When Bankers Trust Company opened its doors in the late 1920s, the future looked bright indeed. Over a four-year period, the bank absorbed eight other institutions, grew from $2.5 million to $50 million in deposits, and had 21 offices around the city. However, its size could not protect it from failure. On December 22, 1930, after suffering through several months of heavy customer withdrawals, Bankers Trust Company voluntarily turned its affairs over to the Pennsylvania Department of Banking. Despite bank leaders’ optimism that it would quickly reorganize its affairs, the bank never reopened.

Of course, in the early 1930s, when a bank failed, no governmental safety net protected the individuals and institutions whose money had been invested in that bank. When Bankers Trust failed to open its doors on December 22, 1930, approximately 100,000 depositors faced financial ruin. Philadelphians raced to the bank’s branches to attempt to withdraw their money, but found no relief.

Instead, the Pennsylvania Department of Banking oversaw a lengthy legal process that returned to Bankers Trust customers 59 cents on every dollar on deposit. That repayment was likely of little consolation to the thousands of small depositors whose savings were largely out of reach during the multiyear process and were never completely replaced.

For many Philadelphians, the Bankers Trust failure brought the Great Depression painfully close to home, perhaps for the first time. It also presaged the chaos and despair that followed each of the dozens of subsequent bank closures in the city during the early years of the Depression.

**A Rising Star**

Bankers Trust Company was incorporated in December 1926 by a small group of investors, including prominent businessman Albert M. Greenfield, who had already expanded from investing in real estate to mortgages by the time he entered banking. He and his co-investors purchased a controlling interest in a small West Philadelphia bank, Bank and Trust Company of West Philadelphia, and expanded to Center City. With financial expert Samuel H. Barker at the helm as president, the bank grew rapidly. In just four years, Bankers Trust Company increased its deposits of $2.5 million to more than $50 million, largely by absorbing other banks. It acquired four banks in 1929 alone:

- Bank and Trust Company of West Philadelphia (1926)
- National Bank of Commerce (1927)
Meanwhile, the leaders of Bankers Trust Company explored other business opportunities for profit and growth. In 1928, the bank’s leaders launched Bankers Securities Corporation, an affiliated business that could deal in stocks and bonds to an extent not allowed by banks. The two companies were technically independent, but each owned stock in the other and were intended to supplement the business activities of the other. Greenfield was chairman of its board and Barker its president, while other representatives of Bankers Trust Company served on the board of directors.

By the fall of 1930, Bankers Trust Company had 21 offices, including the newly opened Germantown branch in the “Barker Building,” a 13-story office building. In October 1930, Bankers Trust Company became a member of the Clearing House Association of Philadelphia, which member banks used to exchange checks and settle balances.

**Signs of Distress**

However, there were rumblings of trouble at the bank by the fall of 1930. Bankers Trust Company had acquired the struggling Bank of Philadelphia and Trust Company in July 1930, but it was not to be an easy addition. Public unease about that institution’s financial health spread to its new owner, and by September 1930, Bankers Trust Company was experiencing a run on its deposits. Other banking crises around the country probably did not reassure Philadelphians that their money was safe, though those crises did not directly impact Bankers Trust or other local banks.

Board member Albert M. Greenfield and other Bankers Trust officials believed that their bank was healthy enough to survive the short-term distress. Two large banks, Philadelphia National Bank and the Pennsylvania Company for Insurance on Lives and Granting Annuities, loaned Bankers Trust Company approximately $7 million to help cover the heavy customer withdrawals. But by mid-December, Bankers Trust was still in distress.

A group of local bank presidents affiliated with the Clearing House Association of Philadelphia reassured the state Department of Banking, which oversees Pennsylvania’s banking industry, that Philadelphia banks would support Bankers Trust Company. But according to several accounts, the local bank presidents changed their minds at a private meeting in the days before December 22 and decided to let Bankers Trust fail.

One of Greenfield’s friends (and investors), William Fox, apparently called President Herbert Hoover the morning of December 22, in a last desperate attempt to save the bank, to urge him to step in and keep Bankers Trust’s doors open. Two days after Bankers Trust failed to open,
the president’s appointment books indicate that Greenfield and the bank’s president, Samuel Barker, met with President Hoover in Washington, DC.

As word spread that the bank had failed to open its doors, Philadelphians raced to Bankers Trust Company branches to attempt to withdraw their money, but it was too late. The bank’s leaders had turned over operations to the state Department of Banking to protect the bank’s assets.

A group of local bank presidents issued a statement the day that Bankers Trust Company failed to open, assuring Philadelphians that no other banks would be affected by the closure. The mayor of Philadelphia spoke on the radio that evening to urge people to stay calm. Nevertheless, a run began at another large Philadelphia bank, the Franklin Trust Company, and a smaller bank, Blitzstein Bank, within 24 hours. Blitzstein Bank and another bank, Aldine Trust Company, failed within a week. Bankers Trust Company’s leaders claimed that Bankers Trust would reorganize shortly, but their optimism proved to be misplaced. The bank never reopened for business.

As a highly visible member of the bank’s board of directors, Albert M. Greenfield became a lightning rod for depositors’ anger and despair. According to one scholar, Greenfield hired a police officer to protect him and his family for a time. But he also received letters from Bankers Trust customers pleading for his help to get their money back. Greenfield's secretary dutifully responded to each correspondent, explaining that the situation was out of Greenfield’s hands and that he had no control over who could receive payments from the closed bank.

**After Failure, Efforts to Reorganize**

Meanwhile, efforts to reorganize and reopen Bankers Trust Company began immediately after its closure. Bank president Samuel Barker insisted that the bank was solvent, and Pennsylvania secretary of banking Peter Cameron boldly announced that depositors would receive a 100 percent return on their deposits. In fact, some believed that the bank’s closure was merely a temporary suspension, a step to forestall depositors’ demands and protect its assets.

Depositors and other interested parties formed the Depositors’ Committee of Bankers Trust Company, with goals of investigating the bank’s closing, helping to reorganize and reopen the bank, and assisting small depositors who were particularly impacted by the closure.

Now managed by the Department of Banking, the bank quickly repaid some of its lenders, including Philadelphia National Bank and the Pennsylvania Company, from which it had received $7 million. It secured a return of $20 million of pledged securities and had $3 million on hand. Four hundred of the bank’s 500 employees were laid off within two weeks.

Still, the bank’s closure dragged on. Secretary Cameron resigned in February 1931, citing differences of opinion with Governor Gifford Pinchot and his deputy secretary William D. Gordon over plans for the bank.

Finally, in April 1931, the Depositors’ Committee announced its plans for reorganization. Smaller depositors, those with less than $500 in the bank, would receive 45 percent of their
funds in cash as assets of the old bank were liquidated and the remaining 55 percent of their funds in credit at the new institution. Larger depositors would receive some of that credit as stock instead. Their share would be 45 percent in liquidated assets, 40 percent as credit in the new bank, and 15 percent as capital stock of the new institution.

However, some depositors felt the committee’s plan was too closely aligned with the bank’s stockholders and its board of directors and not sufficiently concerned with depositors’ interests. In May 1931, depositor Frank S. Dreeben and others helped form the Minority Depositors’ Committee (later renamed the Depositors’ Protective Committee), which ultimately drafted an alternate plan that called for full repayment to depositors.

How involved were the bank’s former board of directors? Barker had announced publicly in May that Greenfield, for instance, would not be part of the leadership of the reorganized bank. However, Greenfield worked determinedly behind the scenes to prevent the bank’s liquidation, no doubt motivated in part by the $3.5 million in his personal and business accounts tied up in the closed bank. He reached out to Robert von Moschzisker and William H. Hamilton, and perhaps others, to ask them to take over as head of the reorganized bank. He sent his own proposal for reorganization to Secretary of Banking William Gordon in July 1931. When the Depositors’ Committee plan appeared doomed, he attempted unsuccessfully to meet with Gordon in Harrisburg—no doubt hoping to persuade Gordon to avoid liquidation.

Meanwhile, the state legislature passed a new law in May 1931 that gave the Department of Banking new authority to help banks reorganize when solid plans were in place. Gordon set out four criteria for Bankers Trust Company to reopen: raising $3.5 million from current depositors, finding personnel that he deemed appropriate, paying $800,000 to subscribing stockholders, and convincing him that the new institution had a real future.

Initially believing that reorganization could be attained by late June, the Depositors’ Committee was forced to ask Secretary Gordon for several extensions as they sought sufficient depositor support (and therefore cash) and attempted to line up appropriate staff and board members. Committee members even visited with President Hoover in late August 1931 about their situation.

However, by September 21, the committee still lacked the personnel and money requirements needed for the bank to reopen. Gordon, with the approval of Governor Pinchot, offered the committee one more “final” extension of 30 days, with the stipulation that he absolutely would give no further extensions. The committee refused to sign the agreement.

Liquidation
On September 24, 1931, Secretary Gordon announced he had decided to liquidate Bankers Trust Company. Depositors were no longer in limbo; the state would begin to untangle the bank’s affairs. Gordon gave 30 days for depositors and creditors to file claims against the bank and began the complicated legal process that ultimately would take 16 years to complete.

First, the Department of Banking took possession of the assets of the Bank of Philadelphia and Trust Company—the last bank acquired by Bankers Trust Company—because that institution
had already been part of a formal liquidation process when it was absorbed by Bankers Trust Company.

Secretary Gordon denied depositors any representation on the state’s liquidation board for the bank. He also, with the backing of the courts, denied depositors’ petition to bar stockholders, officers, and directors who may have been depositors from receiving payment from liquidation proceeds.

In early November 1931, almost one year after the bank’s closure, the state returned to depositors their first payments from the frozen accounts: depositors received 20 percent of their deposits. An appraisal of the bank completed by the Banking Department that same month showed that the bank’s assets had already shrunk by over $13 million. This, the department claimed, was due to the nine-month delay between the closure and the decision to liquidate, the decline in real estate and security markets, and the continuing depression.

The state held hearings into all of the depositors’ and creditors’ claims in April 1932 as part of its audit of the bank’s affairs. Anticipating large crowds, the presiding judge scheduled the hearing at the newly opened Convention Hall in West Philadelphia instead of his usual court room at City Hall. However, very few depositors attended, perhaps fed up with the process.

On average, bank liquidations during the Great Depression lasted about 6 years as bank assets were sold to pay off creditors and depositors. Bankers Trust Company’s liquidation process lasted a whopping 16 years, no doubt in part because much of the bank’s collateral was tied up in real estate mortgages. Mortgages, which were considered good collateral in the 1920s, became worthless during the Depression as homeowners lost their jobs and house payments ceased.

By October 1938, 55 percent of the bank’s deposits, which totaled $37.5 million at the time of the bank’s closing, were paid back. This was made possible largely through loans given to the state Banking Department by the federal Reconstruction Finance Corporation (RFC). Chartered by Congress in 1932, the RFC loaned money to aid state and local governments, banks, railroads, mortgage associations, and other businesses.

The final payment made to depositors, the sixth payment since the bank closed, was not made until May 1946. In the end, depositors received a total of $16,192,215.21, or 59.69 percent of the bank’s deposit liability. Financial experts would likely argue that 59 cents on the dollar is a considerable return for a failed bank, but that repayment was likely of little consolation to the thousands of small depositors whose savings were largely out of reach for well over a decade.

**Salting Old Wounds during a “Publisher’s War”**

Eight years after its closure, Bankers Trust Company returned to the headlines in the fall of 1938, a side note in a Philadelphia “publishers’ war” that coincided with that year’s Pennsylvania senate and gubernatorial races. Moses Annenberg, who owned and published the *Philadelphia Inquirer* from 1936 to 1942 and supported Republican candidates and policies, faced off against J. David Stern, owner of the Democratic-oriented *Philadelphia Record* and his allies, especially Albert M. Greenfield. Annenberg and Stern’s disagreements escalated into an
all-out verbal brawl, with libel suits eventually filed against Annenberg, Stern, Greenfield, and various respective allies in the Republican and Democratic parties.

Attorney Daniel G. Murphy, with the sponsorship of the *Inquirer* and the Pennsylvania Republican State Committee, had delivered two radio broadcasts during the fall of 1938 in which he accused Democratic governor George Earle's administration of fraud and corruption and charged Greenfield with withdrawing a large sum of money from Bankers Trust Company in the days before it closed. The *Inquirer* published articles blaming Greenfield for the bank's demise, including an image of a document that it claimed proved Greenfield's withdrawal.

Greenfield countered in a radio address of his own that Murphy's motives were purely political, alleging that Republican gubernatorial candidate Arthur H. James had promised to appoint Murphy as a judge for participating in the attacks. Greenfield also for the first time issued his own account of the bank's final days and his unsuccessful efforts to save it. He bought newspaper ads denouncing Murphy and Annenberg. The *Record* also printed derogatory articles about Annenberg, including charges that he was involved in illegal horse betting.

In response to Murphy's allegations, Greenfield filed libel suits against Annenberg, Murphy, and Eli Z. Dimitman, city editor of the *Inquirer*, and even attained arrest warrants for the three men. For attacks levied at him, Annenberg filed libel suits against Greenfield, J. David Stern, and four other related parties. All of the suits were dropped the following year, with Greenfield and Murphy signing affidavits retracting their charges against one another. And Bankers Trust Company faded from the headlines again.

**Conclusion**

Bankers Trust Company was far from the only bank to fail in Philadelphia, but its prominence and failure in 1930 caused ripples of hardship in the city for years to come. Certainly, many faced financial ruin when the bank failed to open its doors, even board members like Albert M. Greenfield. Depositors were forced to wait 16 long years to get their funds back, and they never fully recovered their deposits.

So what caused Bankers Trust to fail? Most likely no single reason will be identified for the bank's demise, just as no single event, action, or decision caused the Great Depression as a whole. Certainly, the bank's final acquisition of the struggling Bank and Trust Company of West Philadelphia caused a great deal of institutional stress.

Historians and economists have long debated why banks failed at such high numbers during the Great Depression. Some scholars have argued that banks failed because of illiquid assets and were victims of a “contagion of fear” that caused depositors to lose faith in the institutions holding their money. Other historians contend that banks failed because the economy as a whole contracted, and because the banks that failed were insolvent. One scholar argues that the banks that failed during panics, in particular, were not worse off, but simply unable to pursue alternative solutions for institutional survival, such as mergers or temporary suspensions. Recent research points to the role played by check-clearing systems in causing and perpetuating banking crises, as well as to changes in the banking crisis over time, lending support to the idea that many factors contributed to bank failures between 1929 and 1933.
Bankers Trust itself argued that it was not insolvent and that instead “rumor” had forced the bank’s board of directors to close the institution to protect its assets. Certainly, its customers withdrew heavily from Bankers Trust branches in the weeks and months before the bank closed.

Years after the closure, Albert M. Greenfield argued that “a small group of men” decided the bank’s fate, ostensibly the group of bank presidents who decided not to further support Bankers Trust in its time of heavy withdrawals. Some scholars have interpreted the bank presidents’ actions as a display of anti-Semitism, since Greenfield was a Russian Jewish immigrant. Indeed, a Jewish businessman would likely have been seen as an outsider in Philadelphia’s conservative, old-stock Protestant circle of business and civic leaders. However, Greenfield probably ruffled feathers in more ways than one. For one thing, he was deeply involved in politics and had earlier split with the powerful Vare Republican political machine in the city. That split may have lost him the support of local politicians and businessmen who were entwined with the Republican establishment.

Greenfield also contended that the bank’s last, doomed acquisition was suggested by leaders of two other Philadelphia banks, banks that then abandoned Bankers Trust Company. Greenfield argued that he was promised support in the endeavor by Joseph Wayne Jr., president of Philadelphia National Bank, and C. Stevenson Newhall, of Pennsylvania Company for Insurance on Lives and Granting Annuities. Newhall countered, however, that Greenfield had been the one to initiate the merger plan and had requested loans in order for the deal to go through. He argued that the banking community was shocked to see Bankers Trust take on such an unstable institution.

It remains unclear whether specific business dealings of Bankers Trust Company made it more vulnerable to failure, other than its aggressive acquisitions of other banks. At least one loan drew the attention of the Department of Banking in July 1930. Bankers Trust Company had loaned money to a business syndicate affiliated with its sister business, Bankers Securities Company, and Greenfield and ally William Fox served as the syndicate managers. Pennsylvania officials, however, thought such a loan was illegal because Greenfield also served on the bank’s board of directors. Greenfield and his lawyer disagreed, but neither wanted to lock horns with the department. It is unclear how the matter was resolved.

Ultimately, the bank’s history provides insights into not only the boom and bust business cycles of the 1920s and 1930s and into the banking crises that led to major federal reforms during the New Deal but also into how these economic patterns and policies affected real people during the Depression.
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