Whether such a close dove-tailing of operations is desirable depends, of course, on the economics of a particular firm's operations. Large quantities of uniform grades of paper, such as newsprint or kraft, are more economical to manufacture near the pulp mill. In making some other types of paper, it may be more economical to manufacture the pulp at one site for shipment to other locations. Some small paper mills have specialized operations and find it more economical to purchase their pulp from mills located elsewhere. Also, about 10 percent of the District's pulp output goes for non-paper uses.

Output in some lines of paper has apparently caught up with demand in the United States, with the result that production has eased somewhat since about the middle of 1956. For the long-term view, however, industry observers see further increases in the demand for paper and paper products, stemming from future increases in population and in development of new uses for paper. Investment in new facilities for manufacturing pulp and paper in the Sixth District indicates that this area will share in the benefits of the expected expansion.

PHILIP M. WEBSTER

Bank Announcements

On May 6, the Florida National Bank at Vero Beach, Florida, opened for business as a member of the Federal Reserve System. Ernest J. C. Doll is President; J. L. McKinney, Vice President; and George Elms, Vice President and Cashier. Capital stock totals $150,000 and surplus $75,000.

On May 10, The State Bank, Griffin, Georgia, was admitted to membership in the Federal Reserve System. S. T. Martin is President; L. E. Abbott, Vice President; Seaton G. Bailey, Vice President; F. Westmoreland, Cashier; and J. M. Whiddon, Assistant Cashier. Capital totals $300,000 and surplus $450,000.

On June 3, the Citizens Bank of Broward County, Hollywood, Florida, opened for business as a nonmember bank and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Lawrence G. Nusbaum is Chairman of the Board; Henry D. Perry, President; Charles W. Lantz, Executive Vice President; A. Herbert Bluestone, Vice President; Anthony C. Galluccio, Secretary-Treasurer; and Randolph F. Busby, Cashier. The bank has capital of $400,000 and surplus and undivided profits of $185,000.

Managing Other People's Money

Trust Department Operations a Big Business at District Banks

Most persons are familiar with the principal services that commercial banks offer, that is, handling checking and savings account balances and making loans. Few are aware that many banks offer an important service through their trust powers—that of investing funds entrusted to them and of performing specific services for individuals and corporations such as settling estates and acting as agents for corporations in business dealings. On December 31, 1956, the carrying value of trust assets of 35 largest trust departments in the District alone amounted to 2.4 billion dollars, almost half as much as their total assets of 4.2 billion. Trust assets at all member banks in the District probably amount to 3.2 billion dollars, about a third of the amount of total assets.

Trust departments contribute a substantial share of total bank earnings at many banks. In 1956, income of trust departments accounted for more than 5 percent of total income at 18 of the 129 banks reporting trust income. At five banks, it amounted to over 10 percent of the total. These figures reveal something of how important trust departments are to bank management, even though trust earnings contribute a relatively small share of total earnings for all banks—2.6 percent in 1956.

Such data are available for the first time because of a special survey covering the operations of trust departments of 35 member banks during 1956. Twenty-seven of the participating banks submitted comparable breakdowns of earnings and expenses. The results of the survey provide information on the character of the trust business in the District and also on the profitability of trust departments. They also make it possible for an individual bank to compare its own trust operations with those of representative groups of banks.

Fees from the management of estates provided a third of total commissions and fees at the 27 banks reporting detailed income and expense items. Almost as large a proportion, 30.8 percent, came from handling personal trusts. Personal agency functions, including the acting of executor of estates and custodian of assets of individuals, contributed 18.0 percent. The remaining 17.9 percent was about equally divided among corporate trusts, corporate agencies, and pension and profit-sharing trusts.

Trust business in this District is more concentrated in the handling of personal estates than that in New York and New England, for which comparable data are available. As would be expected, New England banks do considerably more personal trust business, whereas New York banks outweigh District banks in the relative importance of corporate trust and agency operations.

After total expenses were deducted, including an estimate of bank overhead allocable to the trust department, net earnings from trust operations in this District amounted to 8.4 percent of total commissions and fees in 1956. Net earnings after taxes came to 3.5 percent. Trust departments are customarily given credit for deposits with the commercial banking department. After this allowance

(1.92 percent), net earnings for the 27 banks amounted to 14.1 percent of total commissions and fees.

Slightly over one-half of the trust departments (14 out of the 27) reported a net profit for 1956 before adjustment for deposit credit. In general, losses were concentrated in the smallest departments, measured according to either income or trust assets, indicating that there is perhaps a minimum size for profitable operations: 8 of the 13 smallest trust departments reported losses, whereas only 4 of the 12 largest had losses. Similarly 10 departments of the 13 with smallest income reported losses, compared with only 2 of the 12 with largest income.

Earnings and Expenses of Trust Departments, 1956

Sixth District Member Banks

Item	Banks with Total Income of ($000)					
	Total	Under 100	Over 100	Under 100	100-200	Over 200
		Losses		Profits		
Number of banks	27	7	6	4	4	6
	Percent of total commissions and fees					
Commissions and fees from:						
Estates	33.3	38.7	34.6	60.3	27.3	30.9
Pension and profit-sharing trusts	5.3	1.6	5.0	1.1	3.0	6.8
Personal trusts	30.8	33.8	27.1	29.5	41.8	29.5
Personal agencies	18.0	12.3	18.7	7.7	17.2	19.6
Corporate trusts	4.8	7.0	6.3	1.0	5.6	4.2
Corporate agencies	7.8	6.6	8.3	.4	5.1	9.0
TOTAL INCOME	100.0	100.0	100.0	100.0	100.0	100.0
Total expense	91.6	120.6	128.2	71.0	79.0	78.6
Net earnings before income taxes	8.4	—20.6	—28.2	29.0	21.0	21.4
Income tax charges (—) or credits (+)	—4.9	+4.2	+13.0	—11.7	—11.3	—11.0
Trust department net earnings	3.5	—16.4	—15.2	17.3	9.7	10.4
Allowed credits for deposits	10.6	18.9	17.5	.0	21.2	5.1
Trust department net earnings (adjusted for deposit credits)	14.1	2.5	2.3	17.3	30.9	15.5
	Percent of total expense					
Direct expense:						
Salaries and wages:						
Officers	31.1	38.0	33.8	34.9	33.5	27.1
Employees	26.8	19.3	21.5	24.4	26.5	31.8
Pensions and retirements	3.7	3.4	5.3	4.4	2.5	3.0
Personnel insurance	1.1	1.6	1.0	1.4	1.0	1.0
Other expense related to salaries	1.1	1.6	1.2	.8	1.3	.9
Total expense related to salaries	63.8	63.9	62.8	65.9	64.8	63.8
Occupancy of quarters	4.5	5.1	4.8	9.2	6.7	3.3
Furniture and equipment	2.3	1.9	1.7	2.4	1.5	3.0
Stationery, supplies, and postage	3.8	2.9	3.9	2.5	3.0	4.2
Telephone and telegraph	1.0	1.0	1.2	.9	1.1	1.0
Advertising	2.6	2.6	3.3	1.6	3.1	2.1
Directors' and trust committee fees	1.0	1.3	.5	.8	1.2	1.4
Legal and professional fees	1.2	.7	1.8	. .	.7	1.1
Periodicals and investment services	1.3	2.4	1.2	4.0	1.6	.8
Examinations	.9	.9	1.0	1.8	1.5	.6
Other direct expense	2.9	1.7	3.6	2.5	2.7	2.7
TOTAL DIRECT EXPENSE	85.3	84.4	85.8	91.6	87.9	84.0
Overhead	14.7	15.6	14.2	8.4	12.1	16.0
TOTAL EXPENSE	100.0	100.0	100.0	100.0	100.0	100.0

All ratios were derived from dollar aggregates for each group rather than from individual bank ratios. Ratios to net profits and net losses were computed before adjustment for deposit credits. Ratios not shown for groups with less than three banks.

In using the survey results as a yardstick for measuring profitability, however, it is important to note two exceptions to its accuracy. First, to some degree, the variation in profitability from bank to bank reflects different accounting procedures. More importantly, in an era of "department store banking" it is not always true that the profit-loss position of a particular department is an accurate measure of its worth to the bank. By engendering goodwill among its customers, the trust department may bring business to other departments and thereby add a fillip to total income even though it itself is showing a loss.

W. M. DAVIS

DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS

All Commercial Banks, United States
January 31, 1955, and January 30, 1957

Type of Holder	Sixth District 1957	Sixth District 1955	United States 1957	United States 1955
	Percentage Distribution of Amount of Deposits			
Domestic business	57	51	59	58
Corporate	43	35	46	44
Noncorporate	13	17	13	13
Nonprofit organizations	4	5	4	4
Farm operators	5	5	5	5
Individuals—personal	33	38	30	31
All other	2	1	3	2
All holders	100	100	100	100
Amount of deposits (millions of dollars)	6,623	5,761	104,400	102,300

Individuals now hold a somewhat smaller proportion of total balances of personal and business checking accounts at District commercial banks than they did two years ago. Businesses, however, have a larger share to their credit.

Data on deposit ownership were revealed by the annual survey of ownership of demand deposits taken as of January 30, 1957. One hundred and forty-one banks, including members and nonmembers, participated by supplying information on over 80,000 individual accounts. Although the main objective of the survey was to obtain information to be used in the making of policy decisions on a national level, the results often prove useful to individual bankers in assessing the composition of their own accounts.

According to the survey, individuals own three out of every four checking accounts at commercial banks, but they account for 33 percent of the dollar volume of total demand deposits of individuals and businesses. Businesses hold 57 percent of total deposits, but less than 10 percent of the total number of checking accounts.

On January 30, 1955, the date of the preceding survey, individuals owned 38 percent of total individual and business deposits in their personal checking accounts. What individuals lost between the two survey dates was gained by business firms whose share of the total in 1955 was 51 percent. The share of demand deposits held by corporations increased somewhat, whereas that held by other types of businesses declined slightly. The share held by farmers remained steady between the two dates.

Some observers may see in these changes signs of weakening consumer demand. This is not necessarily the case, since other factors also have a bearing on spending ability. For example, individuals, as well as other groups, have larger total deposit balances now than they had in 1955. This growth came about as District banks both expanded credit and gained funds from other areas. Furthermore, individuals and businesses are using their checking accounts more extensively than they did in 1955, judging by the increase in the rate of turnover of demand deposits. Finally, individuals hold record amounts of savings, mostly in forms other than demand deposits.

W. M. DAVIS