the other pioneers today:
>
> “How did you ever do it?”
>
> Their reply inevitably would be:
>
> “It wasn’t easy.”

At the same time, it was also the historical fact that nearly ten associations of unit bankers were organized during the 1920s through 1930s (see endnote (6)). Even if survival required hard efforts, there were other similar “enterprises” in other states, and in this sense the idea of the IBA pioneers were not necessarily peculiar.

Why there were nearly ten unit banker associations around the 1920s, against the ABA and against the correspondent service provider banks? Possibly, the theory of interest groups in the political science sphere, and especially Clemens [1997], may be of help.

According to pp. 4–8 of this book which focuses on the organizational aspect of interest groups, the period from 1900 to 1920s was a period during which the burgeoning interest groups, especially grass-roots types, were admitted to the policy-making process of Washington D.C., and gained their legitimate status, with the following elements of structural change.

1) Americans developed new organizational models for political participation, generating a repertoire of possible alternatives to the party system.
2) By the 1920s, legislatures, administrative agencies, and public opinion were established as competing foci of American politics.
3) Some farmers quickly regrouped, after the Populist Party defeat at the end of 19th century, to become the beneficiaries of one of the earliest components of the American welfare state (that is, income safety net system). The combination of education, regula-

tion, and subsidy pioneered in response to agrarian problems foreshadowed the New Deal's Agricultural Adjustment Administration and, by virtue of its close links to the American Farm Bureau Federation, stands as one of the first examples of the "iron triangles" linking pressure groups, congressional committees, and executive agencies that became symptomatic of the interest group system by mid-century.

4) The constructions of specific interests eventually linked electoral blocks to legislative outcomes. Individual politicians were monitored in new ways, as groups learned to hold them accountable for specific votes. But legislators also gained access to new electoral resources (both votes and organization) that diminished their dependence on party leadership.

5) The articulation of specific interests by voluntary associations was mirrored in the increasingly rationalized, bureaucratic organization of government. The tight linkage of demands articulated by popular associations, legislative responses, and specialized political institutions is a legacy of the turn of the 19th century.

6) Through the first decade of the 20th century, *interests* was regularly printed with a capital *I* and uttered in tones of moral outrage. This tendency gradually ceased as the 20th century proceeded, but as late as the 1920s, in the U.S., the organized pursuit of *group interests* was hotly condemned. In response to such charges, organized farmers (as well as labor organizations or women groups) claimed that to the extent they pursued privileges, these were only privileges already granted to large business corporations.

Such observations of Clemens [1997] seems to help us understand the lobbying environment of the IBA in its early growth period.

In the case of the IBA, its lobbying was part of "new organization models for political participation" (as quoted from 1) above), and it developed relationship with U.S. congressmen like Robert Patman, who should have found there one of the "new electoral resources" (as quoted from 4) above). Although not described in this article, the IBA all the way down to the current ICBA has developed collaborative ties with federal and state regulators, for which 2), 3), 4), and 5) above provides suggestive observations. As for the federal deposit insurance system which were criticized as disproportionately supporting small banks,(39) some resemblance may be found with the "income safety net system" in 3) above (particularly when the small banks were more susceptive to failure, as was the case during the

Depression).

Lastly but not the least, in the same tone as in 6) above, the IBA, when charged alike, should have claimed, “To the extent we pursue privileges, these are only privileges already granted to large banks and any other large business corporations. The fact that the holding company loophole in the Banking Act of 1933 has remained to be there more than a decade eloquently testifies such privileges.” (The author should add that such a charge against the IBA were not found in a concrete form among the documents the author has seen so far.)

Thus, Clemens [1997] provides one explanation for the IBA’s inception and growth despite the existence of the ABA, that is: the IBA, which started in 1930, may have benefited from such a new era of interest group politics developing at the federal legislature/government level in the early 20th century. The period of the banking crisis, late 1920s and early 1930s, barely overlapped with the newcomers boom of interest groups, and it is suggestive that the timing of the start of the IBA hit that narrow period of overlap.

As the literature review in (2) of Section 1 shows, the literature in banking system so far does not include enough number of studies on interest groups of banks. Such a book of Roe [1994] does focus upon the influence of small bank groups, but it does not ask why those interest groups ever came to exist and expanded. The author’s discussion relying solely on Clemens [1997] does not adequately provides an explanation even if it provides a suggestion, but the author thinks it is nevertheless important to ask why.

(3) Why an organization later to expand nationwide originated in Minnesota? – possible influence from the origination and activities of farmers interest groups

In the preceding (2), the author has tried to make an explanation why the IBA could start and grow, making use of Clemens [1997]. It is still to be answered, however, “Why it was the IBA *in Minnesota* instead of unit bank associations in other states?”

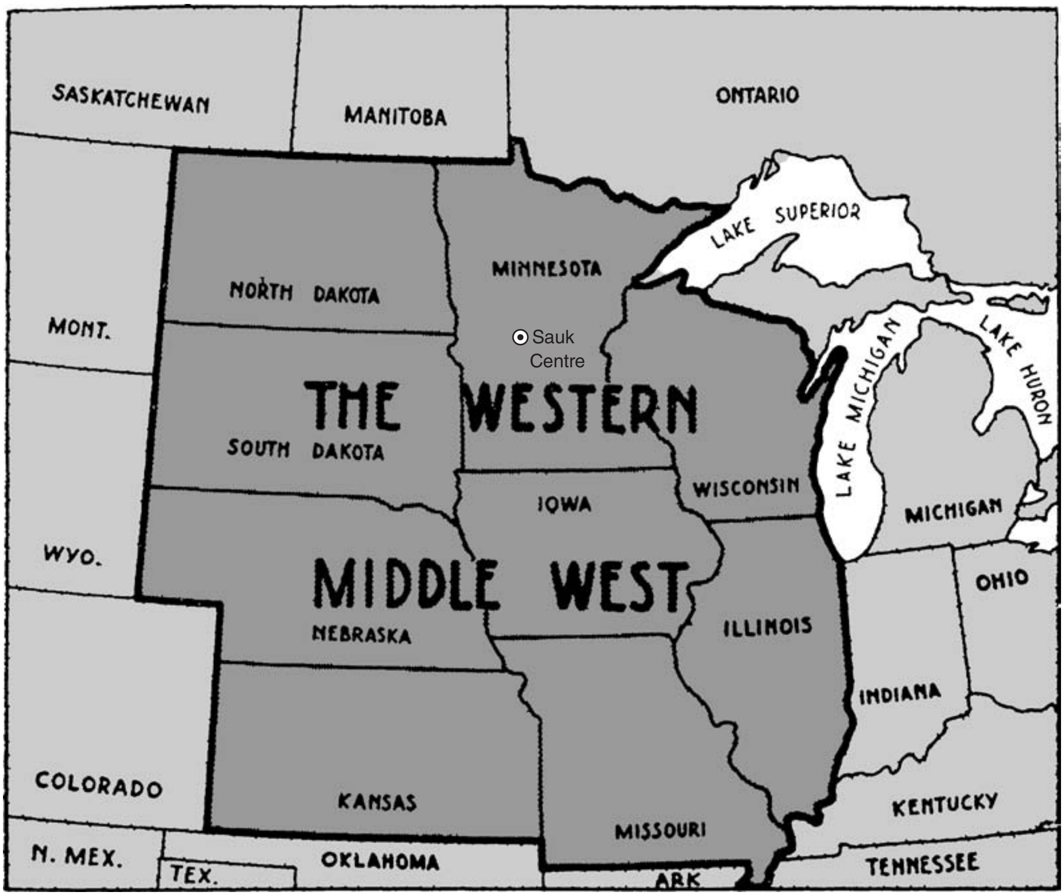
In fact, IBAA [1980] pp. 1–2 reads, “The 28 Minnesota bankers who founded the association in 1930 had no idea they were the nucleus of the broadly-based organization that is today’s IBAA. Their horizons were limited to a view of their own local survival.” Other history line, in which the IBA remained within the state boundary only to be taken over by other unit banker association elsewhere, could indeed have been a possibility.

This question here in (3) may be more difficult to answer, or even to tackle, than the question in (2) above, and the author can just “make a suggestion of an explanation in this subsection.” The author anyway wants to try, however, to “make a suggestion of an explanation,” with the help of classical literature in agricultural policies and interest groups.

Saloutos and Hicks [1951], is noted as one of the indispensable readings for studying the agricultural interest groups and federal agricultural policies in the U.S. (Kubo [1984a]). This classic at its onset describes “the western Middle West” (see Figure 1) as follows.

Figure 1
Map of States in “the western Middle West”

(Footnoted in the original book, “The Center of Agricultural Discontent”)



Source: Saloutos and Hicks [1951] p. 5
“Sauk Centre” (the town where the IBA was headquartered) is added by the author.

... Here numerous agrarian movements of reform have been born, here they have lived out their short spans of life, and here they have died. The western Middle West has behind it a long history of agricultural discontent. (p. 6)

In the twentieth century the gusty winds of reform continued to lash the western Middle West. ... Out of the same soil grew also the Farmer-Labor party of Minnesota, the Progressive party of Wisconsin, and many of the agricultural policies of the New Deal. From this region, possibly as a matter of appeasement, came seven of the nine secretaries of agriculture who held office during the first four decades of the twentieth century. (p. 7)

Saloutos and Hicks [1997] then describes in detail how the region played a central role of organizing and expanding national farmers associations and lobbying activities during the 1920s through the New Deal era in 1930s. Kubo [1984a], carefully reading Saloutos and Hicks [1997] and numerous other literature and putting them in larger perspective of the political trends surrounding the U.S. government and Congress at the time, writes as follows.

After WWI, as already written, the agricultural sector in the U.S. was hit hard with poignant and quasi-permanent recession, and again, the farmers movement occurred. But this time, the style and strategy of this movement significantly differed from those in the past. As McConnell [1966] pp. 230–231 sums up, “a major reconstruction of farm politics took place” between 1896 and 1920, and “so far as the farmers were concerned, the [political] parties were in eclipse.” Several farmers organizations instead entered into the policy-making process. It is not an overstatement that the political processes of farm policies since 1920s cannot be discussed without such nationwide agricultural organizations.

Based on the observations of Saloutos and Hicks [1997] and Kubo [1984a], it is presumable that the officers of the IBA, who lived in Minnesota, a large agricultural state in “the western Middle West,” daily saw the vibrant lobbying activities of their neighbors, including long-distance visits to Washington D.C. As bankers, they may have handled transfers to and from such farmers organizations. Although farmers and bankers in those days were very often said, including in academic literature, not to be good friends each other, the IBA officers and member bankers should have had close relationship with their neighbor farmers in each community. (Saloutos and Hicks [1997] also mentions, although only a few times, the support from local bankers provided for farmers associations.)

Clemens [1997], which also quotes extensively from organizational theories, emphasizes the importance of “the art of association” (Tocqueville [1969 (1840)]) for the sustainability of an organization (p. 6). In this sense, too, unit bankers who lived in the areas where farmers movements were vibrant and their organizational know-hows existed were in a good position to learn such know-hows, so that their own association had better chance of survival. Indeed, Mr. DuBois himself may well have been one of such, and agile, learners.

Lastly, the author wants to mention the formation of “the farm bloc,” that is, a certain group of representatives or congressmen across party lines affiliated with agricultural interest groups, in the Congress and state legislatures in the 1920s (Saloutos and Hicks [1997] Chapter XI, Clemens [1997] p. 183).

As early as early 1920s, the American Farm Bureau Federation (AFBF), thanks to their aggressive lobbying, succeeded in the formation of “the farm bloc” in the Congress, the first of this kind, ahead of other industries (Kubo [1984a] p. 23). At the center of their lobbying effort were members from “the western Middle West” (Saloutos and Hicks [1997] pp. 323–324).

The geographical position of Minnesota situated at an important corner among the states in “the western Middle West” (see Figure 1 above), may have had something to do with the unit bankers in the state: in their eyes, the AFBF people were just ordinary countrymen like them, but by frequently going to the Washington D.C. such people were succeeding in increasing their influence in the capital. Such an experience of looking at their neighbors’ success may have worked as a stimulus for the unit bankers, helping the inception of the IBA as well as the growth afterwards by attracting unit bankers from nearby states with the same “can-do spirit” as their neighbor farmers (DuBois memo summary v) in (2) ii) in Section 4).

The reasoning above, to be sure, does not fully answer the question at the start of this subsection: “Why it was the IBA in Minnesota instead of unit bank associations in other states?” What the author put forward is just a preliminary proposition stating that there existed a soil in “the western Middle West” to nurture a lobbying organization based in rural areas expanding across many states. The author just intends to mention the meaningfulness to be attentive to the importance of “the western Middle West” as the stronghold of agricultural lobbying organizations,(40) and also the possible importance of local human relationship between unit bankers and farmers or agricultural organizations.

The factors mentioned throughout this article, the burgeoning of grass-roots interest groups in the early 20th century U.S. political scene, the proliferation of strong farmers associations in the western Middle West, coupled with the two largest bank holding companies in Minnesota, and of course the personal factors of such dedicated efforts of Ben DuBois and other key officers, may all have contributed to the start-up and expansion of the IBA. Considering that no other independent bankers association (there were at least 9 of them in 1930s) continued to exist until now, the IBA –currently the ICBA– may be a very special organization existing today thanks to such a rare confluence.

« **Acknowledgements** » (Positions are as of February 2016.)
The author would like to express here special thanks to Mr. Mark Raitor, Senior Executive Vice President and Chief Operating Officer of the Independent Community Bankers of America (ICBA), for his special accommodations for the author with regard to historical document provisions at the Washington D.C. headquarters of the ICBA, as well as for the permission of printing the text of the DuBois memo at the end of this article (that is, the original Japanese article; see Notice below). The author also expresses special thanks to Mr. Salvatore Marranca, former chairman of the ICBA, who generously provided assistance for the author all the way from the preparation of visiting the ICBA headquarters up until the completion of the article. In him, the author has seen a *true community banker* who really cares about the relationship, with heartfulness and persistence.

« **Notice** »
The original text of the “DuBois memo,” often referred to in this article, can be found only in the original Japanese-language article, which appeared in the *Journal of Policy Studies*, Chukyo University, Volume 7, March 2016 (『総合政策論叢(中京大学)』、第7巻、2016年3月), in accordance with the condition of permission provided to the author by the ICBA.

Endnotes (Webpages are updated from the original Japanese article and are as of November 31, 2017, except otherwise stated.)

(1) Independent Community Bankers of America (ICBA) adopted its current name at the March 1999 national convention (*Independent Banker*, Apr. 1999, p. 9), before which it was called Independent Bankers Association of America (IBAA).

(2) Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley Act; Pub. L. No. 106–102) was enacted in November 1999.

(3) Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act; Pub. L. No. 111–203) was enacted in July 2010.

(4) The author looked into the microfilms of *the American Banker* for the period of May 1930 but could not find articles on the establishment of the IBA. Because of the condition of the microfilm (stocked in the Library of Chukyo University where the author works) which is occasionally hard to read, the author could not read all the brief notes or legal notices in which there might be some IBA-related ones. Also, the author did not check local media in Minnesota or around Sauk Centre (the hometown of the IBA headquarters).

(5) A unit bank is a bank which operates without branches, and its owner & chief executive is called a unit banker. As of 1930, 22,928 banks among all 23,679 were unit banks (Fischer [1968] p. 31). Even after the Bank Holiday in 1933, the unit banks dominated the banking industry in terms of number of banks, with 14,666 unit banks among all 15,488 banks as of December 1935 (*ibid.*)

(6) The banking organizations “founded to fight branch banking and to defend unit banking” (Chapman and Westerfield [1942] p. 127) were as follow, in the order as in the book (pp. 127–128). (In the parentheses are headquarter states and the year of establishment. Although the year of the data is not written, the list appears in the “Summary” of Chapter V titled “History and Legal Status of Branch Banking, 1933 to 1940,” which may suggest the year was 1940.)
- Independent Bankers Association (Minnesota, 1930)
- Association of Independent Unit Banks of America (Pennsylvania, 1932)
- California League Independent Bankers (California, 1922)
- Independent Bankers Association of Southern California (California, later [than 1922])
- Independent Bankers Association of Central California (California, later [than 1922])
- Independent Bankers Association of Washington (Washington, later [than 1922])
- Independent Bankers Association of Oregon (Oregon, later [than 1922])
- Independent Bankers Association of the Twelfth Federal Reserve District (still later [than the above four])
- United States Bankers’ Association Opposed to Branch Banking (Kansas City, 1921)

Although the criteria of the order in the list is not mentioned, the fact that the IBA comes first may mean that the association was relatively large, powerful, and/or aggressive in its lobbying efforts. (The book writes about the IBA in such a manner as “for the past ten years opposed any and all legislation, state or national, permitting branch banking in any form” [p. 127].)

(7) The following can be listed as books referring to unit bankers’ moves and stances with regard to discussions over banking system: Willis and Chapman [1934] (Chapter XVII), Whittlesey [1935],

Fischer [1968] (Chapter 2), Burns [1974] (Chapter 3), and Savage [1978].

(8) For example, Trescott [1963], part of the ABA's centennial anniversary publications, does not write much about small banks as compared to money center banks and major regional banks, although the number of small bank members within the ABA should have far outnumbered larger ones at the time.

(9) In 1930 when the IBA started, the share (in terms of number of banks) of unit banks among all banks was 97%, with the lest (3%) were banks with branches. In 1955 when the congressional debate over bank holding companies were quite hot (to which Roe [1994] often refers), the share of banks with branches increased to 13% (1,728 banks; Fisher [1968] p. 31, and FDIC webpage [https://www5.fdic.gov/hsob/]). By 1960s, among the members of the IBA as well, the small banks opposing bank holding companies were not necessarily unit banks (Albic [1965 (1962)]). Presumably with such situation in mind, Roe [1994] uses wordings like "small banks" or "small town bankers" instead of unit banks (bankers). As for the current article on the IBA, the author is going to use essentially the wording of "unit banks" (or bankers), because this article is mainly about pre-WWII Minnesota in which almost all the banks were unit banks because of the state banking law prohibiting branching (Popple [1944] p. 113, Stevenson [1934] p. 31).

(10) In one part of Roe [1994] regarding post-WWII congressional debate on banking holding companies, the IBA is mentioned as follows: "Small bankers opposed allowing bank holding companies to control industry; the Independent Bankers Association lobbied hard for limits on bank control of industry [i.e. influence of large banks on borrower companies] and even harder for limiting bank holding company expansion." (p. 45; the comment in parentheses added)

(11) Halpin [2014], for example, mentions Clemens [1997] among the literature of "new institutional analysis" on the form of interest groups (p. 49), and mentions Clemens [1996] as one of notable literature with regard to studies on the emergence and solidifying of interest groups (p. 148).

(12) Kubo [1984a] p. 8 mentions Saloutos and Hicks [1951] as one of the basic literature on agricultural policies in the New Deal era, and Clemens [1997] also makes use of Saloutos and Hicks [1951].

(13) When Mr. Marranca visited Japan as a speaker guest at an international seminar of financial institutions (http://www.nikkin.co.jp/kokusai/backnumber/backnumber23/) in November 2012, the author guided him from Kyoto-Osaka region to Tokyo, where the author introduced Mr. Marranca to major community bank associations in Japan as well as to researchers on community banks.

(14) Mr. Raitor told the author that he, formerly the executive director at the Minnesota headquarters, once tried to set in order the historical documents there, but he really could not find such documents in the period of start-up and early growth of the IBA. When the author told about it to Mr. Marranca later (September 2015, in Buffalo, N.Y.), he said that the situation might likely be just as Mr. Raitor said, adding "In America whose history is relatively short as a nation, history often tends not to be much cared about. It's not good, of course, but that is often the case here. In an organization like the IBCA, which has run and run its course, they probably had no time to keep the documents, at least as their priority, with the issues they fight with incessantly coming along and passing away." (The quoted sentences are as remembered by the author.)

(15) The IBA at its national convention in Minneapolis resolved to "commend the work of Publisher Roger J. Lewis and his associates, and urges the support and cooperation of each member bank

for the publication" (that is, *the Independent Banker*), citing the size of budget of the association too small to maintain its own publication (*Independent Banker*, Jun. 1952, p. 18). According to Montgomery [2005] p. 68, the magazine was first issued in 1950.

According to another *Independent Banker* copy dated Nov. 1966 the author obtained, the issuer at that time was the IBAA itself. According to IBAA [1980] p. 8, Mr. Howard Bell came to the IBA in 1956 "as editor of the Independent Banker magazine" (underline as in the original), which may suggest that the issuer of the magazine changed from Publisher Roger J. Lewis to the IBA around that time.

(16) Because of the wording at the start of the DuBois memo which reads "When a handful of small Minnesota bankers gathered in Glenwood, Minnesota, on a spring day 33 years ago," the memo is thought to be written in 1963 (1930+33=1963). Also, at nearly the end of the memo, it reads "... my retirement at the end of 1962, and the position of secretary was filled on January 1 [1963] by Gene Moore," which is consistent with the estimation of 1963 above. The latter quote also suggests that the motivation of the memo for Mr. DuBois was to write down his 30-years of involvement with the IBA at the occasion of his retirement.

(17) According to Bavisotto [2005] p. 90, the year the IBA changed its name to the IBAA was 1965. Zaum [2005], a recollection of the IBA chairman at the time, explains the reasons for the change: (1) The initials of "IBA" created confusion with the three "I" states, namely bankers' associations in Iowa, Illinois, and Indiana, and (2) With the organization needing to assume a broadened role in serving the independent banks nationwide, Mr. Zaum thought that it was necessary to add the words "of America."

(18) According to the "ABA's 140th Anniversary Timeline" webpage of the ABA (http://www.aba.com/About/Pages/140timeline.aspx – available as of Feb. 5, 2016), the association was established in July 1875, when 349 bankers got together in Saratoga Springs to make the founding resolution.

(19) Schlozman [2010] makes theoretical and quantitative arguments that the combination of types of interest groups influential in Washington D.C. are hard to change over time. He cites two theoretical explanation of the difficulty of the emergence of new interest groups as follow. [1] A so-often quoted remark of Schattschneider [1960] which says that "the flaw in the pluralist heaven [of political scientists] is that the heavenly chorus sings with a strong upper-class accent." [2] Another theoretical explanation is the "free-rider" problem in organizational theory put forward by another classical and still influential study of Olson [1965], who contend that the rational individual has an incentive not to spend scarce resources of money and time in support of favored causes but rather to free-ride on the efforts of others. This suggests that large, diffuse groups lacking the capacity to coerce cooperation or to provide selective benefits often face severe "collective action problems" that prevent them from organizing on behalf of their causes.

(20) Among the 12 "Federal Reserve Districts," the 9th Federal Reserve District consist of Montana, North Dakota, South Dakota, Minnesota, north-western part of Wisconsin, and Upper Peninsula region of Michigan (http://www.federalreserve.gov/otherfrb.htm). The boundaries of the 12 districts have not been changed except minute ones since the inception of the districts in 1913 (Kaufman [1995] p. 526).

(21) In the DuBois memo and in others IBCA documents, the wordings for the two largest bank hold-

ing companies in Minnesota and their core bank affiliates are not necessarily rigid. According to Popple [1944], a detailed study on the two bank holding companies, Northwestern National Bank was the core affiliate bank under the Northwest Bancorporation, and First National Bank Minneapolis and First National Bank St. Paul were the two core affiliate banks under the First Bank Stock Corporation (according to the organizational charts on pp. 201 and 223, and the explanatory sentences thereof). For the purpose of this article, the author thinks that there does not exist much necessity to rigidly discern the banks or the holding companies for each wording in the DuBois memo or in other IBCA documents, because the top management of a bank holding company and its core affiliate bank(s) is basically the same. Therefore, in writing about those organizations, the word of just "Northwest" is often used for either Northwestern National Bank or the Northwest Bancorporation, and the words of just "First National" is often used for either First National Bank Minneapolis, First National Bank St. Paul, or the First Bank Stock Corporation.

(22) The understanding of the true nature of "group banking" mentioned in the 9th and 10th paragraphs of the DuBois memo, that is, the hidden intention was controlling of the affiliate banks just like branches, was also the understandings of mainstream scholars, many of whom called for the reorganization of small banks by larger ones. For example, Willis and Chapman [1934] p. 389 mentions the Northwest Corporation as a bank holding company making use of the group banking as a "way out" from the prohibition of branching.

(23) The 13th paragraph of the DuBois memo may be understood as meaning that the Northwest Bancorporation, which originally had not been engaged with banking businesses, newly entered into banking in 1929. According to Popple [1944] p. 35, Chapter V, and Chapter IX, however, it was the top management of Northwestern National Bank who thought out the holding company scheme after their trials-and-errors experience in 1920s under the strict branching restrictions.

(24) As for the summary sentences of f), the information in the parentheses regarding major banks in Minneapolis and St. Paul around 1929 are by the author based on Popple [1944] p. 106. The author also used the information on Chapter X of the same book for the organizational structure of the First Bank Stock Corporation.

(25) According to Hirata [1965] p. 20, "chain banking" meant the ownership structure where individual(s) owned multiple banks, while "group banking" meant the ownership structure where a holding company or a bank owned multiple banks. The article also mentions that it was often difficult to practically discern among these two, so the reports or data often combined the two types of structures in wordings like "chain, group banking." Such treatments in fact appear in the data and literature this article is based on, and accordingly, the author, too, is going to treat "chain banking" and "group banking" jointly.

(26) The 9 geographical divisions used in Table 4 are what are defined and used by the U.S. Bureau of Census (http://www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf). They first appeared in reporting the 1910 census results, and have been used since then without major changes (https://www.census.gov/history/www/programs/geography/regions_and_divisions.html). There exist 5 geographical divisions as well, in which Minnesota belongs to "Midwest" and this region includes "West North Central" and "East North Central" among the 9 divisions.

(27) The author of Popple [1944] was a Minnesota native as well as his family of three generations,

and had once worked in the First Bank Stock Corporation (“Editor’s Introduction” by N.S.B. Gras, p.xviii). The book was written under the guidance of Professor Gras (business history) at the Harvard Business School (*ibid.*, p.xxii). As such, despite its stance near to the side of large banks, the book can be appreciated as providing a first-hand testimony of the economy and banking in Minnesota at the time.

(28) According to the IBCA document [7] (*The Wall Street Journal*, Jun. 3, 1983, an article by Reporter Conte), “Norwest and First Bank System were set up in the 1920s by area banks largely to resist the onslaught of Transamerica Corp., a huge interstate holding company formed by A. P. Giannini in California.” This holding company, headquarted in New York, appears in Table 1 as the far-largest one in terms of the “Loans and investment,” and its core affiliate bank was Bank of America in California.

(29) Willis and Chapman [1934] whose authors were a professor and an assistant professor at Columbia University, for example, critically analyses the banking system dominated by unit banks (pp. 395–398), compares the merits and demerits of the branch banking system (pp. 414–419), and makes an argument that, with the development of automobile transportation, the unit banking system would inevitably become extinct and branch banking system would become dominant (pp. 634–637; there, a congressional testimony of R. C. Stephenson, former president of the ABA, is also referred to).

Although the author does not make an extensive discussion here, there existed a couple of background behind the increase of arguments regarding the future of U.S. banking industry in the period of 1930s: the Depression and the banking crises, and the resultant surge of discussions over the banking regulations regarding branching, supervision, deposit insurance, etc. Among those arguments, many implicitly or explicitly assumed that the existence of many unit or small banks were due to the political pressures from unit bankers or from farmers (see, for example, Wheelock [1993]).

(30) The web-link which Phillips [2005] p. 78 mentions no longer exists at the time of translation of this article. The author had looked into the minutes as he wrote the original article.

(31) The places related to the start-up meetings of the IBA, Alexandria (Douglas County), Glenwood (Pope County), Sauk Centre (Stearns County), and Long Prairie (Todd County) are all within four adjacent counties. They are situated 150–190 kilometers away to the west-north-west direction from Minneapolis downtown, and the main industry there has been traditionally dairy farming.

(32) “Mr. Lee” here can be assumed to be the same person with “Harry Lee of Long Prairie” who appears in the minutes of the May 9 meeting, according to which he was named as one of the three IBA officers, with his position as “President.”

(33) The following is an excerpt of *American Banker*, Oct.10, 1930, p. 7, about a letter from William J. Large, president of the Long Island National Bank, New York, addressed to Rome C. Stephenson, the ABA president at the time. “[The letter was] requesting ‘fair play’ and demanding that the association send a questionnaire to every member so that the individual banker may state his case. [Mr.] Large declared that only 25% of the total constituency of the American Bankers Association were registered at the convention when the resolution was presented, and that this percentage does not reflect the true sentiment of the majority of the association’s members.”

(34) This 39th paragraph of the DuBois memo is consistent with the general understanding of the effect of the "bank holiday." Silber [2009] pp. 23–24 mentions, for example, that the appearance of the President Roosevelt at his first "Fireside Chat" on March 12, 1933, in the midst of the nationwide bank holiday, contributed much to calm down the general public (while both the FRB nor the Reconstruction Finance Corporation was willing to accept lender of last resort responsibilities). The legislative process was going on, as well, with the Emergency Banking Act enacted at the Congress (*ibid.*, pp. 24–26). Then in June 1933, the Banking Act of 1933 was enacted to the effect of establishing the federal deposit insurance system, which much enhanced the possibility of survival of small banks which had outlived the turmoil up until then.

(35) According to IBAA [1980] p. 6, a "graduated dues structure" of $15, $25, and $50 was introduced by 1956, and by 1976, the dues structure had become $50, $100, $150, $200, and $250.

(36) This association's name is the same as the "Independent Bankers Association of the Twelfth Federal Reserve District" which appeared in endnote (6) based on Chapman and Westerfield [1942], and they should mean the same organization. Lamb [1961] p. 306 mentions that this association had membership of about 300 unit bankers as of 1955. According to IBAA [1980] p. 5, in 1979 the IBAA "opened its membership rolls to banks in the Twelfth Federal Reserve District," and the IBAA's membership reached 47 states except Alaska, Hawaii, and Alaska. It seems that around this time, the IBA of the Twelfth Federal Reserve District as a matter of fact merged with the IBAA.

(37) In addition to what are written in the article regarding the organizational growth of the IBA, the first state organization of the IBA was established in Minnesota in September 1961 (49th paragraph of the DuBois memo). Such state organizations gradually increased from that time on, and according to IBAA [1980] p. 14, there were as many as 28 state associations then.

(38) According to Mikesell [2000] Chapter 4, large banks in New York were against the Bretton Woods proposals for its inclusion of debt cancellation for the U.K. The ABA was supportive, though, as well as the public opinion (*ibid.*).

(39) See, for example, Flood [1992] for such criticisms at the start of the federal deposit insurance system, and refer to Calomiris and White [1994], for example, for posterior criticisms.

(40) Kubo [1984a] pp. 36–38 maintains that the agricultural sector had much larger presence in 1930s both in terms of the U.S. economy and federal policy-making, so much so that observers later tend to overlook its importance for the policymakers at that time. The following are the historical facts the article puts forward in supporting its argument.

* President Roosevelt took the agricultural problem of the nation quite seriously.
* In political parlance in 1932, it was not rare that the policymakers mentioned that half of the nation worked for the agricultural or agriculture-related sectors.
* In 1932 and 1933, the agricultural policy was quite emphasized as a means of overcoming the Depression, and it is not an overstatement that the first priority of the government was put on agricultural assistance programs.

With such a perspective of Kubo [1984a] in mind, the author thinks that the voice of unit bankers from agricultural states were treated as something to be heard, and were actually considered by the policymakers in Washington D.C., at least more so than we in the 21 century tend to imagine.

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