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Title: **Joseph West Smith and the Bank of Northern Arizona**  
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Person: **Jesse Nathaniel Smith**  
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Written by Himself, his daughter, Edith Smith Bushman with edits by great granddaughter, Edith Haws During the years of 1920 to 1923 the United States suffered a serious depression—Slump—and thousand

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During the years of 1920 to 1923 the United States suffered a serious depression—Slump—and thousands of Banks went bankrupt and had to close their doors to business. The cattle industry went on the rocks.

About 1894 Jesse N. Smith with Joseph West Smith, his son, and some of his sons-in-law made a little organization, a co-partnership affair, for savings accounts. Joseph W. subscribed \$25.00 and the others put down \$10, \$2, \$1 and so on. Joseph W was to be the Cashier and Jesse N. the president. They got some books and commenced taking savings accounts, principally from children. Joseph W. turned the whole affair over to his Father and he looked after the accounts both large and small, figuring the interest on nickels, dimes, etc. People began to come for loans until by the time of Jesse N. Smith's death in 1906 it began to take on the appearance of a Bank. The partnership decided to call it "The Smith Savings Bank". Well, there was the funds they had on deposit besides the loans which must be collected, so Joseph W. said to his brothers that if either of them would take hold of it and do right by the depositor and those who had trusted them, and that they had trusted, he would be glad to have them do it, and would wish them well in it. But they all declined and said that Joseph W. was the one to do it, and so left the affair for him to do.1

Joseph West Smith took hold of The Smith Savings Bank and found that as time went on the business

instead of decreasing was gradually increasing. He saw a need for a bank in Snowflake, Arizona. Therefore, he began to advise relatives and friends to put in some capital (up to this time there had been no investments, only deposits) and to incorporate. He stated that they needed to quit or incorporate, as the law required. So he rode over the area from St. Joseph to Lakeside and succeeded in interesting a number of folks to supply \$1,000.00. Robert C. Smith wrote up the by-laws and Articles of incorporation, and everything was in readiness for commencing. Meantime the financial stringency of 1907 hit the country and many of the people who had subscribed were now unable to raise the money so that they found a new obstacle. The academy had a very nice deposit, and by a good deal of diplomacy, some coaxing, cajoling, and an amount of the midnight oil, Joseph W. succeeded in inducing people to subscribe for sufficient stock to make up the deficiency, and they were able to incorporate and commence business under the name of "Bank of Northern Arizona" on January 1, 1908. The incorporators were: Joseph W. Smith, Samuel F. Smith, John Bushman, James M. Flake, Robert Scott, James J. Shumway and James C. Owens, who were also the first Board of Directors. The capital was placed at \$65,000.00 with \$10,000.00 paid up. 2

In 1908 the board of directors voted to build a bank building and Joseph W. Smith was allowed to have \$40.00 a month for his services, which were carried on from his home. On April 18, 1909 the building was dedicated and the next day they moved into the new building. By 1910 the Board decided to increase the wages to \$75.00 a month and Joseph W. said, "My duties in the bank have

taken my attention so fully that I have decided to resign as bookkeeper for the store." By 1913 the Bank Directors decided to build an addition to the bank building. Joseph W. Smith began attending Bankers Conventions in Phoenix, Albuquerque, San Francisco and learned more about the Banking business. 3

In 1917, while World War I was going on, Joseph was among other bankers who became alarmed at their unwarrantable raise in their Tax assessment and went to Phoenix to protest.

Four of his own sons were serving in the military by 1918. Joseph served as Assistant Co-Chairman for Liberty Bonds, and City Chairman for War Savings Society.

By December of 1918 it was reported that the season's business was quite satisfactory with the Bank.

The usual 6% dividend for the half year was declared and they were gradually increasing their surplus. The bank seemed to hold its own for the next couple of years.

In 1921 there was a national slump and the bank was short on cash. Joseph went to several banks looking for deposits. Joseph W. states in his Journal: "During the latter part of April, I went again to Albuquerque, in company with my brother Samuel in the interest of the Bank. We found that our credit was strained in our desire to help our friends. We, however, obtained a sufficient advance to tide us over our present difficulties." 4 By June the State Bank Examiner contacted him to come to Holbrook for a conference and was told that if they did not get their loans materially reduced by July 15th, they would have to close. Later an appeal was made to the governor and it was stated that they had their legal reserve when the bank examiner came unexpectedly and he had no time to prepare. The Bank borrowed every year and made settlement in the fall. And it was not understood why the Bank should be called on the carpet. The bank received an extension until September.

By the end of July 1921 the bank was running low

on their reserves and more appeals were made to the bankers of the county. Finally the Merchants & Stock Growers Bank said they would help in the form of a merger. When they came to look at the books they found the Northern Bank of Arizona in better shape than expected. But unexpectedly the bankers went back on their proposition. Early the next morning, two men arrived to buy sheep which belonged to Joseph West Smith. Their price was low. When Mr. H. M. Mortiz arrived Joseph W. said he would sell the sheep and put up \$12,000 in the bank if he would hold up and allow the bank to go on. But Mr. Mortiz declined the offer. The board of the Bank met on July 29th and decided to close voluntarily. During the meeting Mr. Moritz was called to the phone and heard to say, "Its too late". Later they learned that Albuquerque had arranged to send funds, but Mr. Mortiz would not accept them. 5

In hopes of reopening the bank, in August the town and county took up a petition: "to who it may concern: We, the businessmen and citizens of Navajo county, whose names are signed to this paper, having implicit confidence in the honesty, ability and integrity of Joseph W. Smith, hereby request that he be retained as Cashier of the Bank of Northern Arizona, and that the institution be re-opened under its old management, and we pledge our moral and financial support, if this request is granted." This was signed by 223 business men and farmers from Holbrook, Snowflake, Taylor, Shumway, Showlow, Lakeside, Pinetop and Pinedale. 6

Mr. Moritz and Mr. Darcey were stubborn and determined to have their way and so the Bank had no choice but to commence the sale of stock. A stockholders meeting was held and they sanctioned the terms, especially the charging off of the capital against bad notes. In September a meeting with Mr. H. M. Moritz was arranged, respecting the re-opening. Mr. Mortiz wanted to go to Albuquerque to see what the first National would do. Joseph W. decided he needed to go with him. They fixed up terms by which the Northern Arizona Bank would pay Albuquerque \$35,000 by fall and the balance in six months. 7

In October a meeting with Mr. Fairfield, State superintendent was arranged, he found some objectionable feature and caused them to rewrite the contract. Again meetings had to be arranged to get stockholders signatures. By January, 1922, Joseph West Smith was being pressed for money from those who subscribed stock, pathetic appeals from depositors and duns [persistent demands for payment] for debts. Finally, on Jan 17th, after every technicality had been met, and there seemed no excuse for longer delay, Mr. Fairfield wired that the State Department would have a man on the ground in a day or two to check up the possibility of opening. About Saturday, January 14th, 1922 a meeting with Mr. Wilson and Judge Crosby and Loral C. Owens happened to make arrangements for the re-opening of the Bank. Mr. Moritz was also involved and satisfied with the showing and the Bank was to open of February 6th.

Joseph West Smith said, "It has been a most awful strain on me. I have had money borrowed with which to finance the re-opening, I have been working on this matter as my principal job, without pay for some five months. My family needs money badly, and my creditors, which they have been very patient, have obligations to be met, so in this respect it has been a heavy strain, and the depositors of the bank are becoming impatient, so that every day of the long-drawn-out-wait seems to be a little more vexatious. Through it all I have had to maintain a cheerful, hopeful, appearance, no matter how heavy the burden, or how discouraging the prospect." 8

February 6, 1922. The Bank re-opened. The brass band was out, and there was an outpouring of complimentary expressions. The people commenced depositing immediately and before the closing hour arrived they had deposits for more than \$3400. "Q. R Gardner said he told some one on the closing of the bank, that he 'would stake his life' on the fact that they would find no evidence of dishonesty in Joseph W. Smith. Annie H. Kartchner said: "an honest man was the noblest work of God," and that it was a comfort to know that they had one in me." 9

By January 1923 the Bank was still struggling and some overdraft charged had to be covered.

September 21, 1923 they got word that the first National Bank, at Albuquerque had protested and returned their drafts. It was decided that Joseph W. would go to Albuquerque to see what was going on. He arrive on October 7th and found that the First National Bank of Albuquerque was moved to a new building which was very elegant, with its marble topped desks and floors. The officers were rather cold and indifferent to the requests.

Some time was spent trying to visit a number of debtors and got promises, but no money. An appeal was also made to the Bank in Winslow. They agreed that if Moritz, or some one would make an examination, they would probably do something on his favorable support.

On September 28th W. C. Baldwin came and demanded his money from the bank. It looked suspicious and the Board of directors was called. It was arranged with him to accept J. H. & Allen Frost's note for the same. The Board then realized the grave situation of the Bank.

By November 1923 Nellie and Joseph West Smith signed mortgages on their land, sheep and cattle to save the bank and others mortgaged their land also. In December Mr. Mortiz came for examination and it was agreed that Joseph West Smith and Brother Stratton go to Holbrook and take their A.C.M.I stock. They had stocks in the amount of some \$4700.00 and the Treasurer offered them \$4000.00 for them. This was accepted, being the best they could do.

On Dec. 27, 1923 E. T. Hatch came and demanded his money. In order to save the bank he was given a personal note for \$600 from Joseph W. With fears arising, the Board met and after due deliberation they decided to close and notify the Supervisor.

On. Dec. 29, 1923: Mr. R. Davis came about noon to take over the bank for the State Department. Joseph W. said, " I will now be shut out from the

business I have built up and fostered. 10

This was Joseph W. Smith's greatest disappointment in life when the Bank of Northern Arizona failed. But with strength of character and loyalty to his depositors he gave all his personal assets except the homes of his two wives to appease the depositors and his reputation for absolute honesty remained unblemished.

If only one cattleman could have paid his obligation this bank would have been saved but hard times existed everywhere.

His daughter Edith Bushman said, "Slights and erroneous criticism met poor father on all sides. He attempted to keep up good faith and courage but both friends and foe condemned him and blamed him for the calamity of which he had no part. Some friends did show up, G R. Gardener, a depositor, told his associates, 'I'll stake my life that when an investigation is made, Joseph W. Smith's account will be honest to the cent', which proved to be true. Every day's business was honestly and correctly balanced to the cent."

"Father was in Gethsemane, his dear wife on her death bed and suffering, and his business snatched away by an uncontrolled force."

Edith Bushman continues, "On November 1923, Father and Mother chose to sign mortgages on their irrigated land, big sheep interests and cattle to save the bank and with compassion to loyal depositors with hopes they would not lose all their deposits, but lo the big banks were the receivers not the needy and widows."

"This great sorrow to father and mother could never be healed. He had given the institution his best thought and efforts, had devoted sincere prayer for its safety and put up his life's earnings to sustain it. His most devoted friends had failed him and the national slump swept it all from him. It was a deep disappointment to him. He made a gallant fight and did everything a man could possibly do for the business and people."

"To mother it grieved her beyond what her frail body could endure. Her main concern was for her dear husband; discouraged and subject to so many unjust criticisms. I feel sure the worry of it hastened her death." Sarah Ellen (Nellie) Marsden Smith died on 11 August 1924 just nine months after the closing of the bank.

Footnotes:

1. Journal of Joseph West Smith, The Life Story of an Arizona Pioneer, 1859-1944, published by the Children of Joseph W. Smith, Mesa, Arizona, page 126
2. Journal of Joseph West Smith, pages 126-127
3. Joseph W. Smith Journal, pages 129-130
4. Joseph W. Smith Journal, page 177
5. Joseph W. Smith Journal, page 179
6. Joseph W. Smith Journal, page 180
7. Joseph W. Smith Journal, page 181
8. Joseph W. Smith Journal, page 184
9. Ibid.
10. Joseph W. Smith Journal, page 199