Alexander Black and His World, 1857–1935
Part II: Alexander Black and the Bank of Blacksburg, 1877–1935

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The article that follows is the second part of an account of the life and times of Alexander Black (1857–1935) of Blacksburg, Virginia. It gives a brief overview of his private and business life after leaving college and then a concentrated account of his role in founding the Bank of Blacksburg and its early success against difficult odds in the serious depression that began in 1893. It then briefly describes the bank's growth in the first decades of the twentieth century and explores the factors leading to the Bank of Blacksburg's conversion from a state to a national bank and its membership in the Federal Reserve System (1920–1922). The decisions made in the early 1920s contributed greatly to the bank's ability to survive the Great Depression (1929–1930s) and America's economic ups and downs since, all the while maintaining its original independence and identity as a local bank.

Overview

Alex Black, as he was known, was a direct descendant of the founding family of his hometown, an early alumnus and lifelong friend of the nearby land-grant college (Virginia Agricultural and Mechanical College, or VAMC, later known as VPI and then Virginia Tech), and a leading businessman and banker in Montgomery County. His business and financial career stretched from the conclusion of his college studies in 1877 to his death in 1935. In partnerships with several relatives and friends, he established a variety of retail establishments in the small downtown area of Blacksburg, dealt in local real estate, and played a foundational role in creating the first publicly held bank in Blacksburg after the Civil War.

His career illustrates how important family alliances and life-long friendships were in bringing together disparate economic and social groups in a small town in a mountainous rural county in post-reconstruction Virginia. His marriage to Elizabeth (Lizzie) Kent Otey of rural Walnut Spring in 1881 joined the son of a town professional (physician Harvey Black)

Fires were a constant threat to Blacksburg businesses. Here cadets from nearby Virginia Polytechnic Institute work to extinguish a fire in the building owned by Alex Black, where his associate, “Kill” Luster, operated an extensive hardware operation. Black's general merchandise store may be seen to the left of the engulfed building. The building housing the Bank of Blacksburg, which Black helped found and guided as its president for more than four decades, is further uphill (to the left) (photo courtesy of the Alexander Black House and Cultural Center).

with the granddaughter of two of the largest proprietors of land and slaves before the Civil War (James Randal Kent and Dr. James Otey). The young couple typified post bellum efforts to find new and better paths to economic progress for both themselves and their community. They took advantage of old and new modes of production and commerce, of educational progress and increasing population, and of various natural resources that enabled Montgomery County to recover relatively quickly from the dislocations caused by the abolition of slavery and the stresses of war. They helped the local region to avoid the worst of the stagnation and poverty that enveloped the populations of some areas of the southern United States.

In terms of their personal lives, Alex and Lizzie were comfortably well off with their combined family resources. Lizzie inherited a share in the productive family farm, which her VMAC-educated brother managed and worked in a modern fashion. Alex received a good all-around education and a share of the Black family’s ownership of several houses and lots in the portion of Blacksburg covered by its original charter. When they remained childless into their early thirties, they adopted a young girl born about 1890 and named her Mary Louise Black (often called Mary Lou) after older members of their families. They traded a smaller house on Water Street (today's Draper Road) for one on South Main Street. When that house burned in the 1890s, they replaced it with the elegant and expensive home known today as the Alexander Black house. Alex continued to trade, buy, sell, and collect rent on residential and business properties throughout his lifetime; at least twice he financed the construction of substantial new buildings. Lizzie participated actively in some of the acquisitions. When Alex moved beyond real estate into creation of his own business ventures, he began with a general merchandise store; he thereby entered a highly competitive field that entailed both the use of the most modern economic tools (the railroad) to access the national economy and one of the oldest forms of business in the area, a small store featuring an amazing choice of items and willing to run a tab for a good local customer.

National Financial and Economic Conditions

A challenging situation confronted any young person who, after completing his education, chose to remain in a small rural town and pursue a career in general business in the late 1870s. Nationwide, a series of financial panics, stock market crises, recessions, and depressions shook the American economy after the Civil War. Exact terminology differs, but the U.S. saw serious economic dislocations in 1873–1879, 1882–1885, and 1893–1896. The early twentieth century brought problems in 1907 and worse ones in1920. Often these crises were set off by crashes in the basically unregulated urban stock markets or sudden outflows of gold to foreigners from the U.S. Treasury supplies backing up the value of the dollar. Some crises were complicated by power struggles to control crucial railroad networks and by impoverished workers' strikes against large corporations and men of vast wealth. Sometimes the local economy was touched only lightly, sometimes severely.[1] Alexander Black and his business associates suffered the misfortune of investing large amounts of capital to start a full-service bank in Blacksburg about a year and a half before the sharp depression of 1893 impacted both the nation and the small town.

One national economic phenomenon did adversely affect strictly local business affairs on a persistent basis, the inadequate supply and circulation of national currency. The amount and type of national currency in circulation in the U.S. was often out of sync with the needs of an industrializing economy generally on a trajectory of growth; rural areas of the west and south with heavily agricultural economies usually suffered most. The National Bank

Act of 1863 allowed banks chartered by the federal government to issue paper money, but the value of such notes had to be secured by the bank's ownership of a certain type of U.S. government bonds that gave their owners the "circulating privilege" to issue new federal currency into the local economy. In consequence, frequently the price of the special government bonds on financial markets, rather than the economy's need for currency, determined the amount of paper money issued by such banks.

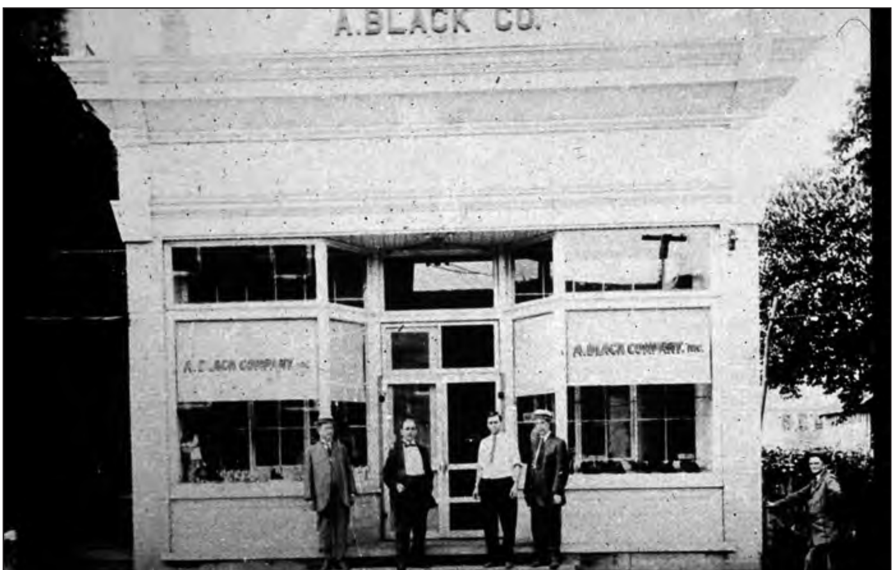
On the positive side, all national banks accepted each other's banknotes at par since the federal government would, if necessary, redeem the bonds held in reserve by each national bank for emergencies. On the downside, national banks were forbidden to give mortgages on farmland and for decades were even forbidden to issue typical business loans.[2] National banks tended to cluster in urban and fast-developing areas; their restricted services and remote physical locations meant they provided little benefit for rural, southern, and interior western regions. To stop competition by state banks issuing banknotes for more limited local use, the federal government imposed a 10 percent tax on all issues of state bank notes. This 1865 measure was probably motivated in part by the passions of the Civil War; left in place for many decades, it punished rural Americans all across the U.S. long after war had ended.

In later nineteenth century battles over backing the national currency with precious metals, Congress demonetized silver and imposed the "gold standard" that required the U.S. Treasury physically to possess a specified weight of fine gold for every dollar issued. The exact weight of gold per dollar varied for a time; in1900, it was standardized when Congress specified that the "unit value" of all types of the dollar was the value of "25.8 grains of nine-tenths fine gold." The treasury was required to hold a gold reserve equal to $150,000,000. At that same time, "existing redeemable money" in circulation amounted to at least $753,000,000, over five times the amount of the treasury holdings. In times of economic crisis, paper dollars were turned in for gold; occasionally the U.S. Treasury could not meet all demands and borrowed huge emergency sums from men of vast private wealth to shore up this value for the dollar. Since the major European nations also adhered to the gold standard and Russia led global gold production, the cost and availability of gold worldwide was beyond U.S. control. These factors could severely impact the national money supply and price levels, causing deflation (as often in the 1890s) or encouraging inflation (as during and just after World War I).[3]

Local Economic Conditions around Blacksburg: The Railroad and General Stores

On the local and regional level, much economic activity and hope centered on the repair and exploitation of the railroad completed across Montgomery County in 1856. The railroad's ante bellum impact had been to expand large-scale agricultural production for distant markets and to increase the size of the attendant enslaved workforce. Its presence also had brought military conflict to the area, as U.S. forces attempted to destroy its ability to carry critical products toward Richmond and to link western and eastern sectors of the Confederacy. After the return of peacetime conditions, the local rails were quickly repaired and, after a struggle for control among competing interests, incorporated into the expanding system of the new Norfolk and Western network. Soon, local livestock, agricultural produce, timber, and mineral products moved to distant mass markets via this regularly scheduled and relatively inexpensive means; the process altered Blacksburg and the county profoundly.

Side by side with this symbol of modern industrial power, humbly stood on a dirt road a second dominant economic force in rural America, the locally owned general store. Many of its supplies arrived by rail, but most of its local customers depended upon animal or human muscle power for their



Alex Black; W. M. Gray; C. E. Cook, store clerk; and C. W. Gardner (left to right) pose in front of the A. Black Company store on Main Street in Blacksburg, Virginia (photo courtesy of the Alexander Black House and Cultural Center).

transportation. Most rural and small-town business was transacted through the extension of credit by local tradesmen and often through the bartering of products.[4] Banks that pre-dated the Civil War had been destroyed or severely crippled, leaving a gap in essential financial services that general merchants filled for several decades. Most of the glittering gold and quick profits of the Gilded Age that invigorated large urban or industrial areas remained there. Relatively little actual currency, whether paper or metallic, was in local circulation and often was hoarded to make absolutely essential payments for real estate taxes or mortgages. For a short time, existing notes of pre-war state banks, slowly staggering toward death, continued to circulate. Some small national bank notes doubtless found their way to general stores, especially in railroad towns. Personal or company promissory notes (essentially written, signed, and dated IOUs) also fulfilled the functions of a circulating medium. Successful storekeepers had to know how much credit to extend for a given paper promise of value. Evaluating the reliability of the issuer and the expense of collection were as crucial as the ability to assess the value of customers' goods presented for sale to the storekeeper (for money) or as direct trades.

The railroad's nearby presence invigorated the general store culture. Even as it carried away local products to distant urban and industrial areas, the train brought to rural and small-town America the manufactured and processed products necessary to complete the exchange, balance the ledgers, and keep rolling stock filled with cargo for an entire trip. Manufactured products were unloaded and stacked by the tracks while local products were loaded into empty cars. In Montgomery County, this visible availability of new goods greatly accelerated local residents' introduction to "store bought" manufactured products that saved labor and time. Countywide, at least forty general stores operated simultaneously in the 1880s, with many clustered at railroad stops such as Big Spring (whose location is still indicated by a road sign on the western edge of Elliston), the main depot near Christiansburg, and at tiny Vicker (still known as Vickers Switch from its railroad days).

Blacksburg merchants were at a competitive disadvantage county-wide, being located at least ten miles from any railroad stop; they depended upon freight wagons to move their goods from and to the rails. Within Blacksburg's town borders, several general stores always coexisted, selling a wide variety and quality of goods. An effort by the town government to levy a business tax upon various enterprises in 1892 revealed a list of five general merchandisers. At first the town calibrated the tax according to some unexplained estimate of value or profit generated; Black's store was charged by far the most (ten dollars) down through competitors paying six dollars (Eakins and Co.), five dollars (Luster and Co. and also Hardwick Bros.), and only two dollars (Bodell Bros.). After protests, the town council changed to a flat license tax for a given type of business.[5] In this competitive field, Alexander Black made his debut as a businessman and apparently achieved great success by 1892. He and his younger brother, Charly (C. W.) Black, operated the first iteration of Black's store, which later morphed into several different names and formats. Alex also partnered with A. W. ("Kill") Luster in a specialty store selling only a huge array of hardware (which included firearms and other weapons). After more than a decade as a general merchant and dealer in real estate, Alex Black felt sufficiently experienced and financially successful to gather a group of co-investors to join him in launching Blacksburg's first post bellum full-service bank. He made that move in the early 1890s at a time when other factors had converged to make success likely.

Favorable Economic Conditions: VAMC and Agricultural Experiment Stations

One powerful force encouraging growth in the local economy, and hence banking, was the improved condition of Virginia Agricultural and Mechanical College, located within the town of Blacksburg. VAMC had faced some trying times in the 1880s after a brief initial period of rising enrollments and adequate revenues. Enrollments fell from over two hundred per session in the mid-seventies to one hundred and even fewer. The number of staff and size of the budget shrank proportionately. VAMC was not the only land-grant institution facing similar difficulties. As one historian has explained, "Most land grant colleges struggled at first, lacking both students and a body of useful scientific knowledge to teach" about agriculture by using traditional college methods.[6] Originally the federal government did not make regular appropriations for the schools and expected them to flourish with proceeds from their land grants and tuition. In Virginia, the two land-grant institutions also suffered for several years from ongoing political battles between the Readjusters and the Funders. Virginia historian Peter Wallenstein writes that the

> central theme of the early 1880s was political turbulence associated with race, education, and public finance. As Readjusters and Democrats [aka Redeemers] took turns running the state, an extraordinary political conflict framed developments that strengthened elementary education and renovated higher education.[7]

The primarily conservative white Democrats (Redeemers) wished to prioritize state spending by fully funding old bonds and state debts, most reaching back to the 1840s and the frenzy of state-financed transportation improvements. The Readjusters (aka Adjusters) were a biracial coalition including but not limited to Republicans, who pushed to "adjust" downward any payment toward old debts and instead increase greatly current spending on public education and immediate needs for future progress. By 1885, the Democrats had won control over both the legislative and executive powers in Richmond; once in power they proved somewhat flexible. They devoted more money to public education, appointed a stable board of visitors and administration at VAMC, and guaranteed an ongoing budget. VAMC's original mission was widened to include degree programs in arts and sciences such as those found at existing liberal arts colleges, thereby appealing to a new sector of tuition-paying students.

In 1887–1888, the U.S. Congress provided a path to new program materials and financial assistance by creating and funding agricultural experiment stations via the Hatch Act; this enabled VAMC to purchase more land, farm equipment, and animal stock to use for practical demonstrations and teaching. Permanent fiscal relief came in 1890, when the Second Morrill Act provided annual federal appropriations for all land-grant institutions.[8] An influx of new students, employees, and dependable government paychecks provided a more secure future for both the college and the Blacksburg region.

Consolidation of Financial Position Among Members of Black Family

In the late 1880s, the financial future of Alexander Black and his three siblings also seemed to be further secured. Their father, Dr. Harvey Black, died in Richmond while undergoing complicated surgery for advanced prostate disease in 1888. He left behind him substantial financial assets. These included several building lots and rental houses in town, cash accounts in out-of-town banks, and stocks and bonds in numerous ventures. Some of his pre-war investments, such as stock in the railroad and in the spa at Montgomery White Sulfur Springs, still retained value because both the railroad and the spa (briefly abandoned after its use as a Confederate military hospital) were again profitable enterprises. Dr. Black's chief heirs and beneficiaries were his widow and his four children. The three brothers seemed settled, but Mrs. Mollie Black and her unmarried daughter, Lizzie (or Lizzie Belle), were briefly uncertain as to what financial arrangements and housing they would require. This uncertainty was resolved when, a year after her father's death, Lizzie married Dr. John Apperson, her father's younger associate, and moved to his home in Marion.[9] The elder Mrs. Black expressed fulfillment and joy in helping to raise her grandchildren. The three Black brothers, knowing their sister and mother had found rewarding new lives, perhaps felt more confident as they began to invest at least some of their inheritance in new ways.

Banking Forerunners

As the uncertainties generated nationwide by the Panic of 1883 subsided, brothers Alex and Kent Black decided to devote some of their assets to purchasing stock in a new, publicly owned, state-incorporated bank for Blacksburg. Such a bank had been lacking since the end of the Civil War; the old Farmers and Merchants Bank technically existed another four years after the war in a state of confusion and indebtedness before its legal dissolution. Before 1891, there existed two businesses called "savings banks," operated by reputable town businessmen (notably the Henderson and Thomas families). These small businesses accepted very modest deposits for safekeeping and a small rate of interest; they did not underwrite loans, give credit for promissory notes, or keep on hand significant amounts of cash. Another bank offering more comprehensive financial services had been founded in town in 1889 as a privately held company solely owned and operated by two men. They, too, believed the moment was propitious for reviving greater banking services in Blacksburg.

Dr. William B. Conway, a physician and pharmacy owner who had come to Blacksburg in 1871, was known to the public because of his profession and was popularly viewed as the leader in "Conway's Bank."[10] Equally important in "the firm of Conway and Hubbert" was former Lutheran minister William Essiah Hubbert (1844–1915). A native of Roanoke County, Hubbert completed his education at Roanoke College in Salem in 1867 and ably served the only Lutheran congregation in downtown Blacksburg, Luther Memorial, from 1877 to 1888. During his tenure, he led a fundraising campaign to construct a new church building. Rev. Hubbert proved adept not only at raising monies but also at handling complicated transactions, keeping scrupulous records, and displaying keen knowledge and judgment in financial matters. He married Florence Virginia Ribble, daughter of a prominent Blacksburg physician, and the couple resided in the Ribbles' family home to the west of town. He withdrew from full-time ministerial service in 1888 and entered the world of local business and finance, where he enjoyed a reputation for probity and financial acumen.[11]

Despite their earlier success in financial and business matters, the Conway and Hubbert bank apparently encountered problems within a short time. A privately owned bank such as theirs had inherent limitations on how much operating capital it could generate with only two owners contributing money; furthermore, it presented possible dangers for its owners, each of whom bore complete and unlimited legal and financial liability for any bad debts, mistakes, or court judgments. Evidence of their encountering difficulty turned up later in the records of the Bank of Blacksburg. In the minutes of the board of directors meeting of September 19, 1898, it is noted that W. E. Hubbert "paid this Bank $500 on bad debt held formerly by the firm of Conway and Hubbert, other parties to the obligation being insolvent."[12] This entry implies that at its foundation, the Bank of Blacksburg agreed to take over transactions still underway at Conway and Hubbert. Presumably this freed both of those men from facing total liability for clearing up all outstanding business. Hubbert, who assumed the highly important role of cashier of the projected new bank, had been required to shoulder the financial liability of $500 from his previous position. In 1898, he paid off the debt because he wanted to buy shares in the Bank of Blacksburg, which he could not own free and clear while he owed it the $500.

Joining Together for a Publicly Held State Bank

The specter of unlimited liability may explain why, after only two years in their own business, Conway and Hubbert joined with Alexander Black and his fellow investors in creating a larger publicly held state bank. Other Blacksburg investors may have been encouraged by the recent successful creation of the state-chartered Bank of Christiansburg in 1888–1889. Statistics concerning national banks gathered by the Federal Reserve System reveal that local businessmen in Blacksburg and Christiansburg were following a growing nationwide trend by turning to the device of a state-chartered bank to meet the needs of their local economy. Information presented by the Federal Reserve Bank of Philadelphia shows that in 1865, the number of national banks in the U.S. outnumbered state banks by 1,294 to only 349. In 1885, both types of banking had expanded, with 2,689 national banks to only 1,015 state banks. However, the early 1890s showed a reversal of growth patterns for the two major types of banks. By 1892, in only seven years, the number of nationally chartered banks had risen to 3,759, while the number of state banks had more than tripled to 3,733 and soon outnumbered national banks.[13] Virtually none of these new state banks issued their own bank notes because of the prohibitive cost of paying the 10 percent federal tax on the value of their notes.

What the state banks could do, and the national banks could not, was to provide mortgage money for modernizing regional agriculture and to make business loans of various sizes to the local companies and individual entrepreneurs who were growing town and rural economies. Multiplying local state banks also improved physical accessibility to full services and cut the cost and time of doing such business. For a Blacksburg businessman to reach banks in Christiansburg, for example, he had to travel on horseback or by horse-drawn vehicle over dirt or gravel roads that traversed steep grades and often muddy bottom areas; typical travel time one way was between an hour and a half to two hours. The telephone, railroad, and daily mail service all lay in the future.

By organizing a community of business investors and a public offering of shares in a state bank, Black and his colleagues benefitted the entire community over the long run. The new enterprise could obtain a higher capitalization and limit the possible loss of each stockholder to the actual amount of his investment. Without doubt, one of the most notable achievements of Alex Black's business career was to convince numerous town businessmen to undertake limited risk in pursuit of far greater benefits. After spearheading creation of the Bank of Blacksburg in 1891, he then served as the president of its board of directors and chief executive for four and a half decades.

Obtaining the Virginia State Charter for the Bank of Blacksburg, June 1891

The decision to create a state-chartered bank rather than a national one was imposed by prevailing circumstances. The original stockholders could not easily raise enough capital to meet the higher financial requirement for a national charter; nor could they keep on hand the federally required level of reserves. Furthermore, state banks had more freedom to provide business loans, accept deposits, and finance farm improvements than national banks; these services were needed locally and these powers would bring profitability when carefully exercised. All of the national hurdles would have been difficult for a start-up bank in a rural town without modern transportation to overcome in 1891. By 1921, the situation had changed sufficiently that the Bank of Blacksburg could continue its local lending and investment, increase its capitalization, and surrender its state charter in favor of a national one (see below).

The formal petition to create "a body corporate under the laws of the Commonwealth" to be named the Bank of Blacksburg was filed in the Circuit Court of Montgomery County on May 23, 1891. This original document has been preserved by the Bank of Blacksburg, along with multiple volumes of historical records.[14] The initial capital of the new bank was to be at least ten thousand dollars and no more than fifty thousand dollars, with each share priced at one hundred dollars. The bank's ownership of real estate was not to exceed five hundred acres of land and the buildings used to carry out its business. The liability of each individual stockholder was specifically limited to the value of his investment. The petition indicated that the new bank wished "to conduct a banking business in all of the branches except issuing notes for circulation." Among the usual items, such as making loans, receiving deposits, and so forth, was listed the power "to buy and sell on commission" a wide variety of securities and notes, including "foreign and domestic exchange, stock certificates of debt, and shares in chartered companies."

This description of the intended scope of the bank's business reiterates the wide variety of items that were used as a medium of exchange as well as collateral for loans in an era when there was relatively little U.S. currency available in the area. Expert evaluation of other paper instruments was a crucial service to buyers, sellers, and those seeking loans. The petition to incorporate was witnessed by a deputy circuit clerk and approved by a state judge on the condition that the new "Company shall pay its dues and taxes to the Commonwealth in lawful money of the United States and not in coupons"[15] (representing stock or dividends).

In the petition of incorporation and the state's approval of it, there seem to be several notes of caution. The decision not to issue Bank of Blacksburg bank notes was dictated by the onerous federal tax; it also helped the new bankers to avoid getting in over their heads by issuing notes that, if all were returned for redemption in U.S. currency or gold during an economic panic, could possibly overwhelm their reserves and capital. The limitation on ownership of real estate was another reasonable precaution for the time, an attempt to discourage real estate speculation that too often in U.S. history had fueled local booms followed by disastrous crashes. It should be added that the bank could extend mortgages or loans with real estate as collateral; the limitation was on actual ownership of real estate. The state of Virginia was also careful to protect itself by requiring that payments due the state be made in U.S. currency and not in stock or other notes bearing promises to pay.[16]

Original Personnel Creating the Bank of Blacksburg

Interestingly, the original petition to incorporate named W. E. Hubbert as the president of the new Bank of Blacksburg and Alexander Black as the vice president. The board of directors consisted of W. B. Conway (listed first), Kent Black, A. W. Luster, Alex Black, and W. E. Hubbert. Three additional men signed the petition: G. T. Gray, J. T. Hardwick, and W. J. Hardwick. Proposing W. E. Hubbert in the petition as the president of the Bank of Blacksburg (hereafter referred to as "the Bank" if used without qualifiers) may have reflected the petitioners' desire to demonstrate to potential investors that their new financial venture was guided by someone with previous banking experience. Featuring Hubbert as president and Conway as first among the corporation's directors may also have offered continuity to those already dealing with the Conway and Hubbert firm. On the other hand, Hubbert's legal liability for bad debt from the earlier private bank may have disqualified him from the primary leadership role among investors, who immediately selected Alex Black as president once incorporation was granted. It is notable that Conway prominently supported the petition and afterward quickly exited the banking business; he became neither a stockholder nor an employee of the new bank.

Stockholders and Officers

After the sale of stock had taken place and the stockholders had met together for the first time, they created a realignment of offices. Alexander Black was selected president of the board of directors; John C. Grissom, the vice president. W. E. Hubbert was hired as the cashier. The handwritten report of the first meeting of stockholders showed that the stock was held as follows:

N. R. Stanger	29 shares (the largest single investment)
A. Black	27 shares (years later, increased to 30)
J(ohn) C. Grissom	14 shares
(Prof.) J. E. Christian	10 shares
A. W. Luster	10 shares
K(ent) Black	10 shares
J. L. Eakins	2 shares
W. J. Hardwick	1 share
C. N. Knox	1 share (represented by proxy)
H. S. Hubbert	1 share (Henry Hubbert, son of W. E. Hubbert)

The First Officers and Members of the Board of Directors

The purchased shares numbered 105, showing that the Bank was originally capitalized at $10,500, achieving the minimum set forth in its charter with just a bit to spare, $500 (5 shares). Clearly brothers Alexander and Kent Black, with 37 shares, represented the largest single block of stocks without directly controlling a majority of the shares. John C. Grissom, the new vice president, had a significant holding of 14 shares and long business experience in a family livestock and butchering business. The largest stockholder, N. R. Stanger, did not immediately serve as a bank officer, possibly because he had played little or no role in organizing or signing the petition for incorporation of the Bank. His family had been in Blacksburg since at least 1808, with different members owning and then reselling two of the original town lots. N. R. Stanger undertook various business enterprises after the Civil War, including general merchandising and real estate. He may have purchased his shares in the bank using proceeds from a recent successful land transaction. In April 1891, Stanger had sold to heirs of William Ballard Preston a small tract of land crucial in the heirs' effort to reconstitute most of the 1862 Smithfield properties. Stanger's interest and ability were recognized in June 1892, when he was elected to the board of directors by the stockholders in their annual meeting. He then regularly attended the scheduled meetings of the board throughout the 1890s.[17]

William E. Hubbert: Cashier, Bookkeeper, Clerk, and Secretary

Crucial to the operation and daily success of the new Bank was its first and for many years only full time employee, W. E. Hubbert. He served as head cashier from 1891 until his terminal illness and death in 1915. The meaning of the term "cashier" has changed greatly in U.S. usage in the last century or so. In 1891, a bank's cashier was its chief financial officer or comptroller, or both. When banks were listed in business directories or print advertisement in the late 1800s, generally the name of the cashier was listed first and the president second.[18] In addition to conducting business with customers and recording in detail every transaction for every day in the bank's ledgers, a cashier such as Hubbert had many duties. He produced summaries of the bank's overall condition at various intervals and reported these to the officers and directors. He served as secretary, recording the minutes of meetings of the board and of the annual shareholders' meetings; obviously his secretarial duties made him very well informed about bank business. Additionally, he carried out administrative duties such as drafting correspondence with distant bank partners (called "correspondent banks") and conducting business on behalf of the bank with outside companies. For

Hubbert, some of his more unusual tasks included investigating the types and prices of burglar alarms and of bank safes, arranging for telephone service as soon as lines in town were complete, and even obtaining a handgun for use by the bank's night watchman.

It was typical for the cashier or his family members to own shares of stock in the bank. As the person responsible for conducting daily business and specifically executing orders by the board, Hubbert was a well-paid and highly trusted employee. He earned an annual salary of five hundred dollars (the same as Alex Black, the Bank president) and was provided a bond of five thousand dollars by the Bank as a protective guarantor of his work. His exquisite script in flowing ink fills the first fifteen years of virtually all of the bank's records. When he became very ill with pneumonia in 1915, the Bank officers awarded him the post of cashier emeritus and a stipend equal to half of his salary so long as he lived.

The First Year of the Bank's Operation

The first twelve months of the bank's operation seemed busy and optimistic. Money appeared readily available to lend and to make repayments. Each month, the board (president, vice president, and one or more directors) met one or two times and authorized loans (discounted notes) to various individuals and a few companies. In these early months, there were no specific policies in place to guide evaluation of every applicant's qualifications for a loan or to set the interest charged the borrower and the term of the loan, often expressed in days. The board made decisions on each application individually, apparently based on their consensus concerning the applicant's overall prospects (and those of any co-signers). This almost informal approach worked well for most parties while the overall economy was faring well. A few applicants were turned down for a loan; many more were directed to get a colleague or person known to the Bank to co-sign for a loan. Loans tended to be small, from one hundred dollars to three hundred dollars, and relatively short term, such as thirty to ninety days.

The First Annual Meeting and Annual Report, June 1892

After a year of operation, the "Annual Report of the Directors" to the general stockholders' meeting (June 3, 1892) announced growth "in every department" and accuracy in the tally of all accounts and records. Gross resources and liabilities balanced at $21,011.72. Net earnings for the year totaled $902.27. Of that sum, the amount of $250 was held back in reserve to pay interest on certificates of deposit and "interest equitably coming to those holding paid up bank stock." At the suggestion of the board, owners of certificates of deposit (CDs) received 6 percent annual interest for the past year, to be reduced to 4 percent in the coming year. Stockholders received a 12 percent annual dividend per share of stock "calculated on the amount of money paid in." This qualifier implied that some stock had been purchased partly on credit backed up by high quality securities (such as government bonds and at least one life insurance policy) rather than full cash payment. The stockholders agreed and then re-elected Alex Black as president and J. C. Grissom as vice president. From amongst themselves they elected an additional four directors, namely N. R. Stanger, A. W. Luster, Dr. Kent Black, and VAMC professor J. E. Christian (ten shares). The new board met immediately, rehired W. E. Hubbert under the same terms as before, and undertook to "meet the second Wednesday in June and every other Wednesday thereafter at 3 PM."[19]

The Bank's Second Year, June 1892–July 1893

Over the summer and autumn months, there seemed to be a leveling off or downturn in local business and less confidence in lending bank money based on a general consensus of directors present. The Bank found itself being offered payment in highly discounted notes and receiving requests for loans from individuals who seemed unlikely to make prompt repayment. Requests came from borrowers to extend the term of a loan or to roll over an unpaid balance after a partial payment was made. The interest rates charged (and paid on deposits) in the previous year began to seem too high, even to the bankers. The board began to discuss creating a written policy to guide their loan and discount policy.

Regularization of Policy Governing Key Aspects of Business

On October 24, 1892, the Bank's board gave final approval to a discount policy to be applied to all loans and promissory notes. They decided that "the minimum discount on sums of $25.00 and over for 30 days or more" would be $1.00. The "minimum discount on sums below $25.00 would be 50 cents." The board's selection of $25 as essentially a benchmark for a sizeable loan and a minimum discount rate that worked out to 4 percent for 30 days reinforces the picture of a time when money was in very short supply and the cost of obtaining it was sufficient to begin shrinking business initiatives. The Great Recession of 1893 had not yet arrived in full force, but its approach in one small Virginia town was noticeable.[20]

The last two months of 1892 saw further regularization of bank procedures by a group of businessmen who were themselves new to the business. These efforts included delineating the publicly accessible areas of the bank, where business was transacted with customers, from the private office reserved for the deliberations and work of officers and stockholders. At that time the Bank operated from a few rented rooms on the ground floor of a hotel on Main Street, previously the location of the Blacksburg Savings Institute. To designate the area appropriate for the public coming to do business, the board purchased a large desk to serve as a counter over which all business was to be transacted. At the cost of twenty-five dollars, the desk/counter must have been impressive indeed. In the same vein, they decided that only a Bank officer or employee could transport Bank correspondence to and from the post office about a block away.[21]

Board members also began to wrestle with questions of placing print advertisements in crucial publications and recruiting new customers. They decided to advertise the Bank of Blacksburg's services for the first time, placing their notice in the VAMC publication *The Gray Jacket.* They considered offering savings accounts for children, encouraging them to hoard their coins in miniature banks that the board could purchase and distribute; this project was not further pursued. An order was placed for professionally printed checks to supply to their customers as the new year approached.[22]

Holding the Line in a Time of Recession and Deflation

By February of 1893, the focus of board efforts became staving off contraction and financial loss rather than growth of the bank's business. For the first time, the directors decided that one chronically unpaid promissory note must be "put out for collection" by more forceful legal means; they also foreclosed on a lot in Salem that had been serving as collateral. One excellent client who showed his good faith by paying off one-half of his due note was granted additional time to pay the remainder.[23] Extreme caution had set in. The Panic of 1893, described by one historian as "a spectacular financial crisis," included the collapse of the New York Stock Exchange and a flood of gold leaving the U.S. Treasury for Europe. Since every dollar was then required by law to be backed up by a specific weight of fine gold, the money supply contracted, prices fell, businesses failed, wages were slashed, and workers went on strike.[24] As the local and national economy continued to contract, the Bank of Blacksburg made a careful review of overall conditions in late March 1893, and the board agreed upon a new policy whereby the bank would automatically refuse applications for loans to any customer whose name was not already on the approved list, "believing it was not safe to further increase the discount list."[25]

Expansion in Leadership and Stockholder Base in 1893

During these challenging months, most decisions were made by the official board of directors, minus one ill absentee (Prof. James R. Christian). Four individuals—President Alex Black, Vice President Grissom, and Directors W. R. Stanger and Kent Black—bore the weight of leadership. Combined, they owned by far the greatest amount of stock and were trusted by the other stockholders and by the depositors of the Bank. When Christian's illness forced him to resign, informal consultation with numerous stockholders led to inviting Prof. Robert C. Price, who had recently purchased Bank stock, to join the board. Price's addition brought the board back to full strength until someone permanent could be named at the June 1893 stockholders meeting. The newcomer to the board was not a newcomer to the community as his family had been among the earliest settlers of Montgomery County. Price's selection, like Christian's before him, also served to demonstrate the openness of the bank's leaders and shareholders to the college community and their desire to harmonize town and gown interests for the benefit of both.[26]

Other purchasers of stock since June 1892 included Prof. R. T. Bray, Mrs. M. S. Petty, Mrs. M. A. Crumpaker, W. E. Hubbert Jr., and Florence Hubbert. As this listing clearly indicates, several women had become stockholders very early in the bank's history. In the case of the Hubbert family, the bank's cashier did not yet own stock, but his son and two women in the family did as the years passed. When J. C. Christian became too ill to serve effectively as a director, he entrusted ownership of his shares "to a female relative." In these two cases, assigning stocks to a woman seems to have served to separate stock ownership from the regular business activities of a male relative and perhaps to have placed some safe or socially appropriate assets at the immediate disposal of family members upon the death—or insolvency—of the man who still seemed to "cover" them financially in most matters. This may have been the case for Mrs. Crumpaker as well since her family members were successful orchardists in the region. Later, Mary Louise Black, the adopted child of Alex and Lizzie Black, also appeared at an early age on the list of stockholders.[27]

Issues before the Annual Stockholders Meeting in June 1893

Because economic and financial conditions had worsened significantly in 1893, the bank's directors decided to make special preparations for the upcoming stockholders' annual meeting. First, they appointed a subcommittee of four directors to study and report on all aspects of the Bank's current situation. Those chosen were Luster, Grissom, R. C. Price, and Kent Black. On May 8, this subcommittee formally proposed to the board that no dividends should be paid for the year and that all earnings should be deposited into the "surplus fund" of liquid assets to meet future obligations. After a lengthy discussion, any decision was deferred for one week. Then, at the formal suggestion of J. C. Grissom, a less drastic solution was crafted: a 3 percent dividend would be paid, covering the first six months of 1893. Then if the situation had improved in December, the same amount would be paid for the remaining six months of the year.[28]

This proposition must have been disappointing to stock owners who gathered on June 31, 1893. The previous year, the original stockholders had earned a 12 percent annual dividend. Investors had since purchased another forty-one shares in hopes of strong returns. But the stockholders agreed by a large majority with the directors' proposal after board members reported that the Bank had $1,335.05 to its credit. However, a majority also reacted by passing a resolution to limit the total number of shares in the bank to one hundred fifty. Apparently, they sought thereby to ensure a maximum possible return on each share. On the negative side, limiting the number of shares would limit the bank's ability to raise additional capital from new investors unless existing shares began to sell at a premium (above the original one hundred dollars per share price). The board then moved and a majority approved an additional proposal that in the future, if it seemed appropriate to authorize further issues of stock, the decision could be made by a unanimous vote among a quorum of the board of directors.[29]

With these questions decided, a large majority of the stockholders reiterated their faith in the existing leadership to guide the Bank through probably the worst financial years in Blacksburg since the Civil War. They reelected all six men to their previous positions. Only the Bank president drew a salary; the $250 stipend proposed in 1891 for the vice-president had disappeared. After the shareholders' meeting adjourned, the board of directors retired to their office sanctum and re-appointed W. E. Hubbard as cashier, teller, bookkeeper and secretary combined. He remained the only employee, and in recognition of the many important functions he filled, he was awarded an increase in salary to $550, more than President Black himself was paid.[30]

The Ongoing Depression; James K. Henderson Joins Shareholders

As June wore on, the board spent much of one meeting discussing the ongoing "stringency of the money market." In a protective mode probably not unknown in other college towns, they resolved not to grant any new loans until the local college had completed its current session and students had dispersed.[31] In July, the board accepted the application of local businessman James K. Henderson, a frequent customer of the bank, to purchase the remaining unissued original shares of bank stock at a premium price of $110 per share. Henderson had discounted numerous short-term notes through the Bank and always repaid on time; furthermore, the Bank had accepted discount requests by others when Henderson had co-signed the note. His stock purchase increased the Bank's capitalization and produced "excess revenue" that was immediately placed in the surplus fund.[32] Henderson's family had experience with savings banks and he played an active role after becoming a member of the board that autumn (September 1893). In the following decades, Henderson became vice president of the Bank (continuously reelected from 1920) and then president after the death of Alexander Black (1935).[33]

The Bank continued to press debtors to repay as much as possible on their loans and to grant extensions to those who did so. Cashier Hubbert "was advised to insist on as large payments as possible in renewals," surely one of his least enjoyable tasks. Loans became more difficult to obtain. In a board meeting held on September 25, 1893, the officers cautiously explored "the present financial pressure, which all admit is getting easier."[34] With that mildly positive conclusion, the detailed account of the first years of the Bank of Blacksburg must come to a close. Unfortunately, a sizeable sheaf of the large journal pages containing the reports and records from early 1894 through late 1896 are missing and could not be located.

The Late 1890s and the 1910s

The latter years of the 1890s reveal a situation somewhat improved over that of late 1893. Dividends were fixed at "the usual semi-annual dividend of three percent" and payable by the cashier upon request. The records were thoroughly scrutinized by the entire board twice a year and corrections made. Most loans were rather small ($12.50) to modest in size (a few hundred dollars), with one to a clergyman for only $50 secured by a life insurance policy. So long as deflation gripped the country, small sums wielded enormous purchasing power per dollar. The largest loan, $700 to a professor to improve a farm, was secured by a mortgage on the farm "in a form approved by the bank's attorney."[35] Certificates of deposit could not exceed $100 and would earn 3 percent. Sums beyond the first $100 would be accepted for safekeeping but would not earn any interest unless the discount committee of the board later decided to allow some. The discount committee was a new step in loan approval; a subcommittee of the board of directors now vetted all loan applications before the full board of directors reviewed them. Foreclosures did occur, perhaps one or two a year. The overall picture was one of caution and constraint.

The salary proposed for the vice president in the Bank's first optimistic year ($250) had apparently been permanently eliminated. W. E. Hubbert's pay had increased, as he had taken on more and more tasks; he was authorized to use part of his own salary to hire his son, Henry, to assist him part-time as needed. Each board member was paid the princely sum of fifty cents for each board meeting in which he "actively" participated. Evidently the possibility of theft by a desperate person was real in those hard times because the Bank in 1897 hired a security guard to spend the night inside the building, providing him a handgun and a bed near the vault. The watchman soon had one of the first telephones in town to summon assistance if needed (November 1898) as the Bank was eager to take advantage of this new technology as soon as the wires were strung from the new poles.[36]

The annual meeting of June 1898 revealed changes that had affected the Bank in these tight times. Only eight stockholders appeared at the meeting, owning a total of ninety shares. Four of the attendees were members of Hubbert's family, together controlling an impressive thirty-three of the ninety shares represented. The two Black brothers, Grissom, and Henderson, controlled the balance. The meeting approved the 3 percent semi-annual dividend, reelected all the officers and board, and adjourned.[37] Later that year, Webb E. Stanger, now in possession of much of the original Stanger stock, surrendered twenty-six (of twenty-nine) shares at face value to the Bank to obtain funds for other debts. After consulting a lawyer as to the proper procedure, the Bank sold the shares "in blocks as may seem equitable" to five different investors, three of them members of the Hubbert family. It was upon this occasion that the head cashier, W. E. Hubbert, paid the bank five hundred dollars in consideration of bad debt that the Bank of Blacksburg still held as a successor to the private bank run by Hubbert and Conway. Clearing this liability allowed Hubbert to assume full and clear ownership of Bank stocks. Alexander Black had increased his holdings to thirty shares and thus owned the largest single amount of stock, and Kent Black still held ten. By the annual stockholders meeting in mid-1899, all five Hubberts together owned fifty shares, the Blacks forty shares, and James K. Henderson had increased his shares to twenty. With one hundred ten shares, these three families easily controlled a majority ownership of the Bank.[38]

Expansion and Growth in the Early 1900s

By the first years of the twentieth century, economic and financial matters had improved and the depression lifted. The Bank, personified by Alexander Black, played a major role in organizing and chartering a company to revive the local anthracitic coal mines near the small settlement of Merrimac and to build a spur railroad from the mainline in Christiansburg, not only to the new colliery, but to downtown Blacksburg as well. With the paperwork in place, the bank authorized loans, including one of four thousand dollars to the Virginia Anthracite Railroad Company in October 1904. Some physical improvements were made to the bank facilities, implying less financial pressure felt by the bankers. The Hubbert family continued to remain prominent in the Bank, with Henry S. Hubbert becoming a director and young Florence Hubbert earning twenty-five dollars a month in the bookkeeping office. Miss Hubbert was only one of several women who worked first behind the scenes in the office but later at the public customers' counter as tellers. The dividend paid to shareholders in 1906 rose to 4 percent per share and interest on CDs increased somewhat.[39] In urban areas, the Panic of 1907, caused (primarily) by irregularities in the New York stock and financial markets, caused distant bank failures, but recovery was quick[40] and Blacksburg seemed little affected.

The 1913 Federal Reserve Act and World War I (1914–1918)

Events of great importance in terms of local and national banking occurred in the decade of the 1910s. A notable piece of legislation, the Federal Reserve Act, passed Congress in 1913 after two years of political maneuvering and compromise. It was a significant step toward meeting one of its stated goals, providing a flexible national currency whose volume could expand as the economy expanded and then contract gradually when the business cycle turned downward. If deflation threatened, the currency supply could increase to prevent catastrophic drops in prices and production. If inflation threatened, the currency supply could be diminished to slow price increases. These goals were pursued through actions of the twelve Regional Federal Reserve Banks. In theory the regional banks could exercise some flexibility in responding to local problems. The twelve Regional Reserve Banks were owned by the stockholder-owned banks who joined the system and met the requirement in reserves to join. The head of each Regional Reserve Bank was appointed by the U.S. president and was accountable to national officials. It was hoped this would enable a degree of central coordination and quicker action in response to the nation's recurring financial crises and allow public policy makers a role to balance that of the member banks.

The outbreak of World War I in Europe the next year (1914) quickly altered and greatly stimulated the American economy, as the U.S. declared its neutrality and traded with both sides in the international conflict. As increasing output of military items, food, and consumer goods were shipped to a battered Europe, American farms, mines, and industries flourished. Inflationary pressures enticed even marginal resources into production; locally, land generally left uncultivated and seams of poor quality coal were worked because the inflated prices made them profitable. Frequently, European combatants—especially the British and the French—financed the purchase of such products through loans from private American business sources. Inflation accelerated during the war boom, particularly after the U.S. joined the war in 1917.

One result of the economic expansion of the war and its immediate aftermath, both in Montgomery County and nationwide, was the expansion of banking to provide funds for expanded production. On the strictly local level, changes were obvious. The size of loans by the Bank of Blacksburg increased as inflation moved prices up. The local land-grant college, which (unlike many) had retained a strong element of military training and organization for students, was utilized by the U.S. Army in 1917–1918 as a ready-made training institution (see "'Living in a New World': World War One and the Decline of Military Tradition at Virginia Polytechnic Institute, 1916–1923," beginning on page 29). The army brought hundreds of additional men to campus to train them in technical skills and crafts necessary to the military, and it enlisted cadets into ROTC units. These programs brought thousands of additional government dollars to the campus and town.[41]

The Bank of Blacksburg Enters a New Era, 1915–1922

The period 1915 to 1922 led to changes in personnel, ownership, and operations in the Bank of Blacksburg, changes that left the bank well positioned to survive dislocations caused by World War I as well as the crisis of 1929 and the Great Depression. Following the death of W. E. Hubbert Sr. in 1915, more than one new employee was required to fill the gap left by his death. The Hubbert family's concentrated investment in the Bank steeply diminished and the Hubbert children looked elsewhere for employment. By 1920, the Hubberts had entirely disappeared from the list of stockholders present in person or by proxy at the annual meeting on July 1.

At the same meeting, James K. Henderson was elected as vice president of the Bank and remained in that position for the next 15 years. John C. Grissom, an original investor and long time vice president, was no longer on the stockholder list (although W. B. Grissom was). New directors were also named. Indeed, after this meeting, Alexander Black was the only remaining original organizer/investor to hold any office in the bank, and similarly, no salaried employee dated from that era. Two of his closest original colleagues, his older brother, Kent, and W. E. Hubbert, were deceased.[42]

From 1914 onward, Alexander Black himself seemed to have made the Bank less of a priority in his own life. In that year, he and his wife began making lengthy sojourns in northern and central Florida. Their stays gradually lengthened and stretched finally to four months (with Alex occasionally returning to Blacksburg for business). In 1917, Lizzie and Alex purchased a small winter home near Lakeland, Florida. While Alex could and did communicate with his colleagues at the bank via telephone, telegraph, and speedy mail trains, it seems safe to surmise that he was not exercising close supervision. The year 1918 was a difficult one for him and his immediate family. Lizzie Black underwent serious medical problems and surgery from which she never entirely recovered. Their daughter, Mary Louise Black Luster, had died of the Asian flu epidemic while Lizzie was hospitalized. Mary Louise had been married for only two years, and she died with no children to survive her.

Considering a list of those attending the July 1, 1920, stockholders' annual meeting, it is apparent that ownership of the Bank was dominated by two groups of shareholders. One consisted of the extended family of Alex Black and his siblings. Alex's widowed sister, Elizabeth Black Apperson, and her son, Harvey Apperson; his brother C.W. Black and his wife; and Kent Black's widow all appeared as stockholders. Another group of shareholders appeared to represent a renewed interest in the Bank by local business and professional men and their families, such as W. M. Lybrook, J. E. Williams (later dean of the college at VPI), A. W. Drinkard, C. M. Broce, W. M. Palmer (also a distant relative), J. T. Hardwick, and the Bank's head cashier of several years, J. W. Bland. A canvas of the group showed that 330 shares were present in person, with an additional 57 shares represented by proxy. Those present approved a 4 percent dividend, totaling $2,000 for all shares. Total shares, then, were valued at $50,000 and presumably numbered about 500, assuming most shares had carried the same purchase price of $100.[43]

There appeared at this annual meeting a sense of rallying around and preparing for action as the Bank of Blacksburg prepared to mark its upcoming thirtieth birthday and move its business operations to a new building on the northwest corner of Main and Roanoke streets. This spirit may well have been accentuated in response to the fact that, for the first time, serious banking competition had arisen in Blacksburg. Other merchants and bankers in 1920 obtained a state charter for the Farmers and Merchants

Bank of Blacksburg. This new publicly owned bank had, if not thrown down the gauntlet, at least opened for business as a competitor. Such a fact must have prompted Bank of Blacksburg stock owners to review and assess their own financial and professional position.[44]

Officers elected in 1920 included Alex Black as president (salary unchanged at $500) and James K. Henderson as vice-president (no salary but paid modestly for attending board meetings). The board of directors was composed of W. B. Ellett, J. T. Hardwick, W. M. Lybrook, J. D. Stanger, and J. E. Williams. The board quickly confirmed J. W. Bland as chief cashier (salary of $1,200) and J. M. Kessler Jr. as assistant cashier (salary of $1,200); these two men ran daily operations and supervised two or three bookkeepers, who were paid about $900 each. Both their excellent salaries and their ownership of bank stock indicated that Bland and Kessler were accomplished bankers, in the tradition of W. E. Hubbert. At many coming board meetings and on various records and correspondence, Henderson or Bland (often both) signed on behalf of the bank, indicating the absence of Alex Black.

The Financial Panic of 1920 and the Recession of the Early 1920s

Soon, larger economic factors began to suggest that fundamental changes in operations were needed to maintain a high level of banking service. Nationwide, the years 1920–1922 ushered in yet another panic, a monetary crisis wherein gold flowed out of the federal treasury, shrinking the money supply and depressing prices. American farms, mines, and industry had expanded their output greatly to meet wartime needs; with the war concluded and Europe resuming peacetime economic activities, the U.S. market was flooded with overproduction. Americans who had responded to the wartime drive for greater output now found themselves with large inventories, little demand, and tumbling prices. Those who had borrowed to finance expansion found it difficult to pay their debts, and some faced foreclosures or bankruptcy.

One problem plaguing Blacksburg was, yet again, the lack of circulating medium. The Bank had sufficient assets, but sometimes not enough cash, to carry out its business. Quarterly reviews revealed that one of the Bank's greatest expenses was to pay interest and transportation fees for shipments of currency borrowed from larger distant banks. The board of directors was required to meet for each such request for a loan, further slowing the flow of money and products. Increasingly, the Blacksburg Bank had to turn to the National Exchange Bank of Roanoke and even to Richmond's National State and City Bank (*sic*) to borrow currency for routine transactions. In

Blacksburg, the seasonal needs of agricultural and processing activity accentuated this problem, and the cyclical nature of college business and student spending may have added to it.

The difficulties and cost of obtaining currency in this way was pointed out by a regular bank inspection by the State Corporation Commission (SCC) in mid-1921. To facilitate the flow of money, the examiner suggested that Bank officers be allowed to borrow currency from their Roanoke and Richmond suppliers without waiting to call a special board of directors meeting. The board agreed in a letter to the SCC in August 1921; yet they knew this did not address the underlying problem.[45]

Another difficulty facing the bank was that it had maintained a fairly low level of capitalization in relation to overall inflation since about 1900 and in relation to the size of loans it was being asked to underwrite. Figures for 1920 revealed that the bank was capitalized at about $50,000. That amount seemed small when considering that on May 5, 1920, the directors had gathered at a special meeting and agreed to grant "a credit line of $33,000 to William M. Lybrook." Several months later, a loan of $1,600 was granted to a Blacksburg artisan, and others for $1,500 and $15,000 were approved. In 1921 came a loan of $10,000 to Harvey Apperson, secured by a deed of trust on land and a house in Salem. A large amount of money seemed to be flowing out in exchange for assets that could not quickly be turned around. One interesting transaction occurred on September 21, 1920, when the cashier was authorized to sell to Alex Black "$10,000 in United States Certificates of Indebtedness owned by the bank." Possibly this was a device by which the bank converted a top quality asset, a U.S. government bond, into currency and other more liquid assets.[46] The state examiner again indicated areas of concern, urging the bank to increase the reserve fund set aside to pay taxes and to place all paid employees under security bonds to enhance overall bank security.

Making the Transition to a National Bank and the Federal Reserve System

In early 1921, the officers and directors started the year with discussions about "general banking business," and two directors were deputed to "check upon all COLLATERAL (*sic*) held by the bank and to report on same as soon as possible."[47] Alexander Black was not present at board meetings in late December or January; Vice President Henderson and Cashier Bland signed the minutes. A newly elected director, James H. B. Fogelman, was sent in October to attend a meeting of "Group Five Virginia Bankers" in Roanoke, and there was more discussion of "general banking business" following his

Today's National Bank of Blacksburg can be seen at the left, with the first building specifically constructed to house the bank and its second location visible across Roanoke Street. The bank's third location, across the street from the second site, is reflected in the windows of the current building. All three locations pictured here faced Main Street (photo by William E. Cox).

positive report.[48] After many meetings and discussions, the majority seemed ready to move forward.

On November 22, 1921, a board meeting with Alex Black in the chair welcomed an "agent" from the Federal Reserve Bank in Richmond, who explained the workings and advantages of joining the system. At the same meeting, an assistant cashier from the National Exchange Bank of Roanoke talked about the advantages of converting to a national bank. Later conversations indicated that the Bank should increase its capital stock to seventy-five thousand dollars in order to obtain a national charter. This process also involved selling large amounts of bank bond holdings previously used as collateral to secure the repetitive loans of cash made to the Bank of Blacksburg by the Roanoke and Richmond national banks. The bonds sold at this time were high quality collateral for a state-chartered bank. However, to become a nationally chartered bank, an institution had to invest in a specific type of U.S. bond, which carried a "circulating privilege" that conveyed the right to issue U.S. national banknotes directly into circulation. Exchanging the old bonds for those with the circulating privilege was necessary to obtain a national charter and then bring much needed national currency to the area.

All of these steps were approved by a special stockholders' meeting, and on June 6, 1922, the board of directors signed "all papers necessary for the conversion of the Bank of Blacksburg into the National Bank of Blacksburg." Shortly thereafter, the Bank completed all the requirements to join the Federal Reserve System as well.[49] This entailed paying in resources to become a partial owner of the Federal Reserve Bank in Richmond, where a large reserve fund contributed by all owner banks was held. Member banks could borrow from this accumulated reserve fund to meet problems in cash flow and pay the lowest interest rate commercially available (often referred to as the federal prime rate for short-term loans of money). When the pressure eased, the bank repaid its loan. The ability to move large amounts of reserves to help banks under pressure was to become the salvation of many national banks when faced by a run on resources by fearful depositors after the crash of 1929.

The Bank of Blacksburg continued to thrive after transforming itself into a new and more flexible institution. Alexander Black remained its titular president well after he had ceased to play an active role. The decisions he and his colleagues made in the early 1920s had created the National Bank of Blacksburg and had given it the strength gained from membership in the Federal Reserve System. On Tuesday, September 24, 1929, the Bank's regular weekly balance sheet showed capital stock of $75,000, a surplus of $23,000, deposits of $260,000, and a total credit balance of $588,074. It had come a long way from its beginnings in 1891 and had gained the ability to survive the imminent stock market collapse and the following Great Depression, which saw over five thousand American banks fail by March 1933. The National Bank of Blacksburg continues in 2018 to retain its identity as a local bank owned and operated by members of its local community.

Acknowledgments

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Little, great niece of Alexander Black. She and her son, Craig Little, have preserved and shared her memories of her grandmother, Lizzie Black Apperson, and her great uncle, Alex, and made many tangible contributions to the Blacksburg Museum and Cultural Foundation. Finally, thank you to Hugh Campbell, founding editor of *The Smithfield Review,* for encouraging me to study the life and career of Alexander Black and to undertake this project on the Bank of Blacksburg.

Endnotes

1. A recent readable and easily accessible treatment of both economic and financial matters is presented by the Federal Reserve Bank of Philadelphia at its website under the title "The State and National Banking Eras, A Chapter in the History of Central Banking" at *www.philadelphiafed.org/-/media/publications/economic-education/state-and-national-banking-eras,* accessed March 3, 2018.

   For an overview of terms and cyclical downswings, see Paul S. Boyer, ed., "Depressions: Economic," in *The Oxford Companion to United States History* (Oxford and New York: Oxford University Press, 2001), 182–185. For greater detail on various economic matters mentioned in this article, see a standard text in economic history such as that by Gilbert C. Fite and Jim E. Reese, *An Economic History of the United States* (Boston: Houghton Mifflin Company, 1973 and other editions). Some economic matters became politically contentious, such as requiring the U.S. Treasury to hold a stated weight of fine gold to maintain the exact value of every dollar in circulation (known as the gold standard). The presidential election of 1896, in the wake of a terrible depression, revolved around this issue. Detailed discussion of such complex national phenomenon is simply beyond the scope of this article. Currency issues are discussed in the next paragraph of the text.
2. "The National Bank Act of 1863," *Oxford Companion to American History,* 557–558; Federal Reserve Bank of Philadelphia, "State and National Banking," 8–12.
3. The precise figures on Treasury gold reserves and currency in circulation are cited in Jonathan R. T. Hughes, *American Economic History* (Boston: Addison-Wesley Publishing, 1998), 555. Conventional wisdom of the late 1800s assumed that the rising price levels of inflation favored borrowers since the value of each dollar (in purchasing power) borrowed in the past remained greater than the value of each dollar repaid in the future. Under deflation, the reverse was true, as the value of each dollar (in terms of purchasing power) increased over time and made it difficult to pay off debt as prices fell.
4. An excellent account of and appreciation for local general stores may be found in Sherry Joines Wyatt, "Business and Commerce: Community Centers and Places of Profit," *Virginia's Montgomery County,* Mary Elizabeth Lindon, ed. (Christiansburg, Va.: Montgomery Museum and Lewis Miller Regional Arts Center, 2009), 390–394 and *passim.*
5. Joanne M. Anderson, "Business and Industry in Blacksburg," *A Special Place for 200 Years: A History of Blacksburg, Virginia,* Clara B. Cox, ed. (Roanoke, Va.: Town of Blacksburg, Va., 1998), 164.
6. Roger L. Geiger, "Morrill Land Grant Act," *Oxford Companion to United States History,* 515–516. The rise and fall of enrollments are reflected in the original *Catalog* for each academic year at VAMC.
7. Peter Wallenstein, *Cradle of America: Four Centuries of Virginia History* (Lawrence, Kan.: University Press of Kansas, 2007), 231.
8. Wallenstein, *Cradle of America,* 242.
9. See the biography of Dr. Apperson in Clara B. Cox, transcriber, "Sketch of the Life of Dr. Harvey Black by John S. Apperson, M. D.," *The Smithfield Review* 22 (2018), 62–63, endnote 1.

10. Dr. Conway briefly described the building that housed their enterprise but said nothing about their business in his remembrance, "In Old Blacksburg," published in *Home News* (Blacksburg, Va., September 9, 1916), Virginia Tech Libraries, Special Collections for Blacksburg Bicentennial.
11. *Roanoke College Directory of Alumni* (Salem, Va.: Roanoke College, 2004), 471. Online resource *www.findagrave.com,* accessed November 10, 2017. For the Ribble family, see James Otey Hoge Jr., "The Diaries of James Armistead Otey," *The Smithfield Review* 6 (2002), 100, editor's footnote 29.
12. The historical records possessed by the Bank of Blacksburg are inscribed in large bound ledger books dating from 1891. The first ledger is simply titled *Records* and is arranged chronologically with each entry designated as minutes of the board, annual meeting, report on bank's present condition, and so forth. This book covers 1891 through mid-May 1894 and then more than two years are missing. The account resumes in a second ledger book, beginning with November 9, 1896, and carrying forward without interruption. For the sake of clarity, the original ledger entries will be cited simply as Bank, *Records,* nature of entry, followed by the date. Thus the material concerning Hubbert is found in Bank, *Records*, board of directors meeting, September 19, 1898.
13. Philadelphia Federal Reserve Bank, "State and National Banking Eras," 8.
14. Bank of Blacksburg, *Petition to Form A Corporate Body under the Laws of the Commonwealth, May 23, 1891,* in possession of the National Bank of Blacksburg.
15. Bank, *Petition.*
16. These limitations deserve further comment and clarification. The Bank of Blacksburg could and sometimes did foreclose on unpaid mortgages, primarily on houses and building lots. In order not to exceed the legal limit on its ownership of property, the Bank would sometimes sell property quickly. In at least one case, the Bank foreclosed on a Blacksburg residential property being let to a tenant. It then transferred a major interest in the property to Alex Black as payment for a bank debt ($500) owed him. That afternoon he visited the newly acquired property and arranged for the same tenant to stay on and continue to pay the same rent. The complicated transaction is shown in Bank, *Records,* board of directors meeting, June 27, 1898.

    The requirement to pay all taxes, local as well as state, in acceptable U.S. currency affected individuals as well as businesses. Rural and working-class people often found it very difficult to accumulate enough gold or U.S. currency to pay property taxes and poll taxes; failure to pay the latter prevented one from voting.
17. For the successful transaction of Stanger with Janie Preston Boulware and her husband, see Wirt H. Wills, "The Genesis and Dissolution of William Preston's Smithfield," *The Smithfield Review* 8 (2004), 36. Stanger was elected director in Bank, *Records,* notes for annual stockholders' meeting, June 3, 1892.
18. For example, a photocopy of a page of *Hill's Business Directory, 1897–1898* shows listings for two major banks in Montgomery County. Under Blacksburg is listed "Bank of Blacksburg (W. E. Hubbert, cashier)" and under Christiansburg appears "Bank of Christiansburg (Charles I. Wade, Cashier)"; in neither case is the president or other bank employee or director mentioned. See reproduction in Wyatt, "Business and Commerce," 395.
19. Bank, *Records,* list of shareholders present and business at annual meeting, June 3, 1892; summary of condition of Bank, May 31, 1892; meeting of board of directors, June 3, 1892.
20. Bank, *Records,* board of directors, October 24, 1892.
21. Bank, *Records,* board of directors, November 7 and November 21, 1892; January 2 and January 16, 1893.
22. Bank, *Records,* board of directors, November 7 and November 21, 1892.
23. Bank, *Records,* board of directors, February 27, March13, and March 27, 1893.
24. Summary of the results of the panic of 1893 in Thomas H. Johnson, ed., *Oxford Companion to American History* (New York: Oxford University Press, 1966), 613.
25. Bank, *Records,* board of directors, March 27, 1893.

26. Bank, *Records,* board of directors, April 22 and 24, 1893.
27. Bank, *Records,* board of directors, April 24, 1893; Bank, *Records,* stockholders' meeting, list of stockholders present in person or by proxy, June 1,1893.
28. Bank, *Records,* May 8, 1893 (erroneously written as "1892" in original), May 15, 1893.
29. Bank, *Records,* Report on Shareholders' Meeting, W. E. Hubbard, June 1, 1893.
30. Bank, *Records,* board of directors (meeting immediately after shareholders adjourned), June 1, 1893. The author found no written evidence that the $250 vice presidential salary had been paid in earlier years either.
31. Bank, *Records,* board of directors, June 19, 1893.
32. Bank, *Records,* board of directors, July 8, 1893; Henderson as Bank customer *passim*.
33. Bank, *Records,* board of directors, September 25, 1893; July 1, 1920, for selection as vice president, then after each annual meeting until selection as president in 1935. According to Conway, "In Old Blacksburg," the Hendersons had operated a private savings bank, Montgomery Savings Bank in Blacksburg; such a bank accepted small deposits and paid interest; it did not operate as a full-service bank making loans, discounting paper, etc.
34. Bank, *Records,* board of directors, August 28 and September 25, 1893.
35. Bank, *Records,* board of directors, December 14, 1896.
36. Bank, *Records,* board of directors, March 8, 1897, and November 14, 1898.
37. Bank, *Records,* List of Stockholders and Report on Shareholders' Meeting of May 31, 1897, prepared by W. E. Hubbert.
38. For the Stanger and Hubbert arrangements, Bank, *Records,* board of directors meeting, September 19, 1898.
39. For railway loan, Bank, *Records,* board of directors, October 31, 1904; Report on Shareholders' Meeting and board of directors, June 1, 1906.
40. Johnson, *Oxford Companion to American History,* 613.
41. Daniel C. Newcomb, "Living in a New World: World War I and the Decline of Military Tradition at Virginia Polytechnic Institute, 1916–1923," *The Smithfield Review* 22 (2018), 29−52.
42. Bank, *Records,* report on annual shareholders meeting and subsequent meeting of board of directors, July 1, 1920. Kent Black had collapsed and died on a Blacksburg sidewalk in 1909.
43. Bank, *Records,* annual meeting of stockholders, July 1, 1920. Six members of the Black and Apperson families were represented.
44. The author does not mean to suggest actual enmity between the banks' personnel; all involved were local men often well known to each other. Clearly there was room for another full-service bank since this one also survived the Great Depression. The Farmers and Merchants National Bank of Blacksburg lost its original name and its independence in 1962 as it became part of the expanding system of the National Exchange Bank of Roanoke (see "Farmers and Merchants Bank," *Roanoke Times* (Roanoke, Va.), August 29, 1962).
45. Bank, *Records,* board of directors, August 30, 1921.
46. Bank, *Records,* board of directors, May 5, 1920; October 11, 1921; and September 4, 1920. Sale of U.S. Bond to Alex Black, September 21, 1920.
47. Bank, *Records,* board of directors, January 3, 1921, and January 15, 1921.
48. Bank, *Records,* board of directors, October 24, 1921, and November 8, 1921.
49. Bank, *Records,* June 6, 1922; all nine members of the board of directors were present and affixed their names in alphabetical order.

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