Index

Three Sections—Section Three

The Commercial & Financial Chronicle

AMERICAN BANKERS CONVENTION SECTION

GIVING PROCEEDINGS OF THE CONVENTION OF AMERICAN BANKERS ASSOCIATION

HELD AT ATLANTIC CITY, NEW JERSEY

SEPTEMBER 22 TO SEPTEMBER 26, 1940

October 12, 1940

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United States Steel
The Convention in Crucial Times

The Atlantic City conventions of the American Bankers Association have a habit of coming in crucial times. When the commercial bankers of the Nation last took their forum to the New Jersey resort, in 1931, the first tremors were being felt of the earthquake that was to shake American banking to its foundations in March, 1933. The depression, with its crashing markets, failing banks and downward spiral of deflation, was the all-absorbing subject of that convention. It was while the bankers were in session in Atlantic City nine years ago that the plan for forming the National Credit Corporation was born, and in the deliberations which led to its organization bankers hastily summoned to Washington from the convention were participants.

Members of the American Bankers Association have but lately met in Atlantic City again for their annual convention. The spell of the war in Europe lay over this latest assemblage of the Nation's deposit bankers. Woven into the design of the convention program were various aspects of that war. It was not the first convention the bankers had sat through since was broke out in Europe on Sept. 1, 1939. But the 1939 convention at Seattle was held when the scope of the war was still poorly defined, when Poland had only just fallen, and when the spread of hostilities into Denmark and Norway, the downfall of The Netherlands, Belgium and France, and Italy's entry into the struggle were not yet fore-shadowed. Especially new to this year's convention was the situation in which the United States finds itself, with its way of life, and perhaps even territorial integrity, menaced by the Axis Powers. The mighty defense effort now under way in this country as an answer to the new challenge from Europe and the Far East provided material for deliberation and discussion which was greatly availed of by the A. B. A. at its annual convention.

The measure of this year's convention of the A. B. A. can be taken most quickly by reference to the address of W. Randolph Burgess, Vice-Chairman of National City Bank of New York, on the opening day; the report of the Economic Policy Commission, headed by Colonel Leonard P. Ayres, Vice-President of Cleveland Trust Co., on the following day; the address of Robert M. Hanes of Winston-Salem, President of the Association, at the first general session on the third day, and finally, the report of the Resolutions Committee on the concluding day.

This is not to say, of course, that significance attached only to these several features of the program. The session on consumer credit was most pertinently addressed to one of the more difficult problems posed by this country's defense plans. The work done on some of the technical phases of a banker's workaday world, such as Public Relations, New Business Development, Real Estate and Operating Problems, attested in itself to the seriousness of the bankers' purpose in leaving their desks all over the country to come to Atlantic City to talk over their mutual problems. The respects which the Association paid to Senator Carter Glass on the last day of the convention were moving in their sincerity and nobility of gesture. But these things, important though they were, did not set their seal on the convention so much as did the aforementioned speakers and committee reports.

The denominators common to these speeches and committee reports was this: the commercial bankers supported the defense effort to the utmost and were prepared to supply their share of the financial sinews to translate defense from blueprints to actuality; but in arming itself the country was guard against admitting through the back door those ways of life which it is openly arming itself to oppose. By resolution the Association pledged every aid and support of the banks in the efforts of all agencies and services of the Government in speeding up the defense program. "Let us," declared Mr. Hanes, "have preparedness with all of the vast resources which this Nation possesses." Where defense and peace-time programs clashed, said Mr. Burgess, defense must come first. "We have belatedly realized," said the Economic Policy Commission, "that we live in a world of angry and hungry nations, and that several of the most powerful of those nations are the mortal enemies of our ideals, our institutions, and our way of life. We are hurriedly arming ourselves, and the making of munitions has suddenly become our most important, and our most urgent industry."

In all ways the bankers signified that they supported heartily the plan to arm the country so heavily as to give it security in an insecure world. As loyal citizens and as bankers, they pledged their full cooperation with the armament program. "I am completely confident," said Mr. Hanes, "that I speak for American banking as a whole when I say that he are supporting this (defense) effort, and will continue to support it to the utmost of our ability."

But the refrain running through all of the principal speeches was that the United States must not sacrifice, in preparing to defend itself against a foreign foe, those precepts which underlay the American way of life. The problem was set forth in this way by the Economic Policy Commission:

Our republican institutions, and our system of free enterprise, have served us so well for so long a time that we have come to think of them as being self-sustaining. They were self-sustaining for a long series of decades, but that was in a different world from the one in which we now live, and
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Edwin B. Ackerman, President

of which we must continue to be a part in the coming decades. When this war ends, all, or nearly all, of the nations that have been engaged in it will be lean and hungry and angry lands in which such liberal political and economic principles as prevailed in pre-war days will be subordinated to the stark necessities of making a living. Then the most important question in every country will be whether the totalitarian principles of State Socialism, or the republican principles of free enterprise, will appear to the peoples of those countries to promise the better method of making a living.

How can the “republican principles of free enterprise” best be defended? The speakers were consistent on this point. In the first place, they agreed that the national credit, a great asset in times of emergency, must be preserved. On this point Mr. Hanes was especially forceful. Said he:

Unless we put an end to deficit financing, to profligate spending and to indolence as to the nature and extent of Government borrowing, we will surely take the road to dictatorship. Every depositor in our banks, every holder of life insurance, everyone who earns a living through daily toil, everyone who lives on savings or pension must realize that if the decade of the ’40s does not accomplish financial preparedness, they will come to the end of that period with all of their liberties radically curtailed.

The national credit, the speakers were agreed, could be saved by eschewing the easy road in paying for the defense program. Insolveney, said Mr. Hanes, was the time bomb which could eventually destroy the American system. “We are willing,” he declared, “to take the road of sacrifice and hard work. As a Nation we have indicated our readiness to pay for the larger part of the national defense program by increased taxation. Against this process there is no significant protest.” The Economic Policy Commission said that a larger proportion of the defense cost should be paid for out of current taxation than had as yet been officially proposed.

What should be done? The Commission said that the Government should extend every aid in “restoring the productive and competitive powers of American industry, trade, transportation and agriculture.” In the long run, it said, the defense of democracy would depend on efficient abundant production. Taking up this theme, Mr. Burgess said:

If we continue to follow public policies which discourage business enterprise, and if in a zeal to avoid inflation and eliminate profits we place premature checks on production and consumption we may find ourselves, after some temporary lift, in continued depression. The second alternative is that, under the stimulus of the defense program, we might again put the whole Nation to work, so that the defense program is added to and not subtracted from our present output. If we thus lift the total national income there will be large increases in Government tax receipts, and decreases in unemployment, which should make possible large reductions in relief expenditures and thus bring the budget nearer to balance and lessen technical causes for inflation.

Mr. Burgess named the following measures as necessary for the encouragement of enterprise and production: A vigorous and active security market, less hampered by stringent controls and technical rulings and laws; revisions of the Labor Relations Act to give the employer as well as the employee a square deal; modification of the mandatory provisions of the wage-hour law with respect to reduction of working hours and payment of overtime, since these things tended to raise costs and prices; railroad legislation to help clear up the debris of insolveneies; revision of the Utility Holding Company Act to open the way for this industry to raise funds for additions and improvements, and a careful revision of tax laws to encourage and not discourage enterprise.

It is a comprehensive and reasonable program which the bankers had to contribute to the defense of the republic. Could there be a more discerning
platform for the times than that set down in the report of the Economic Policy Commission?

If our system of free enterprise is to rise triumphant in a largely totalitarian world it must do so through its own efforts, and by means of its own inherent strength. It must demonstrate that it offers a better method of earning a living than is made available by autocracy and regimentation. It can do that if it functions effectively, which is only possible in a political atmosphere of encouragement for all the factors which constitute our economy.

INDEX TO ADVERTISEMENTS

<table>
<thead>
<tr>
<th>ATLANTA, GA.</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>First National Bank</td>
<td>21</td>
</tr>
<tr>
<td>BOSTON, MASS.</td>
<td>Page</td>
</tr>
<tr>
<td>New England Mutual Life Insurance Co</td>
<td>4</td>
</tr>
<tr>
<td>BROOKLYN, N. Y.</td>
<td>Page</td>
</tr>
<tr>
<td>Dime Savings Bank of Brooklyn</td>
<td>4</td>
</tr>
<tr>
<td>CHICAGO, ILL.</td>
<td>Page</td>
</tr>
<tr>
<td>Pure Oil Co. (The)</td>
<td>Outside Back Cover</td>
</tr>
<tr>
<td>DETROIT, MICH.</td>
<td>Page</td>
</tr>
<tr>
<td>Chrysler Corporation</td>
<td>2</td>
</tr>
<tr>
<td>JERSEY CITY, N. J.</td>
<td>Page</td>
</tr>
<tr>
<td>Commercial Trust Co. of New Jersey</td>
<td>7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NEW YORK CITY</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chase National Bank (The)</td>
<td>8</td>
</tr>
<tr>
<td>Chemical Bank and Trust Co.</td>
<td>15</td>
</tr>
<tr>
<td>Dime Savings Bank of Brooklyn</td>
<td>4</td>
</tr>
<tr>
<td>East River Savings Bank</td>
<td>6</td>
</tr>
<tr>
<td>Empire Trust Co.</td>
<td>4</td>
</tr>
<tr>
<td>Fulton Trust Co.</td>
<td>7</td>
</tr>
<tr>
<td>General Motors Acceptance Corp.</td>
<td>3</td>
</tr>
<tr>
<td>Home Insurance Co. (The)</td>
<td>1</td>
</tr>
<tr>
<td>National City Bank</td>
<td>5</td>
</tr>
<tr>
<td>Preferred Accident Insurance Co. of New York (The)</td>
<td>10</td>
</tr>
<tr>
<td>United Fruit Co.</td>
<td>19</td>
</tr>
<tr>
<td>United States Steel Corp</td>
<td>Inside Front Cover</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PHILADELPHIA, PA.</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn Exchange National Bank &amp; Trust Co.</td>
<td>7</td>
</tr>
<tr>
<td>Tradesmen's National Bank &amp; Trust Co.</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WASHINGTON, D. C.</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riggs National Bank (The)</td>
<td>13</td>
</tr>
</tbody>
</table>
New Economic Conditions Faced

By DR. WILLIAM A. IRWIN, Educational Director, American Institute of Banking

Remarks of J. LeRoy Dart Introducing Dr. Irwin: About three years ago our former Educational Director, Dr. Harold Stonier, assumed the duties of Executive Manager of the American Bankers Association. Under Dr. Stonier's wise, able and splendid leadership, the Institute's curriculum grew to its present high excellence, and it was no small task to find a successor to carry on his splendid work.

Among the prerequisites for this position we find a knowledge of adult educational problems, a broad background of education and experience, the ability to work with people, an abiding sense of humor, undaunted courage, a knowledge of human nature, the ability to speak forcefully and well, and the possession of a personality that commands confidence and cooperation.

The man chosen for that most important position is here, and I know that the educational program of the American Institute of Banking is in the right hands, and that the Institute under his leadership can face the future unafraid.

In addition to being the active administrative head of the Institute's educational program, it is also this gentleman's duty to see that the American Institute curriculum is kept abreast of current and changing thoughts—a stupendous task in itself. This gentleman has had a broad background of education and experience. He knows the Institute's educational problems.

It gives me at this time a great deal of pleasure, and I consider it a privilege of having the opportunity of introducing the Educational Director of the American Institute of Banking, Dr. William A. Irwin.

Dr. Irwin's Address:

"President Hoey, President Detl, Ladies and Gentlemen:

Forty years ago it was quite generally believed that adult education was both impracticable and visionary. That belief was shared almost universally even by professional educators, but it was not shared by those planners whose vision received with particular minds brought into existence the organization which we now call the American Institute of Banking.

The history and the experience of the Institute have amply demonstrated that those pioneers were right. Its thousands of graduates, many of whom are now prominent today in American banking, are an irrefutable testimony to the value of its work. Under the wise leadership of a long line of elected Presidents, none of whom are on this platform today, it has developed and grown into the nation-wide organization of 1940 with its 67,000 members and more than 45,000 students.

Its curriculum for its purpose is without a peer. Its extra-curricular activities have been blended with its courses in such a way as to make it possible a quality of personal development that has been favorably commented upon by all who know of its work. In its classrooms alone last year the students spent more than 2,000,000 man-hours, finding themselves stretched to the utmost for greater efficiency on their jobs and the better to serve the customers of their banks.

Privately-chartered banking in America may well be proud of having an organization such as the American Institute of Banking.

It is both an honor and a high privilege, an honor which I hope rests lightly on my own shoulders, to serve such an organization as its educational director. Its foundations were well and truly laid. The superstructure that has been built up on it is good to behold.

Working together, we of the Institute hope and confidently expect to expend the life of the decades of the days that lie ahead.

Mr. President, I am conscious—and very conscious, as I sought to be—of the fact that so many women in this great audience have spent long years, and, I may say, a new economic world may be in making. Practically all wars have some economic cause. I know that some members of this audience might think immediately of the great war that is around there which has been thrown a hole in an attempt to sanctify the butcherly that took place, but I know that the so-called crusades also had an economic base, and that the great merchants of Europe and the great empires of Russia used these crusades as a means of holding their control over other countries, of transporting to the battlefields of Palestine the men whose bones have made white for generations the fields of old Europe.

I say practically all wars have had an economic base. World War Number One, in which I spent almost four years of my life, was in many ways essentially a war for economic ends. You saw, as I saw, every one of you, the growth of competition by young industrial nations that were strikingly challenging the economic leadership of old Europe, and that challenge was met and temporarily smothered in the last war.

In many respects that war had as economic base and was waged for economic ends.

The present conflict seems to center, I think, on three things. It centers, first of all, on a contest—and Mussolini has stated it—between the haves and the have-nots. The economic resources of Germany are exceedingly limited, the economic resources of Italy, with its rocky backbones of the Apennines, its almost complete absence of coal and iron, its limited amount of gold, and, above all, the fact that forty-six millions of people are trying to make a living on it.

Japan, the more or less silent partner in this Axis, tries to get a living for sixty-six millions of people on a group of islands having less than one per cent of the area of the United States. This would mean hitting the cockpit of Europe, the Balkans, gone. We cannot sell goods to them.

But for us Americans, you native-born and I, a 13-year-oldenumerate allies, for you and for us. It is also a contest of economic philosophies. It is a contest between the philosophies of totalitarianism and our philosophy, the philosophy of free enterprises, and because it is that kind of a philosophy, that kind of a contest, it is utterly impossible, in my humble judgment, for you or for me to be neutral.

I say it has three fundamental bases, a contest between the haves and the have-nots, a contest for the hegemony of Europe, and a contest between two philosophies, one of which is ours.

I know that there are many in this country who say "This is not our war." There are many who say that, we cannot possibly change its economic effects. The fact is that they are with us already. Let me show you what I mean.

In this second place, we have now last—say we have now lost important markets: Germany gone, Italy gone, Norway, Sweden, Denmark, Finland, Estonia, Latvia, Holland, Belgium, northern France, and a large area of the American Midwest. All mean the cockpit of Europe, the Balkans, gone. We cannot sell goods to them.

In the second place, only enormous war orders are keeping up at the present time the flow of our export trade. Look at the figures: scrap iron, steel and steel products, well, gasoline, automobiles, trucks, copper, planes—down the list they go, and they—and almost exclusively—are maintained at a lower level than when we realized that forty-six millions of men are in the armed forces of the world.

In the last place, we have reached the stage where, from the viewpoint of business activity, we need to fear the coming of a sudden peace almost as much as we fear the coming of a sudden war. For both of these reasons, I am afraid, that I cannot possibly change its economic effects.

I say it has three fundamental bases, a contest between the haves and the have-nots, a contest for the hegemony of Europe, and a contest between two philosophies, one of which is ours.
Banking Service in Washington, D. C.

The Riggs National Bank
welcomes the opportunity to serve
Bankers, their clients and friends
in the Nation's Capital

Robert V. Fleming
President

George O. Vass
Vice-President and Cashier

Resources over $120,000,000

Founded 1839

Member Federal Deposit Insurance Corporation
Views America Will Achieve Mighty Purposes of Free People

By Clyde R. Hoey, Governor of the State of North Carolina.

Remarks of President Hanes in Introducing Governor Hoey:

I told you yesterday of my very deep regret that by Governor could not be with us through no fault of his, because he made every effort to get here. He is here this morning, and although we shall not have the opportunity of hearing the address he would have delivered yesterday, he has been kind enough to consent to say a few words this morning. North Carolinians are proud that for the past eight years our State has operated on a balanced budget.

During this time we have not only carried out all the normal functions of the State, but we have greatly improved our credit and expanded our resources. Not only this, during all this period we have constantly decreased the State's outstanding indebtedness. Our Governor during his term of four years, which is now coming to a close, has decreased the outstanding debt of the State by $26,000,000.

I have the great honor at this time to present to you a statesman, a Governor who has greatly benefited his people, an expert of ability, an executive, but above all a Christian gentleman, His Excellency, the Hon. Clyde R. Hoey, Governor of the State of North Carolina.

Address of Governor Hoey

Governor Hoey: President Hanes, Ladies and Gentlemen of the American Bankers Association: I count it a high privilege to come this morning to say just a few words to this great assembly. Of course I am highly indebted to my friend of the years, your distinguished President, for his most graceful presentation of me. He was so much kinder than a friend of the late Senator James of Kentucky was in presenting him that I am doubly contented. This friend of Senator James was a very plain, blunt man, and in introducing the Senator he said: "Ladies and gentlemen, I am not going to bore you with a speech today, but I will proceed to say a word or two."

I am not going to make a speech, but merely to bring the greetings from a great American State. I have always had a regard for the bankers, the bankers in my own State and those of my acquaintance throughout the Nation. I likewise have greatly revered your organization in the service of your country, and we have greatly benefited by the good offices of your people. In North Carolina we have been attempting to conduct our affairs in that sort of way that would meet the approval of the bankers, not only of our State but of the Nation, because we have adopted a sound financial basis and policy, and other major affairs, as mentioned by Mr. Hanes, are in splendid condition.

I would not, therefore, this morning take your time in discussing that, but I would say that I am somewhat familiar with bankers. I began at 17 years of age my first relationships on the borrowing end. I have continued that very gladly, being one of the best patrons banks have had through all these years.

But I came to bring you just greetings in a few words from North Carolina. You know, I believe the State owes to the Nation a great obligation in all periods of crisis. You know this Nation is just a confederation of States bound together by the lasting bonds of a broad and genuine Americanism, and in periods of crisis the State must furnish the inspiration as it furnishes the unity of action for a Nation to meet any crisis. I bring you then this spirit of North Carolina that evidences our belief in genuine Americanism. There should not be any difficulty about defining that term. The Constitution provides the excellent definition and the Bill of Rights gives the interpretation.

We go to this great Constitution to find our prized heritages of these guarantees of the right of life, to liberty, to the pursuit of happiness, and to worship God according to the dictates of our own consciences. We know that this Constitution means a type and form of government which guarantees to every citizen, great or small, rich or poor, high or low, and to every corporation the right to life and to liberty and to justice and for the preservation of the rights, the liberties, and the properties of all.

We believe in that type of Americanism which recognizes worth and merit, which pays tribute to economy and frugality, which honors independence and self-reliance, and which pays tribute to the independent citizen who does not expect the Government to support him but who stands for defense of the Government.

We believe in that genuine type of Americanism, that it is a thing of the spirit; it rises superior to our material possessions and conceptions; it becomes a part of our life and our being. In this hour we believe that genuine Americanism, the Americanism which I believe is the true story of all of us, and which I believe is the story of our Nation, and, therefore, we believe that no citizen has a right to owe a divided allegiance in this hour. In North Carolina we believe that subversive elements have had too large a play, and we have tempered with them too long in the Nation.

We believe that Communists and Nazi hounds and these other subversive elements ought to be made to understand that this is an American Government, and while we believe in free speech we do not believe in their right to undertake to take our freedom away from us or to destroy it.

Personally, my own view is that Congress ought to outlaw the Communist party and the Nazi hound and every other subversive organization which owes first allegiance to a foreign government.

We ought to say to them if they want to be serfs and slaves of Stalin, they ought to go back to Russia. If they want to adopt Hitler as their leader, they ought to go to Germany. And if they want to go with the man who wants the loot in this conflict, they ought to join Mussolini.

But America ought to be shot through with a devotion and consecration to the ideals of this Republic, to the ends and purposes of our Government and to the forwarding of its purposes which we have labored and labored for all my life in America. I do not know what is ahead of this Nation, but I am hoping that in this hour that America will have that solidarity of purpose, that unity of spirit, that concentration and devotion to the ideals of the fathers, that years and centuries from now men and women may look back to 1940 and 1941 and thank God for the courage and the dedication and the consecration of the citizenship of this land.

And as we stand now, looking across the seas at the conflict over there, we realize that the might and the power and the Gibraltar of Great Britain is not merely the rocks or even the defenses which she has, but it is the confidence of the whole world, the underlying character of men and women who have led the nations of the world in civilization for a thousand years.

Today I should like to see America declaring in the fullness of her strength, in the might of her power, in the matchless resources which she has, that sort of full-armed sympathy and supporting arm that shall enable this world to have peace come, and again and again for the ideals of free democracy to abide in the earth. I do not know what is ahead; you do not know. We of North Carolina feel this way about it. We are facing the future unafraid.

We are willing to travel the pathway of sacrifice.

We believe in our country, in its destiny and in its laudable purposes, and we are willing to endorse the full national defense on land and sea and in the air to the end that we shall be so well prepared that no dictator shall ever dare to invade our borders or trespass upon our rights. Less than that is not the task we have undertaken; more than that America does not desire. We can say over and over again in the fulness of our own life that we seek no territory from any other nation. We wish no indemnities to be paid, we are not asking for anything they have, but we are coveting the privilege of serving humanity, of leading our own lives in our own world, of preserving our own civilization, and of serving God and mankind in the best way that a great free people might visualize that purpose.
GENERAL SESSION

CHEMICAL BANK & TRUST COMPANY
165 Broadway, New York
Founded 1824

CONDENSED STATEMENT OF CONDITION
At the close of business, September 30, 1940

ASSETS

Cash and Due from Banks ______________________ $493,877,983.09
U.S. Government Obligations ____________________ 118,623,503.15
Direct and Fully Guaranteed ____________________ 28,205,754.67
Bankers' Acceptances and Call Loans _________ 59,390,121.52
State and Municipal Bonds ____________________ 71,297,434.92
Other Bonds and Investments __________________ 109,075,013.69
Loans and Discounts ___________________________ 5,262,450.49
Banking Houses ________________________________ 2,681,155.66
Other Real Estate ______________________________ 2,514,905.90
Other Assets ___________________________________ 2,635,120.56

$891,964,444.65

LIABILITIES

Capital Stock __________________________________ $20,000,000.00
Surplus ______________________________________ 7,637,757.25
Undivided Profits ______________________________ 77,637,757.25
Dividend Payable October 1, 1940 ______________ 900,000.00
Reserves, Taxes, Interest, etc. __________________ 2,790,151.55
Acceptances Outstanding $5,705,947.46

(less own acceptances held in portfolio) 2,985,766.73
Other Liabilities _______________________________ 2,720,180.73
Deposits including Official and Certified
Checks Outstanding $18,531,727.90 373,201.12

$891,964,444.65

U.S. Government Obligations and other securities carried at $10,392,737.17 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

Charter Member New York Clearing House Association
Member Federal Reserve System
Member Federal Deposit Insurance Corporation

I am distressed to announce to you that Governor Hoey, who was to have addressed our convention this morning, missed his connection at Washington, and although we have tried by every means, even to chartering a private plane, to bring him here, we are unable to have him with us this morning. I am particularly sorry that he is not going to be here. He occupies the unique position in North Carolina of approaching the end of his time of office more beloved by and more revered by the people of North Carolina than he was the day he came into office. I wanted, if he were here, particularly to tell you of the great leadership and courage he showed when sit-down strikes were running rampant throughout the country, and in some States apparently were even being encouraged. I would like to read you a statement which he made to the people of North Carolina at that time. He said:

Sit-down strikes are unlawful and will not be tolerated in North Carolina. We are a people bound by law and order, and no man or set of men have the right to take charge of the property of others and hold it adversely against the will of the owner. Men who have no more right to sit down in a mill and refuse to work than an employer would have to go into a labor union hall and refuse to let the unionists hold a meeting.

It is needless to say, after that statement, we had no sit-down strikes in North Carolina.
Introduction of Former Presidents of American Institute of Banking

By FRANK TOTTEN
Chief National Bank, New York, N. Y.

Mr. Hanse: On Tuesday morning, October 26, in the year 1900, the American Bankers Association opened its 20th Annual Convention in the City of Providence. It began interestingly at this time in that at the opening of a convention with a century spread out before it, the members already present were conscious of the former importance as banking educators. During the previous year, a Committee had been appointed to give consideration to the Association’s responsibility in the field of Banking Education. An elaborate report of the committee’s conclusions was presented on the morning of October 22, with the recommendation that the Association establish an Educational Institute and from the limited funds of the Association set aside $10,000 for its operation for the first year. The purpose was to give initiative to the establishment of the American Institute of Banking. The Association has never given up the work and, to a greater extent, following what has occurred during the past four decades which have followed that historic meeting in Richmond, Virginia, the motive was underlain as a pioneer effort in adult education for our own people, it nevertheless had a profound influence on the development of adult education generally.

Several years ago in a book published by the American Association for Adult Education, the following statement appears concerning the American Institute of Banking:

“Using the word industry in its broadest sense, there is no branch of industry in which the problem of educating the employees, or in fact the personnel of the bank, has been more thoroughly succeeded. There is none in which a higher degree of success has been attained.”

We do not feel that our 66th annual convention should pass without giving honor to the work of the Institute. For many years a bank officer, I have observed the excellent work being done by the chapters of the American Institute of Banking and as President of the Association, I have taken advantage of all occasions possible to urge bankers everywhere to give greater support to local Institute programs.

The Institute has developed into one of the most comprehensive undertakings of its kind to be found anywhere in the country. However, it has not reached this size by itself. Its progress is the result of the planning, the intelligence and the sacrifice of thousands of women and men of every age who, during the past forty years have given much of their time and effort to improve the work of the Institute.

We should like to have all these workers here this morning. Obviously there are many who have asked the former Presidents of the American Institute of Banking to attend this convention as our guests. All of them are here this morning and I would like to point out that many of them are here both as directors of the Institute. In paying our respects to them, we also honor the thousands of women and men, who have worked with us through their years to make the American Institute of Banking what it is today.

In introducing Mr. Dart, President of the Chase Bank of New York, a former President of the American Institute of Banking, to address us at this time and to thank him for his presence, Mr. Totten.

Mr. Totten: Mr. Hanse, Ladies and Gentlemen: For many years one of my hobbies has been the collection of antiques, so I have a special interest in antiques. In fact, someone else you cannot approach in amusement when you see the collection of specimens which I have accumulated with you.

Up in the beautiful State of New Hampshire, in those glorious White Mountains, there is a range of lofty and towering peaks known as the Presidential Range. Well, New Hampshire has nothing on New York this morning, because if you will peer up here on the platform behind me, you will see a highly visible range of personal brilliance. It is particularly embarrassing to a group of comparatively young men, such as we, to be held up in this way publicly as “been,” as antiques, as pioneers in the days when America was young, and while some of these men are non of mature years, still others are just more kids like myself.

Someone has said that life begins at 40. Life did begin for the Institute forty years ago, so we are here today celebrating the 60th Anniversary of the American Institute of Banking. The President of the Association will place before us the American Institute of Banking, a section of our great American Bankers Association. And what has the Institute done in these 40 years? Well, it has had a great record of accomplishment. It still ranks just some of the high spots briefly. Originally we offered only three educational courses. Now we offer 30 such courses. Today, the Institute now has 25 local chapters and study groups scattered throughout the length and breadth of the country.

We have been serving the various educational courses, and we have a nationwide membership of 67,705 members. This is a great record, the men who have in large part been responsible for this are those former national Presidents who I am about to introduce you. Each one of these men served with rare distinction his term as President, and believe me, if you do that work one of these days, in fact, they were lucky to have gotten through the first term unimpeached.

As I am going to introduce you, I am going to imitate “Woozy,” Corrigan and give you chronologically in reverse, starting with the

The first one is the worthy son of a worthy father, who was President in 1963-1934, Mr. Puslacher, President of the Marshall & Ilsley Bank of Milwaukee.

The president in 1932-33 was Frank H. Hall, Assistant Cashier of the Federal Reserve Bank of St. Louis.

The president in 1931-32 was Henry J. Menger, Vice-President of the Fifth Trust Company in Des Moines.

Then in 1929, the Institute hit an all-time low, as they were unlucky enough to have a President who was also one of the famous antiques. Mark you, that was in 1929. Some folks have asked who brought in the depression, I did.

The president in 1927-28 was P. R. Williams, Vice-President of the Bank of America.

The president in 1925-26 was Edwin V. Krick, Vice-President and Cashier of the American Bank of Los Angeles.

The president in 1924-25 was Carter E. Talman of the Reconstruction Finance Corporation in Washington, D.C.

The president in 1920-21 was Gardner B. Perry of Boston.

The president in 1919-19 was Cameron J. Thompson, President of the Northwest National Corporation in Chicago.

The president in 1917-18 was Rudolph S. Recht, Chairman of the Board of the Ellerbe National Bank, New Orleans.

The president in 1916-17 was Robert H. Bean, Executive Director of the American Acceptance Company, New York.

The president in 1911-12 was Raymond V. Cox, President of the Webster & Atlas National Bank of Boston.

The President in 1909-10 was Newton D. Alling of Brooklyn, New York.

And then our first President who was chairman of the 1901 convention, parochially who was the one who got the Institute off the ground was none other than Frank H. Hall.

Now, these men, together with 13 others who were unavoidably absent, and 10 of them who are going to listen, I hope, are the American Institute of Banking, and as some of the famous friendships that life has afforded me are represented in this very group, I wish to give them in closing the words of an old-time toast:

“Ah, Friends, dear friends, as years go on and heads get gray, how fast the guests do go. Touch hands, touch hands with those who stay, strong hands to weak, old hands to young. Around the festone board, touch hands. The faults forego, the foe forgive, for every guest will go and every fire burn and every clock chime. Forget, forget, for who may say that such a day will ever come to hosts or guests again. Touch hands!”

What of the Future?

By J. LeRoy Dart, President of the American Institute of Banking and Vice-President of the Florida National Bank, Jacksonville, Fla.

In introducing Mr. Dart, President Hanse of the Association said:

“Mr. Dart, President Hanse of the Association said:

It is fitting now that you should hear from the present President of the American Institute of Banking concerning the future of this Section. He is an Institute product. He began his banking career as a messenger boy in 1911. He is now Vice-President of his institution. He is now also, as I have stated, the present President of the American Institute of Banking, present to you J. LeRoy Dart.

Mr. Dart’s address follows:

Since the dawn of civilization the one question that has puzzled man more than any other is: “What of the Future?” Probably one of the reasons why this question has been of such universal concern is because the physical, mental, spiritual and economic well-being of every individual is affected by attempts to answer it. Were any one of us endowed with power to forecast accurately, the ability to do so would be most widely desired in conjunction with foreseeing the pleasant things that lie ahead, but not one of us would want to contemplate the certainty of unpleasant or painful experiences coming to pass. With the future correctly discernible, man would lose much of his incentive to grow. Man would not wish to press forward. Accordingly, an all-wise Providence, in fashioning man, left this ability out but placed in him instead the powers of observation and imagination and an inherent concern over his future welfare.

Organizations, like individuals, are also concerned over their future, and by the exercise of their powers of observation and imagination are, if they are satisfying human wants and needs, constantly on the alert, planning, studying and developing ways and means of insuring their future prosperity and welfare.

In the full realization that charted banking, so vital to our Nation’s prosperity and progress and to the economic system we have built on the foundation of free enterprise and individual initiative, will, as it has in the past, face a future regulated by the future, the American Institute of Banking Section of the American Bankers Association on this, its fortieth birthday, faces the future with confidence and courage.

With confidence because of the knowledge that during its existence it has served the cause of banking education, and individual initiative, welfare, and that it will continue to do so for many years to come.

Accordingly, an all-wise Providence, in fashioning man, left this ability out but placed in him instead the powers of observation and imagination and an inherent concern over his future welfare.

Organizations, like individuals, are also concerned over their future, and by the exercise of their powers of observa-
ever-increasing number of bank men and women throughout the country, having as our ultimate goal every banker, man or woman, interested and participating in some form of educational activity.

Believing also of the fact that education is a life journey and an objective to be attained within a certain time or by the expending of a certain amount of effort, and that thoughts and ideas change as our economic life changes, we shall continue to strive to keep our curriculum abreast of changing conditions and of such thought and ideas that it will be of benefit to those who are interested in banking education, whether he be the beginner in the bank or the one who occupies an administrative position.

Believing that we, as bankers, are the ones who should, and incidentally the only ones who should, because of our initiative, our independence, and our knowledge, and especially, because of the public regarding our policies and practices, we shall concern ourselves with giving to the public our concept and ideas of our duties and responsibilities. Through the efforts of our Public Relations Committee and our Research Committee we hope to make worthwhile contributions to the body of process that has been pursued and successfully carried out by the American Bankers Association.

We are here today representing 11,000 banks with deposits of 65 billion dollars, 23 billion more than some 70,000 depositories. We are in the midst of world shaking events. Banking, along with every other phase of our civilized order, faces an uncertain tomorrow. Although ours is a conservative business, we must of necessity be a part of the front line facing the world. It is in the nature of our business that at some time we shall be called upon to place our banking resources alongside the physical and spiritual resources of the nation itself to stand on guard and who perhaps may make the supreme sacrifices.

It is a source of satisfaction to all of us that we are better prepared to meet any process that is likely to be insurmountable in the form of a world war of the type with which we are now dealing. We are strong. We are liquid. Out of 65 billions of dollars, we have no deposit of less than 20 million dollars. We are in a highly desirable position, because banking, no more than the Nation, can meet a fighting world without being prepared. It would be just as dangerous for us to set out to meet turbulent economic conditions without being strong and capable as it would be for this Nation to challenge some foreign military power without being prepared to fight.

We must continue to lay up strength for the exigencies of the times. We must continue to study, worry, and plan for the event. We must prepare by further building up impenetrable strength, for out of such strength only can come the process to avert lesser ills in times when we are not the world's policeman picture we are. We are liquid. Out of 65 billions of dollars, we have no deposit of less than 20 million dollars. We are in a highly desirable position, because banking, no more than the Nation, can meet a fighting world without being prepared. It would be just as dangerous for us to set out to meet turbulent economic conditions without being strong and capable as it would be for this Nation to challenge some foreign military power without being prepared to fight.

Second, the operation of the vast and intricate machinery for transferring billions and billions of dollars from one customer to another, and from one part of the country to another, and without the least hesitation or break in the system, without the least knowledge, is a hazardous undertaking for a commercial bank.

Approximately 20% of the cost of operating our banks is interest paid on time deposits. It was almost the same as the dividends paid by all the banks. In the long run it is considerably more than the amount placed in reserve by all the banks. No doubt the public would have been better served had there been interest paid on deposits been paid, and an equivalent amount placed in reserve. The interest-bearing deposits, however, do not constitute the only deposits for which they have been paid. The banks have raised the cost of obtaining and maintaining banks with deposits. Therefore we believe that the public should be made aware of the cost of "locality" by local clearing house associations, much remainer to be done.

Third, the operations of the banks involves a continuous exchange of cash for securities and vice versa, and it is in the interest of the public that the public be made aware of the fact that the banks have made a profit from the exchange of cash for securities.

Fourth, the operations of the banks are very largely connected with the operations of the banks in connection with the control of the volume of money. It is in the interest of the public that the public be made aware of the fact that the banks have made a profit from the operations of the banks in connection with the control of the volume of money.

Fifth, the operations of the banks are very largely connected with the operations of the banks in connection with the control of the volume of money. It is in the interest of the public that the public be made aware of the fact that the banks have made a profit from the operations of the banks in connection with the control of the volume of money.
In this striking manner, the proceedings of this convention will reveal that the City of Richmond, Va., has been the scene of momentous events in our annual conventions of the past. Yesterday we celebrated the fortieth anniversary of the founding of the American Institute of Banking, but the memorable event at the Richmond convention was the establishment of the American Bankers Assocation.

In October, 1914, the fortieth annual convention of the American Bankers Association was held in Richmond. An
outstanding feature of that convention was the address made by the then Chairman of the House Banking and Currency Committee, the Hon. Carter Glass of Virginia. During the year previous Carter Glass had written a bill and succeeded in having it passed establishing the Federal Reserve System. In that address he outlined the structure and operating methods of the Federal Reserve banks. For over 50 years previous to 1912 students of banking had complained of our antiquated system with its inelasticity and immobile reserves. Because of this condition the growth of industry was being retarded by periodical money panics. While many recognized these shortcomings, no one seemed to possess at once the intelligence to outline a remedy and the power to bring about a change. The country had long looked for such a man. Carter Glass of Virginia was the answer. For a number of years Carter Glass had been a member of the powerful Banking and Currency Committee of the House of Representatives. During that time he had studied with great care the perplexing questions confronting our currency system. You know that Senator Glass is not afraid of anyone nor any problem if he feels it his duty to meet the challenge presented. So he set about to devise a plan which would remedy the shortcomings of our money and banking system.

A few days after the election of Woodrow Wilson as President of the United States Carter Glass wrote him and asked for a conference to discuss currency reforms. The newly-elected President invited Mr. Glass to meet with him on the afternoon of Dec. 26, 1912. This eventful meeting took place a few miles from this spot at Princeton, N. J. In Mr. Wilson’s home that afternoon, during Christmas week, Carter Glass spent several hours outlining his ideas which would eventually be crystallized into the form of a bill providing for the Federal Reserve System. There was remarkable agreement between these two Virginians as to the general outline of the system, and the newly-elected President charged Carter Glass to go ahead with his ideas. The task required intelligence of a rare sort, for it dealt with complex financial questions. It also demanded a comprehensive grasp of commerce and industry and their relationship to finance, since they would be vitally affected by any such legislation. Carter Glass met all these tests. After an intense legislative struggle, during the course of which he proved himself a master of financial problems and an efficient exponent of legislative strategy, the latter became law and the Federal Reserve System was established.

Through the years many members of this Association have come in contact with Senator Glass. As an opponent we have found him fair and fearless. As a friend, he has been helpful and stimulating. While the Federal Reserve System stands as a monument to his contribution to banking law, time does not permit me to review his active legislative career, which is well known to all.

During the past decade Senator Glass has found it necessary on occasion in public Interest to disagree with even some of his own party. His pronouncements concerning the structure of our representative form of government, the type of fiscal policies it should pursue, the traditions it should observe, the character of statesmanship it is entitled to require, have found ready and sympathetic response from the members of this Association. We have listened today, and in so doing we honor ourselves. His contributions to our national welfare will live on forever in the history of our times.

Senator Glass, representing the American Bankers Association, I have the privilege of presenting to you this scroll. We have written on parchment sentiments which in a measure express our deep debt of gratitude to you. We cherish the hope that in the years to come it may be a constant reminder of the great love and affection we have for you and that your public service has been an inspiration to us all.

May I read to you now the wording of the scroll?

In times of war and in days of peace, he has served his State and Nation with high courage, intelligence and integrity. His statesmanship, based upon the principles of constitutional government, serves as a bulwark when liberty under law is everywhere imperiled. A member of the State
BANKERS' CONVENTION

Legislature of Virginia, later a servant of the people as a Congressman in the U.S. House of Representatives, in the U.S. Treasury of the United States, and for many years a leader in the United States Senate. His public service, extending over a period of more than 40 years, has been distinguished by fearless devotion to our common welfare. Throughout his career he has been an exponent of economic sanity in the fiscal affairs of government. No man in public life in his day and generation has been a greater student of banking. No one has surpassed him in his constructive manner of reporting the necessary legislation. As author of the Federal Reserve Act of 1913 and defender of sound principles of central banking, he has resisted every attempt to weaken the structure of the Federal Reserve System which he fought so hard to establish and achieve.

The bankers of America respect his judgment, honor his courage and salute in the near future the half century of his public service.

...duly to administer the law as it appears upon the statute book. It was never given power to meddle with other things not provided by the law, and every time it has undertaken to do that, it has done wrong, and it ought to be held literally to the statute and if it will do that, the Federal Reserve System, as in the past, will in the future produce to be of vast importance and advantage to the banking community.

Yes, I have had occasion to criticize the law's administration, to criticize a great many other things that have been done. But I do not believe that anyone, sincerely any man of common sense and integrity would prefer to go along with those in authority, but when those in authority do not go along the right track, I am just foolish enough to go away from them. You may call it courage, if you will, and in a sense I hope I have that quality, but it is common enough to do right and to think right regardless of the personal consequence to one's self.

As a politician, it would be pleasant and maybe profitable for one to go before his people and profess a desire and a purpose unalterable to be regular, but I am an irregular. As one of your speakers has been kind enough to say, in opposition I feel that I have always been fair to the banking community, and in my determination that the Congress of the United States shall be fair to the banking community, I do not hesitate to accept their views when I can. I am not one of those who has a distaste for bankers or for business men. I am not one who believes that the banker or bank is, he ought to be treated right; and I don't care how little he is, he ought to be stood up for when it is necessary to stand up for him.

Now I have said much more than I intended to say. I am not going into the details of banking legislation already enacted or the suggestions that may be presented in the future. I simply wanted to indicate to you, Mr. President, and to your associates of the Association again, that no honor has ever come to me that has so deeply touched me, and that I shall ever prize.

President Hanes: Senator Glass, you and Mrs. Glass have honored us by your presence, and we are deeply Indebted to you for coming with us here today.

Policy of FHA as to Insured Loans to Those in Military Service

By STEWART MCDONALD, Federal Housing Administrator

President Hanes: I am quite sure that we all glory in the excellent job that has been done by the FHA. Hanes, Mr. McDonald, President Hanes and Gentlemen of the American Bankers Association: Because of many inquiries concerning FHA's policy as to insured loans made to citizens called to military service, I wired Mr. Hanes the other day and he asked me to present this matter to you. As you know, legislation has recently been enacted by Congress to protect the interests of those called upon the National Guard and Civilian Conservation Corps. In the future, those members of the National Guard and Civilian Conservation Corps will be afforded better protection than they have heretofore enjoyed. As you all know, FHA's policy in regard to military service is that a member of the National Guard or Civilian Conservation Corps will be afforded better protection than they have heretofore enjoyed.

Under Title I, small home programs and the home mortgage insurance program (a part of Title II of the Housing Act of 1934), present regulations provide a period of one year within which you must institute foreclosure proceedings, but in the new regulations this one-year period is in addition to the period of military service, so that you may, if you so desire, delay the commencement of foreclosure proceedings for a year after default plus the period of service. On the other hand, suppose a man is called to military service during that service and because of the defaults on his mortgage payments, you can then institute proceedings as you would customarily do immediately upon default. However, the court may stay completion of the foreclosure proceedings until three months after the end of the mortgages military service. Nevertheless, your insurance rights are protected in that the date of the issuance of debentures, should the property be turned over to the FHA, will be as of the date upon which foreclosure proceedings were commenced by you and your interest payments on the debentures will commence as of that date.

However, it is my feeling, and I believe you will agree with me, that this question is not as large as it at first might seem. For instance, I noticed in yesterday's paper that the National Retail Dry Goods Association estimated that there were something like 90,000 men in the military service, and it was not unusual for the manufacturers of the dry goods who are in the department store field would be affected by this legislation. Moreover, as author of the Reserve Act, I would say that military training would rarely come within the groups who are receiving the benefits of the National Housing Act, for mostly they are young men who haven't yet taken upon themselves the responsibility of a home and family and, therefore, are neither borrowers of homes under Title II of the National Housing Act nor do they possess homes undergoing repairs under Title I.

As a matter of fact, we have made some preliminary surveys and as far as we can now determine, the percentage of borrowers subject to the specifications and protected by insured loans is indeed very small.

I make this statement to you, however, knowing the bankers of America want to stand shoulder to shoulder with the Federal Housing Administration to be discussed at the convention and of the bankers of America who are the bulwarks of our democracy.
Survey of Bank Funds Available for Financing Plant Contracts

By IONID BANSHE, Vice-Governor of Board of Governors of Federal Reserve System

President Hanes: I have received this morning a tele¬
gram from Ronald Hamburger, Vice-Governor of the Board of
Governors of the Federal Reserve System at Washington,
that I would like to read to you. We had hoped that
Ronald would be here with us. Except for important duties
in Washington, he would have been. I shall read you the
telegram I have just received:

We have just had a quick survey for the National Defense Ad¬
visory Commission on financing plant expansion in their
own sections of the country, it is hoped that all other banks
interested in the matter will carry out similar surveys with the figures
of Federal Reserve banks or nearest branch and obtain information about
this type of loan.

May I ask, please, that each of you who have funds that
you would like to place at the disposal of this type of
financing make it known to the Federal Reserve Bank or
branch in your district as soon as possible. You do not need
commit yourself to any loan; this is not a pool loan. It
simply means that you have a certain amount of funds that
if a loan in your district were presented to you which was
sound and good and you would like to make it, you would;
but by mentioning the amount of funds you have available,
you in no way obligate your bank to lend these funds. It
simply means, as I say, that if good, sound loans are pre¬
vented, you have a certain amount of money that you would
like to put in these sound loans.

Support of Defense Program by Bankers—Warning Against
Deficit Spending

By the President of the A. B. A., ROBERT M. HANES,
President Warshawer Bank & Trust Co., Winston-Salem, N. C.

The American Bankers Association came into being before the American
Commonwealth had celebrated its first centennial. Sixty-six years is a
long span for any institution, and with ours it represents a lifetime of sig¬
nificant expansion. This organization has found every known type of
social crisis: wars, depressions, financial panics, speculative booms, political
and social upheavals. Twice, too, it has withstood the temptation to dissolve.

Most of us here today have attended many banking conventions, held
under widely varying circumstances. Yet, although nothing is more
unpredictable, the program has been prepared in grave recognition of the import of
the issues that we are discussing. Our meetings are destined, in a word, to
be momentous. Moment by moment we listen to the reticence of the tragic events trans¬
piring in Europe. The repercussions of the war present us, here in Ameri¬
can, with new and baffling problems. We need your experiences, your judg¬
ment, your sense of confidence. With your help this convention is going to
be a clearing house of information and a proving ground for ideas.

It is evident already that this is to be the character and purpose of our
meeting. The general sessions have been designed to be informative and
stimulating. They will offer an abundance of talent and ability, but the
core of the program will be the round-table discussions, designed especially
for your personal participation.

Since I came into the Presidency a year ago, I have concentrated on two
major objectives: first, that the facilities and the personnel of the American
Bankers Association should be of greater service to its members; second, that
the organization itself should be informed and acquainted with the complex
character of the banking business and its relation to the economic and
material progress. There was a need, instant, urgent and complex. New
types of competition had appeared, old forms of competition had been intensifi¬ed. There was an ever-present demand for data, a call for a thoroughgoing
study of mortgage lending, particularly that of home owners. There was the neces¬
sity of providing funds for men and women of limited means, whose earning
power had to be supplemented with sound credit. There was a lack of
valuable data in the field of agriculture, where the demand for private bank¬
king accommodation was rapidly increasing. The whole subject of public
relations and personnel relations involved us. It was a period of change and
innovation that study and personnel were imperative. There was the long-sought
wait for economic counsel, intensified by the rapid changes in the social scene.
There was a response, white heated, generous and active, from the membership.
Two hundred and six banks were asked to provide the funds for this new effort.
One hundred and ninety-six banks responded, almost immediately, in a
spirit which has quickened and heartened everyone engaged in the under¬
taking. Ninety-two were qualified for the new department were from the national
banks that were recognized by us.

Under the slogan, "Know Your Bank," we invited you to presentize
perplexing questions which you were facing. We have thrown a
comprehensive catalogue of the current problems in every branch of
banking, both as regards operations and policies: public relations; employee
relations; methods and means of collection; mergers; consolidations; equipment;
loans, their nature, the necessity of making them, the new large amounts that are being made; the new criteria for judging their safety and worth; the rate of interest; the rate and
volume of investments, the nature and condition of the market; the costs and
profits; the opportunities and dangers in consumer credit; and, recently,
the nature and extent of the impact of a world war and a social revolution
on banking practices.

Under the slogan, "Banking's Part in Business Development," we have
moved from the current one to the second objective, the encouragement of
new enterprise. What are the characteristics of such a new enterprise?
What are the opportunities? How can you go about to get it started? Among
such an enterprise would be the case of the lumberjack, the farm hand, the
blacksmith. There you would have the opportunities. We, therefore, determined to assemble
them. Careful analysis disclosed that 45% of the commercial banks

75 YEARS
The Southeast's first, oldest and largest national bank, 75 years old September 14, 1940, appreciates the friendship it has enjoyed from leading bankers and business men all over the country for three quarters of a century.

Call on us when we can serve you in the rich and growing South.

First National Bank
Atlanta
Founded 1865—75th Year

Capital Surplus and Profits $10,000,000
Resources over $160,000,000

Member Federal Deposit Insurance Corporation
The results are impressive. Fifteen months ago there were proposals to establish further Federal banking agencies with credit granting powers. These agencies would have been partly owned by the banks which were not granting the accommodation to which they were entitled, and that in consequence business was handicapped and unemployment persisted. The American public, however, is demonstrably in no mood to tamper with the system.

In the Darwinian struggle to give credit where it is due. Let me mention the work of the volunteers who serve without personal reward—the bankers who have given up their weekends to assist 87 councils, commissions and committees of the Association, and its Divisions. They have conducted 1,000 temporary and permanent activities and addressed or questioned more than 500 addresses and lectures before bankers’ conventions, conferences and study groups in various cities.

I wish there were time to tell of the work of every unit and every individual member of the banks. I wish to mention some highlights for which we are all glad to recognize. The Committee on Federal Reserve Banks has prepared and helped prepare and press the many questionnaires which our program has had to request. The banks have been moved into the New York and Washington offices, who conduct the various surveys, distribute data, and answer questions. When the oldest trooper to the newest, staff this has swung into line in the great effort and will continue that effort completely. Among the responsible offices, the staff have given more than 300 addresses and lectures before bankers’ conventions, conferences and study groups in various cities.

We have properly focused our attention on the techniques of our profession. We are capable of meeting the crisis which has overthrown the democratic way of life. The American people have a national defense. The federal government underwrites the nation’s credit and extends its credit. We have an obligation to all people to see that we are able to defend the nation.

How can this Nation defend itself? Indra is, I can be no stronger than the banks. The banks are the greatest single agency of the nation’s credit system. This means that the federal government must go to every bank as strong as possible and every citizen be aware of the responsibilities of his citizenship. The banks are the economy’s absolute essential to the nation’s defense plan. They are the people who understand the banks and discuss the way to strong banks. It is vital that the American people be given the opportunity to understand.

There is a deeper need in the whole problem of Government spending, particularly in the heavy borrowing is involved. It is against both logic and reason that a political government should be entrusted with the granting of credit to private individuals or with the distribution of subsistence which are not absolutely necessary for the immediate relief of those in want. It is contrary to every known pattern of human behaviour that such powers can be exercised by government without using them for political advantage. Whatever may have been the origins of the pump-priming theory, it eventually developed into a political device resting on a false economic premise, namely, that it is possible to generate wealth by spending money.

A bank is a political institution. The success or failure of the Government’s control over the nation is not only in the hands of the Government but also in the hands of the people. It is the duty of the Government to see that the people are aware of these facts and are willing to cooperate.

The American people have been persuaded to surrender more and more of their independence to the direction and control of government. This is an evil which finds its way into every aspect of our society. The Amarket that the independent enterprises which had characterized American business could no longer support the leadership that has survived the depression and rise to power in a form of decision which is utterly foreign to the American spirit. It is the logical consequence of a political system in which the banks have been converted into a machine to control the whole of the Nation.

The immense excess reserves in the American banking system are in considerable part the creature of the Government’s monetary policy. It is an error to think that this machine could have been without serious effect on the reserve or the banks. In the last analysis bank deposits represent practically the economic activity of the country. If this in any way form they appear, will be freely employed not only in the defense of the country but in the development of the country. It is certain that deficit-financing and retooling structures no longer threaten inflation. With the great new revenues, the American people are likely to accept the thesis that if they do not wish to invest their money the Government should be allowed to do for them.

The American people are in a state of ancient heroism, loudly proclaimed early in the 19th Century, and frequently refuted by the abusers of the power. We have an obligation to see that the Government spends in the way to which they have been entrusted.

We are in favor of such governmental agencies as have helped our citizens to help them. We are against any governmental agencies as have been or are being used for the relief of the for the relief of the war. We do not believe that any American Government would be able to spend any portion of its credit for the war.

It is our duty to see that the banks are able to operate in a way that is necessary for the welfare of the people. It is our duty to see that the banks are not used for the purposes of the war.

We believe that the banks are the greatest single agency of the nation’s credit system. This means that the federal government must go to every bank as strong as possible and every citizen be aware of the responsibilities of his citizenship. The banks are the economy’s absolute essential to the nation’s defense plan. They are the people who understand the banks and discuss the way to strong banks. It is vital that the American people be given the opportunity to understand.

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Report of Economic Policy Commission by the Chair-
man, Leonard P. Ayers, Vice-Presidential of Cleveland
and Chicago

The first year of the Second World War has brought to this country only
moderately important economic changes, but in the longer run the war
will produce effects unpredictable in degree and results unforeseen.

During this first year of the struggle overseas we have had huge increases in
the prices of many commodities, both of raw materials and
and large additions to our excess bank reserves.

These additions to our monetary and credit resources have been mainly
of foreign origin. They have not been accompanied by correspondingly
important increases in our business activity. Production and trade have
swelled through stronger than the preceding year, and the general trends of activity have been upward. There have been no im-
portant changes in the retail prices of most goods, or in those of
commodities. The value of our exports during the past year has been
about a billion dollars greater than in the preceding 12 months, and our
imports have increased by less than half as much.

The figures for the balance of trade strongly illus-
strate the negative character of war-time business statistics. They appear
to indicate that our foreign commerce is in flourishing condition, whereas
in reality the situation is quite different. Multinational businesses, many
countries that have long been good customers of ours are now con-
querrors, and the favorable price defense had to bolster up the depleted
in large quantities have largely lost their overseas outlets, and are accumu-
ating in our warehouses.

In the course of our most important business development, as well as the most
prominent governmental activities of this or any previous war, the different
countries have determined to become a strongly armed nation on the land, at
sea and in the air. We have had to borrow money from foreign countries, from,
angry and hungry nations, and that several of the most powerful of these nations are
... of the prospects of our economies, and our way of life.

We are hurriedly arming ourselves, and the making of munitions has sud-
denly become our most important, and our most urgent immediate
Economic preparedness during this critical time are as follows: First, tofacilitate the carrying forward of a program of preparedness with a minimum of
... that these situations is not in reality as advantageous as it might appear to be, for it tends to
selfishness and class for the momentary personal profit. While it is true that
Unemployment seems to be the ordinary private citizen to feel that he is
... of the problems of national defense, or that of maintaining readiness for
the future of preparedness.

When nations wage war, or when they hurriedly engage in great programs for
military preparations, they resort to some combination of three chief methods of financing such extraordinary expenditures. In the first place, we
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... of preparedness.
For the post-war and world-wide struggle that is coming between totalitarianism and the free forces of free enterprise is the most logical. Our most pressing economic problem, other than that of rearmament, is the mounting of our heavy industry capital to meet exigencies and responsibilities in the rebuilding and expansion of our national plant. We have in the past been the most efficient productive nation, and with the aid of the government we can again become the most efficient. Rearmament may assure us our physical security, but our industrial efficiency can protect us against totalitarian dictators.

Members of the Economic Policy Commission submitting report:

Col. Leonard P. Ayres, Vice-President, Cleveland Trust Co., Cleveland, Ohio.
Winfred W. Aldrich, Chairman of the Board, the Chase National Bank, New York, N. Y.
M. F. Day, Vice-President, Bank of Kimball, Kimball, S. D.
Lindsey Bradford, President, City Bank Farm Trust Co., New York, N. Y.
F. W. Parke, President, Third National Bank in Nashville, Nashville, Tenn.
Richard S. Hayes, Vice-President, First National Bank, St. Louis, Mo.
Harold H. Hoen, Vice-President, Chemical Bank & Trust Co., New York, N. Y.
William M. Masse, Vice-President, Fort Worth National Bank, Fort Worth, Tex.
Harry B. McDowell, President, Mcceilow National Bank, Sharon, Pa.
Charles L. Smith, President, First National Bank, Salt Lake City, Utah.
Charles P. White, President, National Bank of Kansas, Mass.
Gorden Edwards, American Bankers Association, Secretary.


President Hans: The Secretary of the Association will now report on official acts and proceedings of the Executive Council since last we met, Mr. Hill.

Secretary Hill: Since the adjournment of the convention at Seattle, Wash., the Executive Council has held meetings at Hot Springs, Va., on April 23, 24, 25, 1940, and at Atlantic City, N. J., Sept. 21, 24, 1940.

At the meeting at Hot Springs, Va., on April 23, 24, 24, and 25, favorable action was taken on the following matters:

Amending the American Bankers Association Constitution and By-laws providing for the appointment of State Vice-Presidents by the President of the Association instead of their election at conventions of state bankers' associations. As amended, the sections affected will read as follows:

President:

Sec. 1. The President of the Association shall provide at all annual or special meetings of the association, or in the case of a member in office for less than six months, that when the President shall be absent, the President of the Executive Committee shall act as President of the Association.

Sec. 2. The President of the Association shall be appointed in each State and in each Territory to which the American Bankers Association is authorized to send representatives under the Act of Congress of July 24, 1918, entitled "An Act to improve the organization and constitution of the State banking associations," as amended.

The President of the Association shall have the power to make the following amendments and additions to the official records and minutes of the Association:

Amendment to Association's By-laws providing for appointment of members of the Committee on State Legislation from the membership of the Executive Council or from the general membership of the Association, Adoption of a resolution requesting Congress to take up the question of interest rate barons and provide legislation that will result in receding trade barriers already in existence and in preventing the raising of further interstate trade barriers. At a meeting at Hot Springs, Va., N. Y., Sept. 23, 1940, favorable action was taken on the transfer of $25,000 from the general fund, raised from dues of the members, to the American Bankers Association Foundation for the publication of material originating with the Association.

A rewritten report between the Association and the Bankers Trust Co., covering the deposit and securities account, was approved. Each and every state for the personal guarantee clause in the contract with the William J. Burns International, was approved.

A proposed set of By-laws governing the Correspondence Council of the American Bankers Association was adopted.

The Committee actuated favorably upon the proposals of the Insurance and Protective Act, 1930, which is being used for our present effort for preparedness. No one expects them, and no one ever expected, that the act of 1930 is the last word, but if we are in the same situation, we should not undertake this defense program as an essential part of our national defense, but it is the only way in which we can develop the means of meeting the demands of the situation. We should be pushing it forward to accomplish as rapidly as our military needs require and the public's interest will permit.

Modern wars are won or lost in the critical periods of preparation for them. Your Economic Policy Commission holds that the true purpose of our present preparations is not to build an armament, but to build adequate industrial strength so that we may have the ability to wage war later on. It holds also that the likelihood of our being able to win the war depends on the realization by the people that our war is not an emergency war, but a war of preparation to meet a long war, and that our industries may well depend on the vigor and efficiency of our present preparations.

The amendment of our national policies of republicanism will be strongly supported by the demand that our government should extend all aid in restoring to the productive communities the competitive position of American industry, trade, and commerce.
GENERAL SESSION

We favor such action in the discretion of the officers and committees of the Association and within the scope of the Boston Resolution, as will prevent any further extension of banking contrary to the above principle.

Appreciation and Acknowledgments

The American Association takes pleasure here in expressing its affection and admiration for its retiring President, Robert H. Hanes. In a period of rising national difficulty and perplexing banking problems he has given to our profession a clear-visioned and stimulating leadership. Through his courageous efforts an enlarged program of educational and information services has been initiated. He has preserved public and professional understanding of banking and the public-minuteness of bankers and thereby enabled its ability to deal effectively in the States. In the National Bank Convention and committee work, we express our appreciation for their spirit of teamwork and devotion to the duties assigned to them. Our thanks to the members of the Association who have so capably and loyally supported them in their endeavors.

This convention has been marked by the high order of its addresses and papers, both in its general sessions and specialized meetings. To the speakers who have taken part we extend our thanks and appreciation.

We are also grateful to the officers of the Atlantic City and the New Jersey Bankers who provided for the convenience and comfort of the convention proceedings, the hotel staff, the press, and the citizens of this beautiful city of its exceedingly cordial attitude and helpfulness throughout this meeting.

Respectfully submitted,

Gurdin Edwards, Secretary.
Harry A. Bryant, Chairman.
President Hanes: We shall now have the report of the Resolutions Committee. Harry A. Bryant of Parsons, Kan., Chairman of the Committee, will be asked to make the report.

Mr. Bryant: Mr. President, Ladies and Gentlemen of the Convention: This report will not be in the usual resolution form. It will be more in the form of a report of the committee. I shall read it section by section for your consideration.

The report of the Resolutions Committee follows:

The Durham Solution

General business activity shows some retardation in this country since last April, and so far only a small part of the advance has resulted from the present system of check cuts and charges for this country. It now seems probable that the advancing trends of industrial activity will continue, with the two main factors in the increase being the growing production of the mining industries, including the machine tool, shipbuilding and heavy industry, and the large programs of output now planned by the automobile industries. So far in 1940 industrial production, rail freight transportation, and agriculture have been considerably above 1939 and are, for the corresponding months of last year.

This growth is likely to be a large increase of about four and one-third billion dollars in our stocks of gold, a somewhat larger advance in bank deposits, and additions to bank reserves that have more than offset the decrease in cash balances. As a natural result of the great increases in cash holdings, and the large advances in bank reserves in bank loans, there has been a large additional increase in excess bank reserves, amounting to more than the necessary reserves of the banks.

It is noteworthy that this great additional increase in excess bank reserves has been made possible by the large proportion of financial resources and bond quotas, that has formerly been associated with important additions to bank reserves. It seems instead to have operated to sustain prices rather than to lead to inflation.

Defense Financing

It is to be regretted, from the point of view of the public interests, as well as from that of the banks, that the increasing business activity of recent months should have been accompanied by only a minor increase in the volume of bank loans. In the critical period of our national life our country is undertaking a great and immensely expensive program for national security, and in this connection there is no more significant event than the great national debt in our history. Under these circumstances every financial institution is directly involved in the financing of this national defense effort as great an extent as possible through the direct use of bank credits and reserves as far as is consistent with the development of Federal Indebtedness.

Not only should we restrict as far as possible the increases in national debt by a more general use of bank credit in the financing of our defense program, but we should also pay for a larger proportion of it out of current taxation than has as yet been officially proposed, and finance a smaller part of it by debt which will have to be paid in future years.

Our country has a potential asset of defense and expansion equal by no degree any other nation, and under present circumstances that asset should be turned into the vital public service of national policy, and by rigid economy in the civil expenditures of government.

Defense Program Bank Loans

The banks of this country are eager to finance, or to participate in the financing of projects in their localities, if they are the projects of the trained personnel, and the knowledge of their own communities, which equip them to handle major problems of public development and defense. In this connection the banks should be permitted to participate in the financing of our national defense program.

As a result of the increasing importance of the new financing which our national preparedness program will make necessary. We urge all banks to sollicite, together with major public and private projects, anything to do with our programs of national defense.

We believe that necessary programs which defense projects are so large that local banks are unable to finance them, especially, they should not be prevented from financing the essential portion of our defense and public works construction, which is not practical, and the large banking institutions of the region. In those instances in which the leading institutions of the Federal Government must be called upon, the banks should participate with those agencies in doing the financing.

New Corporate Capital Lend

We regret that during the past four years there has been a progressive decrease in the amount of new capital raised by corporations through the sale of securities to private investors. Such a decrease would be unfortunate, for it is the raising of new capital that is necessary in our industrial plant, but it is especially undesirable under present conditions, when expenditures for defense purposes will have a large effect on the financing of our defense program by private investment funds and particularly while this effort is so necessary. In this connection, it is important that we hope and believe that national effort largely through the use of public funds in its early stages, we shall be able to start on a time of growth and gradually to transfer that growth to reliance on private resources.

National Defense Program

We commend and urge prompt, vigorous and adequate preparation for national defense. We are mindful of the patriotic and unselfish service which is being rendered by women and men who have accepted the call to duty as members of the National Defense Advisory Council. We urge the continued liberal recruitment of men and women who have accepted the call to duty as members of the National Defense Advisory Council. We commend and urge prompt, vigorous and adequate preparation for national defense.

Branch Banking

We reaffirm the action which was taken at Boston in 1937, and of subsequent conventions, wherein the position of the Association was stated with regard to the dual system of banking as it affects the separate States with respect to banking and opposing any proposal or device looking to the establishment of branch banking or branch banks in any State.
Bankers' Convention

made for making sound farm loans which is benefiting both farmers and bankers. In recognition of these remarkable achievements, this plaque is presented to the Georgia Bankers' Association as a symbol of our appreciation of the splendid work for agricultural improvement by the members of your Association. It is our sincere hope that it will be an inspiration to you in your helpful service to the farmers of Georgia. "I saw the day," he said, "when no farmer shall ever hire another farmer to do his plowing or harvesting."

The story may now be told more or less in the words of the Georgia Bankers' Association from the chairman's platform. The Association has a long history of cooperation with the farmers of the state in the development of their economic welfare. It has always been the goal of the Association to work for the prosperity of the farmers and to foster the growth of agriculture. The Association has been active in promoting agricultural education, research, and extension, and in advocating policies that would benefit farmers. It has also sought to improve the financial services available to farmers, including the development of special farm loans.

The Georgia Bankers' Association has a long tradition of supporting agriculture. In the early years, the Association was involved in promoting the development of the cotton industry, which was a major economic activity in the state. As the state developed, the Association became involved in promoting other crops and agricultural activities. Today, the Association continues to support agriculture, with a focus on promoting sustainable and diversified agriculture.

The Association has also been involved in promoting agricultural research and extension. It has supported the establishment of agricultural colleges and universities, and has worked to ensure that farmers have access to the latest research and information. The Association has also been involved in promoting policies that would benefit farmers, such as the development of credit policies and agricultural programs.

The Association has been active in promoting the growth of agriculture, with a focus on promoting sustainable and diversified agriculture. It has also supported the development of specialty crops and value-added agriculture. The Association has been involved in promoting policies that would benefit farmers, such as the development of credit policies and agricultural programs.

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In conclusion, the Georgia Bankers' Association has a long tradition of supporting agriculture. It has been active in promoting agricultural education, research, and extension, and in advocating policies that would benefit farmers. It has also sought to improve the financial services available to farmers, including the development of special farm loans.

Remarks of Representative P. D. Houston, Chairman of the Board, American Banker Association, Nashville, Tennessee, for Coming Year

The first words I say to you tonight is that the American Bankers' Association will be spoken of in appreciation of the magnificent job done during the past year. Because of your hard work, the public is beginning to understand that the banks are responsible for the lobbies. But the story of the past year is that you added new services to the Association for its membership. Today, with the largest percentage of the banks in its membership roll that it has ever had, I am glad to say that because of Bob's administration the Association has more members than it ever had before. His intelligence, enthusiasm, and inspiring leadership has given us new courage to face the business of the year. I am convinced that the future lies in the thought that he will be on the Administrative Committee during your year as chairman of that body.

Recollecting the scope of Association work, the men who formed this organization have done a tremendous amount of work, partly in an advisory capacity, and partly in an administrative capacity, to improve the standing of each bank over every President. I know you will have outstanding service from the Banking Advisory Committee, and I think you will have the most effective help in your work through the Administrative Committee during the year. I am glad of the opportunity of presenting them to the banks at this time.

The incoming President of the Division having to do with the work of National Banks—President of the National Bank of Commerce, Seattle, Wash.—is Mr. G. H. Marks. It is a pleasure to introduce him to this audience.

The man who will preside over the destiny of the Savings Division—Bryant, President of the First National Bank of Los Angeles, Calif.—is Mr. H. W. Jones. I know Mr. Jones well, and know he will do an excellent job. We have a great many banks in the Savings Division, and I am sure you will stand behind him, and that he will do a splendid job.

The conduct of the work of the State Bank Division, with which many of our members are associated, will be entrusted to Harry A. Bryan, President of the First National Bank of Commerce, Kansas City, Mo.

The Georgia Bankers' Association, the State Bank Division, appointed its first Agricultural Committee. We have maintained continuously an Agricultural Committee, and this year we hope to make it more effective. I am glad to say that by the 1,000-point score, and since that day, through the leadership of some seven or eight of Georgia's leading bankers, myself the most unworthy of them all, we have reached this hour this morning, coming out of the house herefore discovered today.

And I think it would be fair, and only fair, that we should pay tribute to a member of the Georgia Agricultural Commission of the A. B. A. Douglas County, and I believe that it will be a great comfort to him to know that he has been the first to realize his distinguished, being the second State in the Nation to attain this award for the Georgia Bankers' Association. We believe that Georgia's principal crop is cotton, and that like all other States who maintain a one-crop system, we found ourselves going towards the economic rocks of disaster, but in the year of 1916, our bankers and the business men of the State became acutely aware of the need of a more diversified agricultural activity. We had once a more diversified agricultural activity. The Georgia Agricultural Commission, in, the year 1916-1917, made an examination of Georgia's cattle and commercial banks, and I have reported on page 127.

The purpose of the Georgia Agricultural Commission of the A. B. A. is to produce, to distribute, and to market a variety of agricultural products, and to the Georgia Agricultural Commission.

The Georgia Agricultural Commission, at the time of its formation, adopted its first Agricultural Committee. We have maintained continuously an Agricultural Committee, and this year we hope to make it more effective. I am glad to say that by the 1,000-point score, and since that day, through the leadership of some seven or eight of Georgia's leading bankers, myself the most unworthy of them all, we have reached this hour this morning, coming out of the house herefore discovered today.

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GREETINGS FROM CHAMBER OF COMMERCE OF UNITED STATES

President Hanes: Dick Hill, the Secretary of the Association, has some announcements which I shall ask him to make at this time.

Secretary Hill: Mr. President, I have a communication addressed to you, reading as follows:

"On the occasion of the Sixty-sixth annual convention of the American Bankers Association, I wish to extend to you and the members of your great organization the cordial greetings of the Chamber of Commerce of the United States.

"We wish to record our appreciation of the cordial cooperation upon important questions of interest to the businessmen of the country generally. We desire to be of all possible help to the Association and ask that it do not hesitate to call upon us.

"With every good wish for its success, and warmest personal regards, I am,

"James S. Kemper, President,

"Chamber of Commerce of the United States."

REPORT OF COMMITTEE ON NOMINATIONS—NEWLY ELECTED OFFICERS

President Hanes: We shall now have the report of the Nominating Committee. R. Ellison Harding, President of the Fort Worth National Bank, Fort Worth, Tex., Chairman of that Committee, will make the report.

Mr. Harding: Mr. President, at a meeting held pursuant to the Constitution, the Nominating Committee begs to unanimously offer the following as nominees for officers of this Association:

For President, P. D. Houston, Chairman of the Board, American National Bank, Nashville, Tenn.

For First Vice-President, Henry W. Koeneke, President, The Security Bank of Ponca City, Ponca City, Okla.

For Second Vice-President, W. L. Hemingway, President, Mercantile Commerce Bank & Trust Co., St. Louis, Mo.

President Hanes: Gentlemen, perhaps the method to adopt in connection with this report is to receive it and proceed with the election of officers. Unless there is an objection to this, it will be so ordered.

P. D. Houston has been nominated for President of the American Bankers Association for the coming year. Are there any other nominations?

Upon motion duly made and seconded, it was voted that the nominations for President be closed and that the Secretary cast one ballot for Mr. Houston as President.

President Hanes: The Secretary has now cast the ballot. I have a ballot bearing the name of Mr. Houston, and I declare him elected to the office of President of the American Bankers Association for the coming year.

W. H. Koeneke has been nominated for the First Vice-President of the association for the coming year. Are there any other nominations?

Upon motion of R. Gun, regularly made and seconded, it was voted that the nominations be closed and that the Secretary be instructed to cast one ballot for Mr. Koeneke as First Vice-President.

President Hanes: I have a ballot bearing the name of Mr. Koeneke, and I declare him elected to the office of First Vice-President of the American Bankers Association for the coming year.

Mr. Hemingway has been nominated for Second Vice-President of the Association for the coming year. Are there any other nominations?

Upon motion of Mr. Wath, regularly made and seconded, it was voted that the nominations be closed and that the Secretary cast one ballot for Mr. Hemingway as Second Vice-President.

President Hanes: I have in my hand a ballot bearing the name of Mr. Hemingway and I declare him elected to the office of Second Vice-President of the Association for the coming year.

The newly elected officers have agreed to serve in the offices to which they have been elected for the coming year. The Constitution requires that they be installed at the close of the last day's session. Their formal installation will take place in this room tonight. However, to comply with the provisions of the Constitution, I hereby declare the newly elected officers duly installed in office, and as evidence of that fact I now hand the symbol of authority, the gavel, to your newly elected President, Mr. Houston, who will adjourn this session of the convention.

[Mr. Houston was not present.]

President Hanes handed the gavel to Mr. Koeneke.

Mr. Koeneke: As the First Vice-President of this great Association, this is indeed an unexpected honor. The meeting is adjourned. The meeting adjourned at 12:35 o'clock.
of war, the banks of Great Britain have brought about great changes in the monetary and economic conditions of the country. In their wake clearing and compensation agreements violating the principles of price structure on which sound international trade is based and have fostered bilateral trade. These developments have not only adversely affected our international trade but have also tended to reduce the function of the banks in financing the international payments of the British joint stock banks, as a rule, do not operate with excess reserve balances, and by tradition they have adopted a policy of maintaining a certain percentage of short-term assets in relation to their deposits. The increase in their cash enabled them to increase their holdings of short-term bills, which under present conditions consist primarily of Treasury bills. Their holdings of Treasury bills increased from $59,000,000 pounds of sterling in June, 1935, to $234,000,000 pounds in December of that year and to $284,000,000 pounds in June, 1940. The increase in cash and in bills discounted is primarily responsible for the increase in the total volume of deposits, which, from June, 1935, to June, 1940, increased by about 240,000,000 pounds. These are the most important effects of the war on the banking system of Great Britain.

The general belief that the huge deficit of the country would bring about an increase in the holdings of long-term government securities and that a big expansion in the volume of business activity, accompanied by a sharp rise in commodity prices, would bring about an increase in the volume of loans and advances has not materialized. In fact, loans and advances at the end of June, 1940, were smaller than in June, 1939, and the holdings of Government securities have undergone only a minor change. The following table shows briefly the changes that have occurred in the British banking system during the war:

<table>
<thead>
<tr>
<th>Month</th>
<th>Deposits</th>
<th>Cash</th>
<th>Call Money</th>
<th>Bills Discounted</th>
<th>Local and Advances</th>
<th>Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1937</td>
<td>$2,354</td>
<td>$243</td>
<td>$180</td>
<td>$230</td>
<td>$960</td>
<td>$650</td>
</tr>
<tr>
<td>January 1938</td>
<td>$2,295</td>
<td>$250</td>
<td>$175</td>
<td>$237</td>
<td>$1,065</td>
<td>$630</td>
</tr>
<tr>
<td>July 1938</td>
<td>$2,400</td>
<td>$255</td>
<td>$182</td>
<td>$278</td>
<td>$982</td>
<td>$697</td>
</tr>
<tr>
<td>November 1938</td>
<td>$2,973</td>
<td>$267</td>
<td>$146</td>
<td>$366</td>
<td>$1,011</td>
<td>$665</td>
</tr>
<tr>
<td>December 1938</td>
<td>$2,854</td>
<td>$245</td>
<td>$102</td>
<td>$315</td>
<td>$915</td>
<td>$693</td>
</tr>
<tr>
<td>December 1939</td>
<td>$2,481</td>
<td>$274</td>
<td>$174</td>
<td>$314</td>
<td>$1,022</td>
<td>$660</td>
</tr>
<tr>
<td>December 1940</td>
<td>$2,410</td>
<td>$245</td>
<td>$154</td>
<td>$388</td>
<td>$997</td>
<td>$610</td>
</tr>
<tr>
<td>February 1941</td>
<td>$2,536</td>
<td>$249</td>
<td>$141</td>
<td>$316</td>
<td>$1,006</td>
<td>$611</td>
</tr>
<tr>
<td>April 1941</td>
<td>$2,465</td>
<td>$249</td>
<td>$131</td>
<td>$356</td>
<td>$964</td>
<td>$633</td>
</tr>
<tr>
<td>May 1941</td>
<td>$2,413</td>
<td>$237</td>
<td>$144</td>
<td>$309</td>
<td>$954</td>
<td>$630</td>
</tr>
</tbody>
</table>

* Current deposits and other accounts.

The relative stability of the items "loans and advances" and "investments" requires some explanation. The reason for the failure of bank loans to increase is twofold: On the one hand, the joint stock banks reduced their accommodations to enterprises not engaged in essential war work. Secondly, the Government in Great Britain are strong and well integrated and had sufficient cash at their disposal, making unnecessary any further bank credit to finance their increased operations. The reason the holdings of Government securities, which constitute about 90% of the total investments, have not expanded in the face of the fact that the British Government is endeavoring, as far as possible, to sell its war obligations to the ultimate investors. The taking over by the Government of the foreign holdings of its nationals and the payment therefor in pound sterling has increased the ability of British investors to buy Government obligations.

Whether the war, as it broadens, will leave the banking conditions of Great Britain in its wake is far more difficult to state. For the moment, the joint stock banks have been able to prevent an advance in the volume of war loans, but when the war work is over, and with the prospect of a return to the peace position, the question of the relative importance of the banks in the economy of the country will be more difficult to state. For the moment, the joint stock banks have been able to prevent an advance in the volume of war loans, but when the war work is over, and with the prospect of a return to the peace position, the question of the relative importance of the banks in the economy of the country will be more difficult to state.
commercial loans which so many banks hope for. It will not alter materially the interest rate structure in the United States. At the same time, increased governmental demand for the war, the sharp increase in business activity, and the substantial rise in prices materially changed the rate structure in Great Britain.

**INTEREST RATES IN GREAT BRITAIN**

<table>
<thead>
<tr>
<th>Date</th>
<th>6 months</th>
<th>9 months</th>
<th>1 year</th>
<th>3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul 1938</td>
<td>2.0%</td>
<td>2.8%</td>
<td>3.7%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Oct 1938</td>
<td>2.5%</td>
<td>3.0%</td>
<td>3.6%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Jan 1940</td>
<td>2.7%</td>
<td>3.2%</td>
<td>3.8%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

**June 1940.**

v. The commercial price levels were sharply increased during the war, and their influence is clearly visible in the following table of interest rates.

A careful planned investment policy for banks should take into account the following factors: (1) Many banks are prohibited from paying interest on demand deposits. This reduces a very important source of income to their new customers, who are thus voluntarily increase the rate of interest paid on time deposits or thrift accounts; (2) a persistently changed status in the distribution of gold has occurred, which has affected the loanable funds in the market; (3) banks are often concerned as to whether the various rates of gold and other international factors in mind, they must reach the conclusion that market rates, at least for the time being, must be much higher than they ever knew to be possible; (4) that high-grade bonds will fluctuate because of forces which at present are uncontrolled by the banks.

**The being the case, a bank, after careful analysis of its own position, is determined to hold a certain amount of long-term high-grade bonds in relation to its deposits. It must then do more or less the same things that it would do if it did not have any obligations. In the end, the result will be the same as if the bank were managing its affairs for itself.**

Canada, Britain, and France have forced the United States to adopt a program of national defense of a scope unheard of in peace-time in our country. A few examples will be given here. The increase in national defense expenditures has been so great that the total earning assets of all the member banks of the Federal Reserve System is likely to be increased by 25% in the next two years. It is at this time that we are concerned with expenditures for an accelerated pace, and with this increase the Government deficit will mount. The increase in the national defense expenditures is about $18,091,000,000 of Government obligations, direct as well as guaranteed. Since the last war, and in order to finance the expenses of this kind of expenditure, it is probable that the banks will continue to be in the market for such obligations, but in smaller amounts and for longer periods. As for the general condition of the world, even under the best of circumstances, is bound to remain high.

**Investment Policies of Banks:** What policies should banks adopt regarding the investments of their funds? The question of the national defense expenditures has been raised; the total earning assets of all the member banks of the Federal Reserve System is likely to be increased by 25% in the next two years. It is at this time that we are concerned with expenditures for an accelerated pace, and with this increase the Government deficit will mount. The increase in the national defense expenditures is about $18,091,000,000 of Government obligations, direct as well as guaranteed. Since the last war, and in order to finance the expenses of this kind of expenditure, it is probable that the banks will continue to be in the market for such obligations, but in smaller amounts and for longer periods. As for the general condition of the world, even under the best of circumstances, is bound to remain high.

**Commodity prices were highly inflated and were at a level substantially higher than before the war. The price of gold was also increased because of the power of the Government over the money market were distinctly limited compared with the power of the Government over the price level. In these times, how- ever, the Treasury did not have a net out of $12,300,000,000 in gold and silver coins. This figure was $2,300,000,000 short. The total gold output of the United States during the last 25 years. In the first place, in 1930 the indebtedness of the member banks to the Reserve banks amounted to $7,712,000,000, as against a mere $5,000,000 today. The discount rate of the Federal Reserve Bank of New York was then 5%. The commodity prices were highly inflated and were at a level substantially higher than before the war. The price of gold was also increased because of the power of the Government over the money market were distinctly limited compared with the power of the Government over the price level. In these times, how- ever, the Treasury did not have a net out of $12,300,000,000 in gold and silver coins. This figure was $2,300,000,000 short. The total gold output of the United States during the last 25 years. In the first place, in 1930 the indebtedness of the member banks to the Reserve banks amounted to $7,712,000,000, as against a mere $5,000,000 today. The discount rate of the Federal Reserve Bank of New York was then 5%. The commodity prices were highly inflated and were at a level substantially higher than before the war. The price of gold was also increased because of the power of the Government over the money market were distinctly limited compared with the power of the Government over the price level. In these times, how- ever, the Treasury did not have a net out of $12,300,000,000 in gold and silver coins. This figure was $2,300,000,000 short. The total gold output of the United States during the last 25 years. In the first place, in 1930 the indebtedness of the member banks to the Reserve banks amounted to $7,712,000,000, as against a mere $5,000,000 today. The discount rate of the Federal Reserve Bank of New York was then 5%. The commodity prices were highly inflated and were at a level substantially higher than before the war. The price of gold was also increased because of the power of the Government over the money market were distinctly limited compared with the power of the Government over the price level. In these times, how- ever, the Treasury did not have a net out of $12,300,000,000 in gold and silver coins. This figure was $2,300,000,000 short. The total gold output of the United States during the last 25 years. In the first place, in 1930 the indebtedness of the member banks to the Reserve banks amounted to $7,712,000,000, as against a mere $5,000,000 today. The discount rate of the Federal Reserve Bank of New York was then 5%.
BANKERS’ CONVENTION

well, and it operated satisfactorily so long as the international financial and political situation was more or less normal. Complete abandonment of the gold standard and the isolation of the United States from the rest of the world, as it has been since the War, would lead to a considerable degree of international discord and would be accompanied by serious difficulties.

A number of recent writers have suggested that Germany has discovered the answer, which is that war is a matter of national defense, and that it is based on the purchase of obligations is not only undesirable but also dangerous.

Financing the National Defense Program

By W. RANDOLPH RUGGLES, Vice-Chairman of the Board of The National City Bank of New York

A number of years ago bankers, business men, and economists were seriously worried because the United States Government was failing to balance its budget. There were predictions of a breakdown of Government credit and inflation. That was a perfectly reasonable belief, for the history of Governments has been so black a record that the average man has come to believe that the wages of financial sin is death. Yet for nine years now the budget of this Government has been seriously out of balance. We are looking forward to still a larger deficit in the current fiscal year and as far as we can see into the future years to come, that deficit will be a matter of serious concern.

Government bonds are selling at approximately the lowest yields of all time, and it would now appear that the Government can borrow money at a very low interest rate, and all the money it is likely to need.

The Government borrows, by virtue of our extraordinary complacency in these unusual circumstances, Hermann Bohlke has written: "I am sure that the wages of financial sin is death. Yet for nine years now the budget of this Government has been seriously out of balance. We are looking forward to still a larger deficit in the current fiscal year and as far as we can see into the future years to come, that deficit will be a matter of serious concern."
There are other examples arising constantly in recent discussions of legislation before Congress, such as the proposal to take over plants for the defense program by force rather than establishing conditions for and a spirit of cooperation.

Certain compulsions beyond those of peace-time are unquestionably required in time of war and emergency, but how far must they go? If there must be the complete regimentation of the lives of the people? I believe there is, and that it is to be found in the capacity of a democracy for analyzing its problems and for subjecting itself voluntarily to the disciplines required by the situation. It is our democratic faith that a people enlightened will win wars from people enslaved by its Government. Woodrow Wilson stated it: "The highest and best form of efficiency is the spontaneous cooperation of a free people."

It is worth recalling that we fought and won the last war in this general way, and that the inflation in this country was limited, at least in the measure, by deliberate, if not self-restraint. We limited the expansion of bank credit in two ways: first, by the Liberty Loan campaigns, through which a considerable part of war costs was met out of savings rather than bank credit, and second by voluntary curtailment of enterprise requiring credit. One of the special restrictions which appeared at this period was that the Treasury's money was that the Government did not borrow directly from the central bank, although the newly-created Federal Reserve System was available as a facility which might have been abused.

On looking back at the war experience we can now see that there were a number of other steps which might have been taken which would in retrospect have limited the inflation. The most important lapse, perhaps, was that we were not sufficiently conscious of the price problem; and business, labor, and government did not resist sufficiently the upward spiral of costs and prices. We are now fortunately much more conscious of that problem, and there has already been definite voluntary resistance to upward price movements. We are, moreover, starting this defense program with a level of tax rates in effect far higher than was true at the beginning of the last war; so that in any period of expansion we should be likely to collect taxes more rapidly.

A more important difference still between the present position and that of the World War is that we start this period of national defense with substantial unemployment, with large excess supplies of food and raw materials, and with the volume of industrial production not the country's requirements. That is a distinction which should greatly affect the policies to be adopted. For if we revert to our formula, which was that inflation took place when purchasing power increased more rapidly than production, this country has today the facilities by which a further increase in purchasing power can be paralleled by largely increased production. Hence inflation should be easier to avoid. In theory at least there is no inherent reason why a $5,000,000,000,000-a-year defense program should not be added to our present national production without substantial decreases in the total of production for other purposes. We have the labor, we have the money in superabundance, and we have the engineering and business ability.

Our industrial position is quite different from that of Germany or England, for those two countries are working at approximately maximum capacity, and they can only produce additional war materials by reducing their production and consumption in other directions. What they need is a redistribution of their national effort. What we need is a stimulation of our total national effort. While England and Germany may require methods which will cut down the nation's consumption in one direction or another for the defense program, we do not need as yet to cut down our national consumption, but rather to increase it. We have been suffering from underestimation, and that is still our problem. Our need is not for initiative, enterprise, hard work, increased production. We face a problem of limitations rather than a problem of limitation. Two qualifications, however, must be made. The first is that, while as a whole we have excess production potentials, there are many areas in which the defense program...
will require diversion of skilled men and machines. Where defense and peace-time programs clash defense must come first. Our guiding principle cannot be "business as usual." We face a situation as critical as though we were actually at war, for our avoidance of war and our future position is imperiled by the determinations of the world's political leaders. Our defense program is laggard, held back by red tape, technicalities, a failure to put first things first. Nothing must now stand in its way. Concentration on this program means readjustments by business, labor and government, some of them painful and laborious. It remains a question whether we can make these readjustments rapidly enough to meet the emergency, and do it without so damaging our economic machinery as to impair productive power in other directions.

The second qualification to stimulation as an objective is that we launch our defense program an unduly unbalanced, which could become inflationary. Our present bank credit and national debt, and our surplus of bank funds are at ludicrously swollen figures. Our defense spending is piled on top of a huge annual budgetary deficit. We have been on a wild governmental spending spree and our habits and power of control are impaired. As a people we have not suffered the usual consequences of these aberrations and have come to believe we never will—a highly dangerous frame of mind.

Thus our present problem is not simple but complex. We need first and foremost stimulation—increased output. But we must proceed by a program that will not be accompanied by increases of our loose fiscal and monetary policies and powers.

One way of picturing to ourselves this confusing situation in which we find ourselves is to attempt to visualize two alternative courses which now appear to be open to this country.

The first is to continue the way we have been going; that is, to continue in the depression which has now lasted for nearly 30 years, with continued large unemployment as a moral and social as well as economic drain on the whole country. In this situation and without substantial recovery the defense program would be an added burden. If that program can be carried through only by a decrease of other production and other consumption it means a further decrease in the standard of living, a decrease which might be socially dangerous at a time of large unemployment and sub-standard consumption in many population groups of the first and less active and less productive elements of the defense effort. This course would leave us at the conclusion of war with a greatly weakened economy.

A gloomy outlook indeed, but not an impossible one. If we continue to follow public policies which discourage business enterprise, and if in a zeal to avoid inflation and check occurrences of price-fixerings we put a premium on production and consumption we may find ourselves, after some temporary lift, in continued depression.

The second alternative is that, under the stimulus of the defense program we might again put the whole Nation to work; so that the defense program is added to and not subtracted from our present output. If we thus lift the total national income there will be large increases in Government tax receipts, and decreases in unemployment which should make possible large reductions in relief expenditures and thus bring the budget nearer to balance and lessen technical causes for inflation. But more important still, a nation and whole economy with the drain of unemployment is a more effective nation both for defense and for progress.

The pursuit of this second course might indeed lead us to the point where over-expansion and inflation, resulting from the more active use of money already created, might become a real danger and not just a bugaboo. We should have to be alert to see its approach and try to avoid it, but only when it really threatened. The machinery should be prepared in advance.

Clearly the second course is the only sane choice. If we prefer it we must seek it consciously and intelligently. That means: First of all, (1) the encouragement of enter¬prise and production, and (2) the operation of government under control the potential factors of inflation.

What are the essential steps of public policy which must be taken to make progress in these directions? As to the encouragement of enterprise the story is long and familiar, but it certainly includes the need of a vigorous and active approach to the economic weaknesses of the period. We need comprehensive and technical rulings and laws. We need a revision of the Labor Relations Act to give the employer as well as the employees a square deal. At a time when the all-important task is to increase efficiency and production, we would do well to consider the effects of mandatory provisions of the Wagner act rather than to continue the restraints on union payments and payment of overtime, which tend to raise costs and prices both to the Government and to the general public. We need railroad legislation to help clear up the debris of insolvencies. We need revision of the Utility Holding Com¬pany Act to open the way for the utilities to finance, through the open market, additions and improvements. We need an intelligent and sympathetic administration of these and other laws. We need a careful revision of tax laws to encourage and not discourage enterprise.

But on the other side of the picture we must begin to put our house in order against the time when expansion may be followed by over-expansion and inflation. Here again all that can be done within the compass of this dis¬cusison is to suggest somewhat dogmatically several avenues in which action is desirable. We surely must get the Government budget under better control, and should make a beginning at cutting expenses outside the defense program. We must begin to get some recovery in business activity that should not be too difficult. Likewise this is no time to be launching forth on costly long-term State, city, and county undertakings which will place added burdens on the tax¬payer and compete with the Federal Government in the markets for labor and supplies. The mechanisms of mon¬etary control greatly distorted by the depression legislation need overhauling. In particular it is unnecessarily danger¬ous and disturbing to confidence to continue on the statute book power for the President to issue $5,000,000,000 green¬backs solely at his own discretion. In similar position are the recent attempts to bring about a movement in our currency to silver and the power to devalue the dollar still further. The repeal of these powers will concentrate monetary con¬trols more fully in the Federal Reserve System, where they belong. The Federal Reserve legislation itself needs review as to the System's real independence of politics and the adequacy of the act itself and of an enabling act.

We need to begin to watch more carefully the movement of prices. Theoretically an argument may be made for a somewhat higher price level. Practically an upward move¬ment is so difficult to control once it gets under way, and dislocations of the whole cost structure are so disturbing, that it is possible to argue that the goal of our current monetary policy, recovery rather than higher prices. But nowhere is it more important to keep our processes within the democratic framework, for price-fixing is a highly dangerous process. We should certainly review those acts of Congress which have created in several spheres the machinery of monopoly to raise prices deliberately. The best way to avoid price inflation is to produce abundantly.

The mechanism of financing the defense program needs study. If inflation really threatens we need to collect more taxes, sell bonds to savers rather than banks. We ought now to finance defense industries as far as possible pri¬vately rather than with Government funds.

But here, in the case of taxes especially, we run into trouble. For our two objectives are contradictory. Stimu¬lation requires lowering some tax rates, control of inflation requires high rates. Actually the contradiction is less than it appears, for some of the present rates are so high that they seem to be unrealistic. The contradiction is that they penalize the operation taxed to a point where it is avoided and tax returns thereby reduced. At present any conflict should be resolved in favor of stimulation rather than control. The inflation danger is latent, not immediate. It must be pre¬pared for, but it is too early to put repressive controls into effect. If we are right, for example, we will help to let people earn some money before we take it away.
Serious difficulties in lending for defense, but they are difficulties we should seek to surmount. Let me summarize by suggesting still another approach to this situation. We have been looking for a new industry, other people have been looking like automobiles, lend out of the promised land. Many have felt that only so could we get our unemployed to work, get the wheels of industry stirring, and get the national income up. Here is a new industry in the form of a defense program—a truculent sort of a leader, but one on which the Nation can again unite after some of these bickering and dissipation and looking for scapegoats. We all know we must get results and must operate efficiently. For our place as a Nation and the preservation of our way of life is in the balance.

Can we rise to this challenge? Have we the energy, initiative, and national unity for the speed of output we must have? Can we act calmly and reasonably so as to carry forward this new activity without disrupting the economic machine? If the wheels start turning too fast we have the wisdom and courage to keep it under control. And can we do this within the framework of democracy? These are our problems.
that credit files properly built and maintained will furnish an element of assurance and strength. These files bring to the business of extending credit a degree of certainty that may be relied on to hold losses at a minimum.

With the desirability of making every effort to this end is found in the loss figure for all members of the Federal Reserve System for the six years ended in 1937. An inquiry directed so bankers of the United States con- firmed that they are not equipped with proper credit information.

One of the most important and worthwhile undertakings of the National Bank Division is to show bankers the necessity for adequate credit files and to show that the neglect and maintenance of these is neither difficult nor expensive. The slogan, "More profits through less losses by use of adequate credit files," was adopted by the Division. Several conferences were held with the Comptroller’s office and this program was given hearty approval and full cooperation by the Department. Examiners were furnished with a set of statements blanks, six in each set. These forms were adopted after two years of intensive research by the Bank Management Committee of the American Bankers Association. There are six of these—corporation, partnership, individual, stockman, farmer and small loan—prepared in a discussion and answer form, which makes it easier for the borrower to fill out and give complete facts regarding his assets and liabilities.

Examiners were instructed to explain the use of these blanks to those institutions lacking credit file facilities. These forms are available at a nominal price at American Bankers Association headquarters in New York. Correspondence and mail from banks throughout the Nation for copies of these forms indicate the interest aroused and forced a practical aid to proper discrimination between desirable and undesirable credit risks. It is equally important that officers be trained in the handling of the investment portfolio and that each security owned be supported by adequate credit information and an efficient system of continuous review.

The contention that the ratio of capital funds to deposits must be uniform in all banks fails to find much support in fact, and even in theory it would be difficult to uphold. Contrasted with the fixed ratio idea is the immediate reaction that the efficiency of assets should be judged by their character more than by their volume. Assets quickly and conveniently convertible into cash, in spite of any theories that they must be held, are more valuable than less liquid ones to a bank attempting to meet withdrawal demands.

The most bank is not necessarily the one with the lowest ratio, but it is certainly the one with the safest loans and investments. Protection is based on quality. Figure alone do not provide protection, nor are they inferred my belief that many banks are not equipped with proper credit information.

The National Bank Division created a special committee to make a study. The committee disclosed that apparently there is a hesitancy on the part of certain banks to adopt a formula for uniform fixed ratio. A more discriminating attitude seems to be developed that the most effective method of investment control is the one which measures actual progress.

President Earl Cook, in his annual report last year, called attention to the liability of banks to obtain assignments of proceeds of Government contracts as security for loans, making impossible to many instances the granting of loans which under other circumstances would be highly desirable. Apparently, the most that can be done at the present time is the instructions with the Government to have the contractors’ checks sent to the banks, though in many cases this is unsatisfactory.

The desirability of an amendment to the statute is even greater today than it was a year ago when the Division’s Executive Committee studied this matter. Government supervisory authorities recognize the handicap. This has been given some thought and study by members of Congress, and there seems to be a possibility that before this session of Congress closes the

law will be amended so as to permit such assignment of contracts. This matter is having the close attention of the American Bankers Association’s Committee on Federal Legislation.

We have had a great leader this year in the person of Robert M. Burns who has served so much of the past 12 months in serving banking. The enlarged program which he initiated will be productive of dividends to all of us in the years to come. In his worthwhile efforts he had the complete support of able and capable associates headed by Dr. Harold Stull.

It is a pleasure to express appreciation to our Secretary, Mr. Mount- joy. Not alone has he been diplomatic, but his grasp of banking operation and problems make him more valuable to our Division each year. I commend him for his labor and loyalty in your behalf.

Whether or not banking will remain in private hands will depend on the wisdom of the men who are today managing the banks of the country. If unsound loans are made we shall get into trouble. If we refuse to make good loans, we shall get into trouble. There is the happy middle path and the bank must trend it.

The National Bank Division of the American Bankers Association renders its full cooperation in whatever ways will serve our country best. As an individual and as President of the National Bank Division, I want to en- dorse heartily the worthwhile and timely statement of Preston Dulaney, Comptroller of the Currency:

"I think I may say that the men who are responsible for the destinies of the 5,200 National banks appreciate the importance of the preservation of the American way of life and for their part are ready to take up the challenge. The National Banking System has never been stronger. The resources of the banks now total more than $30,000,000,000. Their assets are in the best condition in his history and there is a surplus of allowance for bad debts which has never been greater. They are in the best condition in their history and have never been more ready to serve the country.

"The saving banks, almost 5,000 in number, are of secondary importance. Their assets total more than $5,000,000,000. They are in such condition that their resources are ample to care for any emergency. Their assets are in such condition that they can provide for any emergency. They have been tested by distress, and are we a veteran and seasoned personal capable of meeting any crisis.

"There may be a grave trial ahead of us. There may be suffering and distress, but I feel certain that the bankers of the United States are ready, as once before in a dark hour their forebears were ready, to pledge the service of this Republic their lives, their fortunes and their scarlet honor."

It has been my policy to take no action on matters affecting your interest without consultation with the entire Executive Committee and other interested, sound-thinking national bankers. We are deeply indebted to all of the 2,000 member committees who have wholeheartedly cooperated in the administration of your affairs, and our deep and everlasting thanks are due each of them for a job well done. It has been a pleasure to work with them and cooperate with them in stabilizing the draft, and left us a veteran and seasoned personal capable of meeting any crisis.

Newly Elected Officers

Andrew Price, President of the National Bank of Commerce, Seattle, Wash., was duly elected President of the National Bank Division at the annual meeting of the Division, held on Sept. 23, Mr. Price was advanced from the position of Vice-President.

W. C. Bowman, President of the First National Bank, Montgomery, Ala., was advanced from Chairman of the Executive Committee to Vice-President of the Division.

S. A. Hall, Vice-President, First National Bank, Louisville, Ky., was elected Chairman of the Executive Committee of the Division.

Four bankers were elected to membership on the Division’s Executive Committee:


C. S. Will, President, Third National Bank, Clevesville, Ohio.

R. Toland Williams, Executive Vice-President, First National Bank, Atlanta, Ga., and

Our Part in A Changed World

By William A. McDonnell, Executive Vice-President

This is a greatly changed world from that which we knew one year ago when we met at Seattle. A lot of history has been crammed into those 12 months. We have been and are now passing through a swiftly moving epoch, for the Four Horsemen ride again—this time on wings. In September, 1939, there was a Poland, a Finland, a Denmark, a Norway, a Holland, a Belgium, a Luxemburg, and a France; there was a Latvia, an Estonia, and a Lithuania. Today these countries exist in name only, tragic shadows of nations once free. What other names may be added to this long roster none can foretell, for as aviators say, the ceiling is low. Of all of the proud democracies of Europe we knew 12 months ago only three remain unconquered: Sweden and Switzerland, both virtually helpless and existing only by suffering; and England, who fights grimly for her life against tremendous odds.

And although thus far our own country has been fortunate enough to escape being drawn into this consuming maelstrom of destruction, nevertheless we have felt its impact. It is a changed world, not only for Europe, but for us too. For during these 12 months we have been rudely awakened from a sweet dream of security and peace—a dream that our oceans are too wide, our strength and resources too great, and our people too brave for it ever to happen here.

We know now that all of this was but an illusion, and that it was not so much our own strength or the width of our oceans that protected us, but rather the might of our strong and friendly neighbor. And now that that friend is faced with possible destruction, we awaken from that long dream with a shock and face the grim fact that it could happen here, too. Gone is the dream that to have peace we need only desire it; gone the dream that there is strength in isolation; gone the dream that disarmament is a virtue and that moral forces unarmedit have any value among nations.

History teaches that nations pass through cycles of life just as mankind does; they are born, they grow vigorous in their youth, they achieve great strength and wisdom in the fullness of their maturity, they grow old and feeble, and eventually they die. So it was with all the great nations of antiquity: Babylonia, Assyria, Persia, Macedon, Egypt, Greece, and Rome. So it is proving to be with Spain and France. So it will be with England; if not soon, then later, for the law of the cycle of life is immutable. Our country, too, is going through that cycle, and we have just passed through one phase of national life and have entered another. For in this year 1940 the United States have come of age. We are no longer a "kid" nation; we have arrived at maturity, and whether we wish it or not, we must assume the responsibilities of that maturity. These responsibilities are many, but the greatest is that of carrying the torch of democracy in what has suddenly turned into a pirate world. For whether, in the death of The Commercial National Bank, Little Rock, Ark.

Our Part in a Changed World

struggle now going on across the water, England is crushed or staggered through to an ultimate victory, as we must earnestly hope and pray, it is certain that in either event younger and stronger hands must hereafter guard the flame of freedom.

Yes, the world for us has suddenly changed, and the hand of destiny has placed on America the responsibility of world leadership. Has this fact any greater significance for bankers than for those in other pursuitis? Yes, very definitely so. For while in the new responsibilities which lie ahead for our country, each citizen, no matter what his station in life, must have some part. The bankers of America will have a very special part to perform. The Nation's responsibility in this new era is to preserve democracy in government as an example to the world. Our part of that responsibility is to preserve democracy in banking, to preserve our independent credit system, without which there can be no democracy in government.

How shall we go about performing this part? Will it be a spectacular program? Not at all. It will consist mainly of doing better than we have ever done before a lot of little things. In comparison with the momentous world events of the hour, the tasks ahead for each of us may seem trivial. And yet, even in those days of streamer headlines, the commonplace things of life must go on.

I have a friend in Little Rock named Merrick Moore, a brilliant lawyer and the son of one. Merrick is of a serious temperament, and is a man of few but well-chosen words. Some years ago Mrs. McDonnell and I were spending a vacation in Denver, during which we ran into Merrick and his wife, Rebecca. One day the four of us decided upon an automobile trip to Estes Park. Merrick drove, I sat beside him, and the two wives, Rebecca and Carolyn, were on the back seat. Going up the valley of the Big Thompson, a few miles out of Estes Park, Rebecca leaned over and said: "Merrick, as soon as we get to Estes Park Carolyn and I want to stop at the first store." In the course of the next few miles she repeated the request several times, and as we came up out of the valley and the majestic snow-capped mountains suddenly loomed up before us, she said: "Merrick, don't forget we want to stop at the first store." Merrick, who hadn't said anything before, and who was getting a little irritated, half turned and said: "What is it that you girls are so anxious to get at a store?" Rebecca said: "Carolyn and I are hungry. We want to buy some cracker-jack." With that Merrick stopped the car, pointed at the mountains and exploded: "My God! Here we are in the very shadow of the Great Continental Divide, and you speak to me of cracker-jack!"

No matter what the course of world events, life continues to be made up largely of cracker-jack, and even though empires may be rising and falling, our duty as bankers consists principally of doing well the little things which make up our business.
The preservation of the American system of banking can be accomplished only by (1) improving it from within, and (2) protecting it from without. If we are to improve our system from within year by year, we must know our banks. We must recognize that our banking system is not, and cannot be permitted to become, a fixed, inflexible, and infallible thing; that at least an American form of government of which it is a part, this system is, and must be if it is to retain its present form, a growing, evolving, dynamic system.

We must approach our work with the research attitude of mind; that attitude involved in C. F. Ratterier's definition, when he said in substance that research is the frame of mind you get into when you want to know what you are going to do when you can no longer keep on doing what you have been doing. It is the attitude that the best of yesterday is not good enough for today; that the only thing certain about tomorrow is that it will be different from today, and that if we do not voluntarily improve our business from within, such improvements will be forced upon us from without. The very nature of the banking business makes it difficult for us to reach and maintain such a flexible mental approach to our problems. We must acquire such an attitude, however, if we are to do our part in this changing world.

With this research attitude of mind, we must continually subject to critical and analytical examination everything pertaining to our banks. We must know our personnel and recognize that public relations begin at home with personnel relations. We must know our accounting and bookkeeping, our machinery, our costs. We must know our credits, our credit opportunities and our credit responsibilities. We must know our customers and our public, and as a corollary to that, our civic responsibilities. These things about our business we must know intimately and thoroughly if we are to improve the American banking system from within.

If we are to accomplish our task, we must know our fellow-banker relations, because that protection can be gained only by united effort. The banker who would play the "lone wolf," who does not take an active and cooperative interest in the affairs of his State Association and the American Bankers Association, can no longer be considered a good banker, no matter how sound his judgment or how high his integrity.

For it is through our State Associations and the American Bankers Association that we can best make these improvements from within, and it is through them alone that we can protect the independence of our system against encroachments from without. These associations of ours are in fact a part of the American banking system. Through them we have achieved by cooperation what is attained under the more highly centralized banking systems of other countries only by executive order or legislative act. Through them we have successfully resisted, in a major part at least, repeated attempts to destroy or weaken the independence of our credit system. Through them, and through them alone, can we hope to perform faithfully our part in this changing world.

Attacks upon the American system of banking will be renewed in the years that lie ahead. We may expect to hear the same criticisms that have been hurled in the past: the system is too complex and loosely connected; it is a vestigal remainder from the horse and buggy days; it prevents adequate credit control and can no longer finance an economy as vast and diversified as that of the United States. Think how much better it would be, say these critics, if we had been as France in this country, a Bank of the United States, with branches. Think of the advantages: no bank failures, uniformity in interest rates, service charges, opening and closing hours—in fact, in everything; all bad competitive practices eliminated; no over-banked conditions and yet no bankless towns; greater economy of supervision. How efficient and how simple! So runs the argument which we have heard and which we shall hear again. Do you know to whom the child should be? Just this: Yes, such a system would be simple, as simple as a totalitarian State, which is the simplest form of government ever conceived by man. If you are looking for simplicity in government or in banking, don't expect to find it in a democracy. Whenever you set up a government based on the premise that the individual is supreme and that the State has only such powers as may be delegated to it by the people, and you endeavor to provide checks and balances designed to keep such a government from falling to pieces, you do not arrive at anything simple. Democracy is a complex thing, and at the heart of every democratic system, which itself is necessarily complex. An obstacle to credit control? Yes, it was designed to be just that—an obstacle to that control which would lead to socialization of credit. Our forefathers planned it that way. The American system of banking is no more perfect than the American system of government. Both are growing, changing systems, with imperfections which correct themselves by evolutionary processes.

The 1930's constituted a tempestuous decade for American bankers and the American banking system. We had about every type of trial and test that there is in the catalog of banking experiences. In reviewing those years we would be justified in boasting that we had met and solved everything there was to be encountered in the way of banking problems. That may be true, and yet from the way in which the new decade has started out, there are indications that the "Dixie Thirties" were but a temporary period, in preparation for the responsibilities of the Forties.

If that should prove to be so, if the problems ahead should turn out to be greater and more difficult than those behind, we are ready. Certainly we have been toughened by what we have been through: we have learned how to roll with the punches; we have learned the value and absolute necessity of association strength as we never knew it before. We are united, we are strong, we are confident, we are ready.

It is well that we are, for our form of government is now facing its most crucial test: the test of whether democracy can successfully wage war, either economic or military, upon totalitarianism without destroying itself. To meet that test we have entered upon a vast program of rearmament. The wealth of the Nation and its industrial genius are being brought together and focused on the speed building of guns, machinery, ships, and airplanes. But if we are successful in preserving our independence and our way of life, it will take more than simply a rearmament of our material resources; there must be a marshaling of spiritual forces, a revitalizing of our democratic concepts, a revival of our democratic faith. We must build a citadel of freedom so strong that no tyrant or combination of tyrants will dare question our right to enjoy it or our ability to defend it.

One of the foundation-stones of that stronghold must be an independent credit and banking system. To preserve that system militantly, to improve it constantly to the end that it may adequately serve the needs of our country, to drive home to the American people and keep before them the simple truth that without such an independent system there can be no lasting freedom—these are our responsibilities. They constitute our part in this changed world.
STATE BANK DIVISION.

The System of Free Enterprise

Excerpts From Address by Dr. William A. Irvin, National Educational Director, American Institute of Banking Section, American Bankers Association

... When we speak of the system of free enterprise, we mean that economic systems, under which the right to own property, the right to buy and sell property, the right to engage in business activity in itself upon direction by agencies of government; in which freedom of competition is almost universally permitted; in which the courts are used as a means between or among members of ownership rights and personal property; in which the rights and privileges of private property are respected and protected by law... Freedom of competition is a system, not an organization itself. Under this system the world has seen a development of economic well-being unparalleled in history. This is largely due to the fact that there is no one group or individual that is big enough to own all the tools of production, to decide what shall be produced, and to prevent the competition of this production. This is the main reason why the whole system is called the system of free enterprise. And it is this system that has been so universally practiced, not only in the great mass of people, but also in the free world. Without this system, there is no way to prevent concentration of wealth in the hands of the few instead of equally among the many. These arguments and criticisms were originally stated by many leaders in this country and the world. The system of free enterprise has spread throughout the world, and the world is called the system of free enterprise. We have seen this system work in many countries and it is also the system of free enterprise in the world. It is a system that has been used all over the world, and it is the system that has been used in the world. The system of free enterprise has been used in all countries, and it is the system that has been used in all countries. The system of free enterprise is the system that has been used in all countries, and it is the system that has been used in all countries. 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BANKERS' CONVENTION

The State Legislation has been keenly alert in doing all that has been possible in the promotion of the Bank, although much work remains to be done. The legislative session bills held since the Association became was not unimportant. Steady progress towards the State systems have been due in part, no doubt, to the unswerving action of the Association machinery of interest with other agencies of the Association.

The enforcement of agreements among banks, particularly in regions devoted to agriculture, has been set forth in reports prepared by our Farm Credit Organization. The Federal Supervisory Agency has made a valuable study of the powers, opportunities, and responsibilities of the Federal Reserve System in this connection, having particular reference to the duplication of supervision as it affects State banks. The Committee on the American System of Banking, whose hearings have already been mentioned, has advisedly referred to, has been engaged in the compilation of information of a historic and interesting nature, and the committee referring to the defense of the dual system of banking, and against unification into one system under the Federal Reserve, is working for the coordination laws of banking in line with the well-known position of the American Bankers Association.

It may be observed that the problems confronting the banking business today is disconcerting even to the uninitiated. These problems, for the most part, are not of the banker's making but have grown out of conditions existing to the great depression and to efforts that have been made, under government supervision, to bring about economic recovery. The fact that such actions were well-intentioned and, to a large extent, abortive, do not make the recovery upon the national economic data, including banks, any less severe. Distortions in the business field, however, caused, has definite and certain results on our banking structure which by its very nature is the nerve center of all economic activity.

By reason of important trends in recent years, expressed in a new and rapidly to government, every step of the policy-making and interests, and to the Federal Government in action of the members of the State. Our political set-up itself involves the dual principle of banking, and the nation is entitled to the development of financial and political power in closed fields; in road building, educational programs, health promotion and other things, we have no need that banks be established and supervised. If the economy of the new life of defense.

The heart of the banking structure in the financial field a principle which runs through the American constitution and is recognized in all countries of the world, a respect for property, in its various forms, is the essential interest.

As an annual convention at Seattle last year the American Bankers Association unanimously adopted the following declaration:

Today, examinations by the Comptroller of the Currency or the Federal Reserve System, or a State banking department, of a Federal Deposit Insurance Corporation as a basis for continuing deposit insurance for any Member Bank is an essential and important cog in the domestic financial machinery. When examinations by State banking departments do not operate, the system is endangered and impractical. We will not for a moment dispense the fine work by the FDIC in establishing the system and building confidence among bank depositors. However, a steady practice of examining and supervising all banks, and not just the member banks of the Federal Reserve System, will help to maintain this confidence in the financial system of the country.

One of the most important points of the report is the statement that the deposit insurance system is not a substitute for prudential supervision. Our examination system has been strengthened and improved, and the Federal Reserve System will continue to do its best to keep the banks sound. The FDIC has given the banks confidence, and the Federal Reserve System has given the people confidence. It is up to us to maintain it; it is up to us to maintain it.

In recent years steady encroachment has been made upon the integrity of State banking systems. Their dignity and authority have been reduced until, along some lines, the viability principle has almost been reduced to a practical proposition. The checks and balances long maintained as an essential factor in any effective governmental system have been reduced to a minimum. When the State and Federal systems are considered as a whole, the situation is critical.

The impact of the depression and the measures taken to reestablish confidence in the banking system have resulted in a number of changes in the regulatory framework. The FDIC has been created to provide a more uniform and comprehensive approach to the regulation of state-chartered banks.

The FDIC is a federal agency that was established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. Its main role is to protect the accounts of depositors in failed banks and to maintain stability in the banking system. The FDIC also provides assistance to thrifts and credit unions in the event of their failure.

The FDIC has several important responsibilities. One of its key functions is to supervise and examine state-chartered banks. It does this by conducting regular examinations of the banks to ensure that they are operating in a safe and sound manner. If a bank is found to be in poor financial condition, the FDIC has the authority to take corrective action, such as appointing a receiver orliquidator to wind up the bank's affairs.

The FDIC also regulates banks' capital adequacy, which is the amount of capital a bank is required to hold in relation to its total assets. This ensures that banks have enough capital to cover unexpected losses and remain solvent.

In addition, the FDIC collects and uses information about banks to help it make decisions about bank closures and other matters. It also provides financial assistance to banks that are in distress, such as by guaranteeing their debts to investors and creditors.

The FDIC was created in response to the savings and loan crisis of the 1980s, which caused a number of banks and thrifts to fail. Without the FDIC, depositors would have lost their savings, and the banking system could have been disrupted. The FDIC has been successful in preventing the kind of systemic failure that occurred during the savings and loan crisis.

In conclusion, the FDIC plays a critical role in maintaining stability in the banking system by ensuring that banks operate in a safe and sound manner and by providing assistance to banks that are in distress. Its actions help to protect the savings of depositors and maintain confidence in the financial system.
The Function of Savings in a Dynamic Society

By DR. PAUL F. CARMAN, Economist
American Bankers Association

It is increasingly evident that the rights of private property must be respected if we are to maintain a democratic form of government. A free people exercising a maximum degree of political liberty and conducting their economic affairs with a minimum of Government interference must be able to possess property in any and all forms with reasonable assurance that it will not be confiscated by Government decree. Nor is the term private property to be limited to the household goods and chattels which are considered essential to the American standard of living. The right to unrestricted ownership in real estate, improved and unimproved; in stocks, bonds, mortgages and other values, tangible and intangible, is a definite connotation in the term private property as employed in modern American life.

Long ago Chief Justice Marshall said that the power to tax was the power to destroy. The dictum is, if possible, more true today than it was at the time it was uttered. The twentieth century has witnessed the progress of taxation in all forms, but notably on income and inheritance, to the point of confiscation. By a long series of legislative enactments it has been decreed that no person shall possess or enjoy more than a certain amount of income or inherited property. The levies now run to more than 70% in the higher brackets. But notwithstanding the popular opinion to the contrary, the number of wealthy people in this country has never been large in relation to the total population. We have been and are a people of moderate means, the average of which enjoys a standard of living substantially higher than that of the world at large.

Many explanations for the prosperity of America have been propounded: It is a vast area threatened by no warlike neighbors; richly endowed with natural resources; blessed with an equitable climate; peopled by a virile race, whose vigor stems in part from the interbreeding of many races. But as powerful as these forces are, they would not have sufficed to build the greatest wealth-producing facilities in the world had we not been able to accumulate, during a century and one-half, a vast store of capital. This in the last analysis is neither money, nor stocks, nor bonds, nor any similar device, but real wealth in terms of improved and developed land, factories, tools, railroads, highways, harbors, buildings of all types, and the stores of consumers' goods such as food and clothing which are in the constant process of being produced and consumed.

The development of the United States really began, and has ever since paralleled the Industrial Revolution, the era of the rapid development of machinery and power in all utilizable forms. The immense accumulation of real capital is due, furthermore, in a certain measure to the corporate form of industry and to large-scale production. There are three types of saving which have contributed, each in its own way, to the great reservoir of capital which quickens our whole economic life. First in importance, historically and in present-day significance, are the savings of individuals. To be sure the total of this type may now be the smallest of the three. The second, more recent in origin, are the savings of corporate enterprises, which appear in forms too numerous to be reviewed. The third is the contribution of government, less tangible and far more subject to controversy: the protection which government gives to individuals, to enterprise and to private property through the police, the courts, and other similar agencies; the further protection inherent in public education, public health, public safety and similar devices; and finally the actual physical facilities provided by the Government in the form of communications—postal, highways, airports, rivers and harbors, and other similar assets which constitute a part of the working capital of the country. Partisanship, prejudice, and even natural enthusiasm will lay the principal emphasis on one or the others of these three types of saving. But the judgment of history will probably accord to each a highly significant place in the social edifice which we call American civilization.

Unhappily the time allotted to this brief review does not permit the intimate development of more than one phase of the saving which has made possible the building of capital equipment theoretically estimated to be worth substantially more than $200,000,000,000. As bankers we are concerned with all three types of saving, for we purchase the bonds of governmental units which partially finance the Government's activities. We also buy the bonds of corporate enterprises and we lend for short periods something in excess of $50,000,000,000 annually for the working capital needs of business, large and small. But our most intimate contact on the human side is with the individual saver, some 4,000,000 of whom have actual savings accounts in our institutions, and more than 60,000,000 of whom have at least one life insurance policy in which they have a realizable cash equity. If we were able to compute the grand total which all life insurance holders and all savings depositors have contributed to the store of capital, we should have an extraordinarily vivid picture of the extent of individual saving.

At the risk of some chronological distortion it will be helpful to ask why more than one-half of our people have practised saving in some form or other since the earliest white settlement was founded. It would be easy to become involved in an ancient and ponderous discussion of the cause of saving. There is a fine-spin philosophical theory which holds that men deferred present satisfactions in order to have more and larger satisfactions at some future time. The abstentionist theory pictures men sacrificing present enjoyments for future satisfactions which may be more important or more intense. There is a considerable volume of speculation as to what influences have stimulated saving. It will not be useful to pause long over these psychological inquiries.

One or two notable facts stand out in bold relief above all of the sinuous speech of schools: No people in the history of mankind who have consumed all they produced have
ever progressed very far beyond a primitive economy. The practice of saving has had a profound effect both on the individual and on the society of which he is a part. The fundamental contribution which it made to the character of the individual was a sense of self-reliance and independence which revealed itself positively and effectively in the nature and character of his community. A society of self-reliant, independent individuals has always been vigorous, enterprising and creative. The word moral has been so misused and abused that one hesitates to employ it, but there was an attribute of sound character in the exercise of saving which early enabled men to differentiate between the conservers and the wasters, the builders and the spendthrifts, the reliable and the unreliable. Needless to say, saving as a virtue was sometimes perverted as have been all other virtues in human character. The miser in all degrees, from simple avarice to the whorem, everybody presents as pitiful a perversion as the saint who mortifies his body with whips. It is a peculiar fact that no physical or mental activity of man has escaped excess in some individuals, but as far as saving is concerned they are, and have always been, a negligible number of distortions.

With the birth and development of socialism in all of its many forms, there has been a steady exploitation of the idea that social organization should exist and flourish for the benefit of all; that the State should be the provider as well as the protector, and that the Government should be the dispenser of bounty over some thing always approaching an equitarian basis. Nearly 100 years ago, when Karl Marx was formulating his theory of so-called scientific socialism, as opposed to the utopianism of his day, men were dreaming of a world in which everybody would do what they could, and would have all they needed. Scores of inspired social evangelists were evoking gospels which had to do principally with the distribution of wealth. Man's search for an ideal commonwealth antedated Marx by centuries. Amos, Moses, Plato, Jesus, Augustine, Campenhalla, Bacon, Sir Thomas More, Fourier, Babeuf, St. Simon, Cabet, Considerant, Proudhon and countless other social architects had dreamed of perfect worlds in which everybody would have not only the fruits of his own labor but would share in the wealth produced by the more skilled, the more able, and the more intelligent.

Not one of these visionaries, and least of all Karl Marx, who held most of them in contempt, foresaw the crude and brutal form which socialism would actually take when it did finally arrive. But we have lived to see all of continental Europe and Russia living under that theory of government which rests on the principle that the State is a supreme end in itself and the individual only an incident to that end. The key word in socialism, from the very earliest origins of the idea, is control. It is the antithesis of freedom. For 100 years social reformers and pseudo-social-scientists have been exploiting the theories of socialism, slowly but surely winning converts. Almost stealthily but with terrifying persistence the rights of individuals have been curtailed and the powers of government have been exalted. In the process the State, always performing the legitimate functions of protector, has little by little assumed the role of director. More and more it deprives the individual of his property by the ever-increasing regulation of his personal affairs, and finally it robs him of his independence by assuming to give the security which he has hitherto been obliged to provide for himself.

The socialism of Stalin, Hitler and Mussolini present a wholesale demonstration of two logical conclusions which the social theorists did not anticipate: first, the arbitrary character of any government which exercises the powers of control; and second, the dependence of people who have learned to look to the State for support. The promise of security has lured men from the Initiative, self-reliance, and independence which have given society its finest qualities. Men have sold their personality—shall I say their souls?—for the illusion that the State is a god who will provide for all of their needs.

In America we have not escaped this devastating perversion. The organization of discontent, the marshaling of the unfortunate and the ineffective into pressure groups, and the appeal to the defeated and the hopeless has brought a very large number of our American citizens under the spell of State socialism. Some fraction, perhaps a third, a fourth, or a fifth, is on or near the margin of subsistence. By all of the subtleties of political persuasion the State promises them a more abundant life. Happily for them there are still necessities which may be purchased by the future producing wealth; and what is equally important, saving some of it. This working, saving citizenry is the sole and only source of the bounty which the Government so lavishly bestows. By tricks and devices devices, by unbalanced budgets and stupendous borrowing, the Government has laid a levy not only on the savings of every provident and hard-working individual, but on wealth which is not yet created and which it may take decades to produce. Yet that Government could not survive, nor could its bureaucrats batton on the luxuries of the functionaire class were it not for the backlog of dependable citizens who prefer to provide for their own security by their own efforts, present sacrifices, and the frugality which in part makes them the producers and conservers which they are.

In the modern mechanisms of our economic life we observe a phenomenon which is disturbing to many, namely: the stepwise decline in the interest rate. Once again the old question is being asked: will the return on capital fall so low that men will cease to save? There is considerable evidence that men will save without any return. It is conceivable that some will save at a loss. Some would pay a premium to have a certain sum surely available for their children's support in the form of retirement, medical, and insurance payments. There would be a pool of capital to meet the needs of the future, one in which there would be an operating surplus which could be invested at a low rate, but it will not be determined by it. The unreasoned monetary policy of an experimental decade may glut the money market; the public debt may rise through the fanciful pursuit of visionary progress to a point which indicates a future insolvency; little men may fret, fume and moan at the conservers and savers; but it is the provident who are steadily filling the reservoirs of capital on which our entire standard of living depends. When the future State with its little dictators and its uniformed directors owns and manages all industry, when it cracks the whip over a servile and dependent population, it will still be true that wealth cannot be distributed unless it is created, and that a portion of that which is created must be saved. This is the law of solvency inherent in nature itself, inevitable in man as in every species of plant and animal life. Fortunately for us, sound traits of character are not easily destroyed. The overwhelming majority of our people still work and save. It is they who give character, substance and reality to American democracy. In the long run they will reassert their independence, they will wearily of supporting the bureaucracy which interferes with and confiscates their property, restricts their rights, and destroys their opportunities. The custodians of capital in every phase of private finance have a solemn duty to care for, to encourage, and to believe in—the savers of America. They are the stuff and substance of a free people who hope to continue to enjoy both economic and political liberty.
the Division

COMMITTEE, OFFICERS' REPORTS—SAVINGS DIVISION

Address of President A. George Gilman, President and Chief Executive Officer, Little and Company, New York, N. Y., in 1917:

The annual meeting of the Association furnishes an opportunity for the membership to receive a report covering the activities of the Savings Division during the past fiscal year. The Division has been fortunate in the accomplishments of the year, together with long-range planning, without-
cost, and which is truly representative of the advancement of the savings

field. It has been possible to accumulate in all types of thrift institutions. This

takes our belief in the value of the program which the Savings

Division undertook a year ago. It contemplated increased activity for

liabilities is engaged in the development of our country. The wisdom of investing in banking

bonds in many of the securities at the prices then prevail-

cluded the national banks have a higher degree of ownership of real

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experience, paying fair dividends to depositors, and providing additions to the surplus of savings banks of this country.

I feel very strongly that savings bankers can benefit greatly by all of the courses offered by The Graduate School, but the Savers Bank major is of particular value, as it has in the past dealt very largely with mortgage and real estate problems.

7. A far keener comprehension of the banker’s personal responsibility toward his profession is created by The Graduate School. The Graduate School supplies the vehicle for the enforcement of mature study, deliberation and analysis of present-day problems in savings banking, which has now become an exceedingly difficult, highly exacting and specialized occupation.

The moving spirit of constructive action is everywhere present in The Graduate School. I have often heard students, important executives in their banks, resolve personally, while in class, to undertake improved methods of procedure in their own banks.

Intimate faculty association in class day after day and on the campus with men like Coburn, Martin, Fisher, Masie, Genos, Renon, Ruppel, Agger, Schwab, and many others, immeasurably stimulates thinking on problems of bank.

The Graduate School lifts a banker out of a limited banking sphere and makes him eager to revise antiquated methods and test out new ideas.

Let us hear the conclusion of the matter. As managers of banks interested in the savings business, let us each ask ourselves every morning: “If I were organizing a bank interested in the savings business today, what measures would I take to make it successful and to serve adequately all the people of the community?” The Savers Division, of which I have the honor to be the head for this brief period, is an integral part of the American Bankers Association. Never before in its history has it been so thoroughly organized to answer all the questions of banks as to education of employees, relations with depositors, relations with the public, deposits, investments, real estate mortgages. The Association has the material and personnel of service. Let us all use it.

May I suggest today to this representative group of bankers interested in the savings business that each and every one of us rededicate ourselves to a work in which most of us have given a lifetime of service—to assist and promote the accumulation of savings. Never in the history of our country has there been a time when it was more important to stress the importance of thrift and savings. What demands will be made upon our country in connection with the present world state of affairs, no one knows. It is safe to say there will be greater need than ever before for an accumulation of savings funds to assist our country in surviving any crisis.

Newly Elected Officers

Roy R. Marquardt, Vice-President of the First National Bank of Chicago, Ill., was advanced to the Presidency of the Savings Bank Division at the Annual meeting of the Division held on Sept. 23. Mr. Marquardt succeeds A. George Gillman, President, Maiden Savings Bank, Maiden, Mass., who had held the office of President during the past year.

Elected to the office of First Vice-President was Stuart C. Frasier, Vice-President of the Washington Mutual Savings Bank, Seattle, Wash. Mr. Gillman was made Chairman of the Division’s Committee on Federal Legislation.
TRUST DIVISION
AMERICAN BANKERS ASSOCIATION
Forty-Fourth Annual Meeting, Held at Atlantic City, N. J., Sept. 23, 1940

INDEX TO TRUST DIVISION.

The Job Ahead for Trust Service, by Merritt P. Callaway...Page 43
The Job Ahead for Trust Service, Robertson Grosfield..... 43
The Job Ahead for Trust Service—Investments, by Leon M. Little... 44
The Job Ahead for Trust Service, by Gilbert T. Stephenson...Page 45
The Job Ahead for Trust Service, by Samuel C. Waugh..... 46
Newly Elected Officers... 46

A Statement of Principles of Trust Institutions

The Job Ahead for Trust Service

By MERRITT P. CALLAWAY, Vice-President

[In this article, the author discusses the evolution of the role of trusteeships in American banks, particularly in the context of the Great Depression. The author argues for a more modern approach to trust services, emphasizing the importance of ethical conduct and the need for banks to align their institutional policies with those of their clients.]

The trusteeships developed logically from a public need. As wealth, and forms of wealth, increased and multiplied, the need for more than the individual could supply in length of life, made it necessary, and financial responsibility, brought the trusts corporation into being. Just as corporations, as we knew them, were developed by society for the better distribution of wealth from their beginnings in Greece and Rome, and made changed to fit conditions by the Dutch and English, so have we here, as a further and logical development, a variety of principles and functions entrusted to corporations. This public need has found its expression.

The business grew rapidly, more rapidly than the simplest principles and practices, in some particulars, could be learned from experience, and became universally accepted. We found ourselves involved, for instance, with the Bar, charged with practicing law or holding ourselves out to do so in our advertising. This was a troublesome question, and one upon which views and practices differed. Methods of competition between trust institutions themselves in some cases engendered bad feeling between the institutions, and began to develop a distrust of corporate trusteeship.

The climate came when, in the years just following the decade of 1929, there suddenly began violent attacks on trust institutions, and the idea of corporate trusteeship.agnosticism jumped joyously into the attack. We were accused of sacrificing the rights and interests of trustors to our own monetary interest and advantage; of dealing as trustees with ourselves; of taking the securities and mortgaging our own portfolios and placing them in trust; of holding out promises to secure business that we could not fulfill.

We knew these charges were unfair and, except in a few instances, not true. We knew that up to 1929 there was only one recorded instance of loss to a trust through the malfeasance of a trust institution. We knew that in all the stress and strain of a destructive depression, beginning in 1930 and forcing the closing of many banks, there were a few cases in which such things had occurred, but very few. We knew that the trust men of this country every day of their lives were discharging their duties with utmost fidelity and loyalty to trusts. We were hurt and resentful over these unfair and unfounded attacks. We knew, nevertheless, that however untrue, these widely published and vicious attacks were misleading the public and damaging the whole conception of corporate trusteeship.

Some trust men advertised answering these attacks through magazines and the press. Others thought this course would give publicity seeking writers an opportunity to play up continually these few instances in the effort to smear all trust institutions. And, after all, this group argued, we had no express, authoritative agreement, as to the correct principles that should govern trust institutions, upon which the institutions throughout the country had placed their stamp of approval, and by which they had agreed to be governed. They urged that a statement be formulated setting forth these principles, to be approved and adopted by the American Bankers Association and published as an official statement of principles and rules of conduct believed in, and governing the trust institutions of the entire country. This view prevailed, and from that idea we know as "A Statement of Principles of Trust Institutions" was born. Again, a just, a consistent, and a simple document. But, the business we should accept; the quality of our service; our relations with our constituents; the interest of the trust; the care and skill to be exercised; investment duties and functions; no interest in trust investments; no buying from or selling to trusts; no expansion of responsibility; no advertising to be dignified and no overstatement; no practice of law, and no implication of legal services; no executive officers with members of the Bar, and life underwriters; organization of trust investment committees are all covered and set to our satisfaction.

The men who thought and drafted and shaped the statement believed better than they knew. The statement was given 931 in Insurance, it was accepted by the public as being put forth in all good faith, and as being implied in every will and trust agreement. The effects of the attacks on the trust institutions of the United States have been such that they have been rendered very valuable. Their effective use in this country has been, however, to the extent that there was no point to the charges in view of what is virtually a code voluntarily adopted and recommended by the trust institutions. The late National Recovery Administration adopted it as a whole, and made it a part of the banking code—one of the few things about which there was no disagreement.

Finally, however, it has been written into the law, as the Federal Reserve System, under the authority of the Federal Reserve Act has, in Regulation F governing National banks in their trust capacities, adopted and incorporated into its regulations each of the principles set out in our statement, both as to operations and conduct. In addition, it commands the statement to be sent to banks operating trust departments.

Regulation F requires National banks to observe the principles laid down in our statement. State institutions are not so bound, as a matter of law, but morally and ethically are equally bound by reason not only of their adherence to the principles, but also because of the moral responsibility which they found in the drafting of the statement by the Trust Division and in its adoption by the American Bankers Association.

For the future, of course, the same situation, I urge the voluntary adoption by the Board of the Directors of the State institutions of Regulation F, both as a rule of thumb, and because the State institutions here already have done. It will ensure confidence inside the bank as to the correction of any practice of trusteeship, good faith and moral and ethical conduct, and satisfaction on the part of the public.

However, the adoption of these principles by every National and State trust institution will not in itself bring about the desired results, unless applied and lived up to in spirit, as well as letter. For an institution can live up to the letter of these principles, but not to the broad spirit and on the high moral plane implied therein, and thus fail to make a success of its trust business. It must study and discuss, and understand, the meaning of the principles announced, and, so understanding, put them into active operation in its daily life. That applies to trust institutions as a whole, and to the programs and deliberations of our Association.

Like all statements of general principles, these are brief, spare of words, and general in statement. But it is a fine statement of the ultimate in trust building, to be resolved by study, by enlargement, by not, by concept, and by example. As one of those who have a part in starting the statement on its road, I come before you today to ask you to carry it on to what we hoped it would be its destiny.

The Job Ahead for Trust Service

By ROBERTSON GROSFIELD, Vice-President

[In this article, the author discusses the challenges facing trust services in the current economic climate and argues for a more modern approach to trust services, emphasizing the importance of ethical conduct and the need for banks to align their institutional policies with those of their clients.]
The Job Allocation and Trust Service: Investments

By Leon M. Little, Vice-President New England Trust Co., Boston, Mass.

That title might well have been "Investments for Trusts," for the purpose of this article is to present a plan of trust investments.

In making any investment, however short the maturity of that investment may be, the facts surrounding its future are obscure. That is, of course, an extravagant statement. It is based on the assumption that a market for all products is in existence and that the market is large enough to absorb the storylae. However, a market for a market for all products is in existence and that the market is large enough to absorb the storylae.

The first step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the present and the past. This assumption is not valid. The future is the unknown factor.

The second step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the past and the present. This assumption is not valid. The future is the unknown factor.

The third step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the present and the past. This assumption is not valid. The future is the unknown factor.

The fourth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the past and the present. This assumption is not valid. The future is the unknown factor.

The fifth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the present and the past. This assumption is not valid. The future is the unknown factor.

The sixth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the past and the present. This assumption is not valid. The future is the unknown factor.

The seventh step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the present and the past. This assumption is not valid. The future is the unknown factor.

The eighth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the past and the present. This assumption is not valid. The future is the unknown factor.

The ninth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the present and the past. This assumption is not valid. The future is the unknown factor.

The tenth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the past and the present. This assumption is not valid. The future is the unknown factor.

The eleventh step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the present and the past. This assumption is not valid. The future is the unknown factor.

The twelfth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the past and the present. This assumption is not valid. The future is the unknown factor.

The thirteenth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the present and the past. This assumption is not valid. The future is the unknown factor.

The fourteenth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the past and the present. This assumption is not valid. The future is the unknown factor.

The fifteenth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the present and the past. This assumption is not valid. The future is the unknown factor.

The sixteenth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the past and the present. This assumption is not valid. The future is the unknown factor.

The seventeenth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the present and the past. This assumption is not valid. The future is the unknown factor.

The eighteenth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the past and the present. This assumption is not valid. The future is the unknown factor.

The nineteenth step in making any investment is to analyze the facts surrounding the future. The future is the unknown factor. If we were to predict the future, it would be based on the assumption that we know the facts of the present and the past. This assumption is not valid. The future is the unknown factor.

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I believe that trusts, perhaps I should say 95% of all trusts, should be invested almost entirely from an income point of view, and that by that I do not mean small and high-yield obligations, although that first must be answered, is it secure? But before reaching the stage of listing the items to be bought, or in deciding upon which items to buy and in what and what form, we have to approach the matter from rational and useful to theorist and practitioner alike. But few of them devote many pages to practical, when they come to a discussion of selling. Of course, the reason is that it is infinitely harder to sell than to buy. We set up prejudices to using the securities we are considering for purchase. But when purchased, do we sell if the security falls below a certain price? Quite often we do not, which may seem illogical but actually, frequently isn’t. Rules for selling are not to lay down on paper and are either too patently truths or too obscure to be of practical utility or be of any real use for the investment officer is to get over any feeling of timidity in authorizing sales. Purchasing is often an easy matter to take to court, we most certainly can go with greater confidence if we are to define it. But purchasing is not, as frequently thought, a matter of the surface indicates absence of it.

There is only one other place in regard to investments which may come under the investment action of this symposium, although I may be postponing on someone else’s preserve. I am a firm believer in the Massachusetts rule, or the prudential theory. If you prefer to call it that. My argument is not based on any comparison of performances of Massachusetts cases with those of trustees in statute cases. I have never seen a more

The job ahead for trust service, in which I am most interested and about which I am most concerned, is to find a way of handling small trusts profitably and not to advertise the existence of a trust in possession of small estates. In this regard for trust service, there are two distinct problems. One is the problem of the small trust in the large estate; the other is the problem of the small estate itself. A large estate frequently has been broken up into a number of small trusts. In an address last May, Gwilym Price told of a $15,000,000 insurance trust under the trust act about, to be the bracteate into five trusts as follows: One of $120,000 for the widow, two of $5,000 and two of $50,000 for small accounts of trust. One large trust and four small ones, parts of the same estate. The trust institution could not afford to accept the $150,000 trust and decline the $5,000 and $50,000 trusts. You might ask what is the reason. There are many. The complexity of handling the four small trusts relatively as profitably and economically as the one large and the coexistence of the large with the small estates, the large estate of $1,000,000 in which there were several trusts varying in size from $5,000 to $50,000 the institution’s charge for handling the $1,000,000 executorship unless it had been willing also to accept the several small testamentary estates. This situation can, no doubt, be duplicated over and over in trust departments.

The second problem retains, not to the large estate broken up into small trusts, but rather to the situation of the estate large state, and frequently does need trust service quite as much and for the same reasons as does the person with a large estate. The job of the trust institution is to find a way of handling these small estates relatively profitably and economically and it is now handling the large estates.

Without distinguishing between small trusts in large estate and small estates, one finds that the vast majority of accounts in the hands of trust institutions. An article in the Financial World, blankers Association in 1935, referred to the fact that of 600 accounts taken in over a period of 50 years, 65% of the account, 46% of the guardianships, and 46% of the miscellaneous accounts were under $10,000 each. This looks like a study of a similarity of the characteristics of the small account in large the large estate.

The special problem of the small estate is one of accounting out of the fact that its smallness is not necessarily important, by comparison the more expensive service of this size. A cost analysis of one group of small estates showed that the cost of administering the accounts under $25,000 was four times as great as the cost of administering accounts of $25,000 or more, then a set of accounts, keeping the books, making the accounts, investing the funds, managing the real property, etc., that was far in excess of any one of these.

The tremendous need for solving this problem of the disproportionate cost in small estate is apparent, in the first place, from the availability of small accounts, the need of small estates for trust service. Trust institutions, regardless of their preference about the matter, even a small estate, have small accounts. A recent study by the Massachusetts Institute of Technology, which was published in 1935, showed that in the year 1930, the number of small accounts was $100,000, it would, nevertheless, soon find itself handling many accounts.

People with small estates need trust service. Trust institutions are charged with handling the income accounts. These accounts, are not called upon, as a general policy, to seek or accept small accounts that cannot be administered at a profit. It is incumbent upon them as a group to exhaust every possibility of finding ways of administering these accounts profitably to themselves and advantageously to their custumary clients. The development of sound public relations for all trust institutions is largely dependent upon finding a way of handling small accounts profitably and economically.

People with small estates would not feel very kindly towards trust institutions, should the latter solicit their trust business and then refuse or even hesitate to accept the small trusts into which the large estate was to be broken up. The costliness of the small estate is not economic, that it allows the trusts of small institutions, should the latter be it known that they were seeking or accepting small estates.

Legislators would not feel very kindly towards trust institutions, should the latter insist that the small trust, over ever be felt as a special privilege of a favored few. The general public would not feel very kindly towards trust institutions which refused or hesitate to service the trust needs of the small estate. The track of the future of trust business depends largely upon the popularity of trust service with the public.

As yet no complete solution has been found for the problem of the conditions of the small estate which can be profitably handled. The problem already is being attacked by different groups on several different fronts.

The Do's and Don'ts of the Trust Division of the American Bankers Association has attacked it indirectly in its study of how the cost of trust business may be reduced.

The first 39th session of the Graduate School of Banking, one of the topics discussed with the same majoring in Trusts was that of possible further economies in trust business. Later there was submitted to the students the following problem based on the study.

"The President of X National Bank and Trust Company asks you, as head of the trust department, to make a study of the possible volume of economic's in the administrative and operative activities of the trust department, and to report what that it allows the trusts of small interests. Now, I am looking for a memorandum of not over 1,000 words.

The answers to this problem, which have been received from 92 men representing the states from Pennsylvania to California, and the District of Columbia, contain much fresh, valuable material on the subject. As at the previous conference, the students in the Graduate School of Banking are writing their thesis on one or another phase of economy in trust business. The subjects of these essays are "Economics with Respect to Tax Returns and Reports," "Trust Department, Economies," "Managing Trusts," "Estate," and "Economics in Personal Trust Operations." Another student is writing a thesis on "The Small Trust Account in the Large Trust Institution." One other student is working on a partial solution of the problem of the costliness of the small account.

It is too early to say whether the thesis will be of much, however, can be said: No immediate or specific cure will be found. The answers of men are tentative and it is true that they are reducing the costs a little and each thereby adding a little to the profitableness of administering small accounts.

The following are excerpts from those which little economies may be expected to come:

1. Saving in the payment of salaries, bookkeeping, bookkeeping and accounting through the collective investment of trust funds.

2. Saving $100 a year in the operation through regular and less frequent payments of income.

3. Saving time in the operation through regular and less frequent accountings to the estate.

4. Saving in administration and operation through more standardization of procedure and.
The Job Ahead for Trust Service

By SAMUEL C. WAUD, Executive Vice-President and Trust Officer, The First Trust Co., Lincoln, Neb.

The vital need in our country today is for leadership—honest, constructive, and unselfish leadership. From the standpoint of life—through the daily press and numerous trade publications, and over the radio—we have proof of the necessity and the demand.

During the past decade we have witnessed both national and municipal politicians of the lower type posing as statesmen, milkcartons and public benefit advocates to make false claims of any of our well-meaning people in the very fundamental principles of our city, State, and national governments.

We have witnessed labor organized and dominated in instance by unscrupulous elements of the type which has cast unfortunate reflections upon labor as a class.

And in our own business we individually and collectively know of cases where, instead of meetings in most instances by personal good, have violated the accepted cardinal and fundamental principles upon which this business has endured for over a century.

It is indeed an extremely hollow sign that the American people are aware of the facts and are not influenced thereby and as such, are informed and misled, and that the false promises they have received are nota worthy of further consideration. The trend away from the fruthe and toward solid fundamental principles of good conduct is all the more deplorable.

On the assumption the foregoing statements and observations are sound it is our firm belief that the trend away from the false and the untrustworthy to the trustful, the genuine, and the genuine American will be thoughtfully and consider "The Job Ahead for Trust Service."

The job ahead—and the job today—which gives thoughtful men good conscience, is to determine what do American citizens think about our trust business, and what do they think about our American free enterprise in business and democracy in government such as we have known them for over 150 years.

If you have the answer to this question in terms of conditions today you can draw sharp focus our biggest job ahead.

It is true we have many problems in our business, as the preceding speakers have told you. Trust men are grappling with these problems daily. But taking the long-range view, my own thought is that no problem is more of importance than that of achieving favorable public opinion, social recognition, and the maintenance of a sound, stable business.

My personal hope is that you are right, but every time my thoughts are directed toward this problem in the business today I seem to have underestimated the importance and the influence of public opinion.

In the course of the many months of my association with the American Bar Association, I have had an opportunity to read many of its reports. It was a Berlin Associated Press dispatch dated March 5, 1933, The New York Times published in American papers over seven years ago, Berlin, March 5, 1923--The German Institute of Politics, opening an annual session yesterday, stressed words as equitably important with weapons in winning wars.

In the New York Times, of November 30, 1918, a letter from Gen. John J. Pershing in winding up his term of service in the World War, was good as good as our Army," the director declared, "there never would have been any Versaillle Treaty."

In the Strike Survey, do you think that the German Institute of Politics in 1923 overestimated the importance of public opinion? We might like to draw a sharp division line between public opinion as it is today and public opinion as it was 6 or 7 years ago. Our workers are evolutions than ever before and probably in these broader ties of events which affect each and every one of us.

The job ahead, if the job is to advance the project of the American Bar Association, to have the business done more accurately than we have ever known before, is to do a representative segment of the public think about our trust service. Because of limited funds the investigation was confined to the middle and upper income brackets of the public. Most of us are now familiar with this Zins Roper Public Opinion Survey.

The results were not as discouraging as some of us feared they would be. On the other hand—and speaking very frankly—and that little to which I shift our point of view.

The first of the major findings in a summary of this survey, stated, "There were no indications that trust institutions were widely regarded by this group at its age, as performing a social disservice."

We certainly cannot boast about this statement, especially when we keep in mind the fact that this survey was conducted only among the middle and upper income levels.

Over half of those interviewed were not sure but that a trust, except large company, is apt to be turned over to the supervision of an inexperienced junior clerk. Fifty percent do not trust these companies don't make profits on trust accounts other than the regular fees. One out of every four trusts the money on deposit in a trust account. A quarter guard扔 around their trust property and operations. Only 63% were sure that, if a trust institution fails, the individual trust accounts are not wiped out.

These are but a few of the findings in this nationwide survey. We can feel some measure of satisfaction that such an encouraging impression of the public, and that the public opinion of the public service rendered.

The following impression of opinion is being quoted from Mr. Roper's major findings of the National Public Opinion Survey.

"Although the general conclusion may be drawn that trust institutions are far from the top of the public's list of confidence, there are certain majority who are more favorably disposed toward trust institutions. A majority of the American public are aware that the American Bar Association is an independent body, which would amount almost to apathy. It is felt that this reticent trust service at that place where trust business could more logically be expected.

"To see this conclusion amounts to an indication of our effectiveness in telling the public story about services to the people that the public and upper income brackets. Perchance we have been too busy our our efforts to do a good job of public relations with the public as a whole and upper income brackets. Perchance we have been too busy in our efforts to do a good job of public relations with the public as a whole. And I am willing that this is a reasonable explanation. The time has come, in my estimation, that we must become more alert and quick in our thinking, complexity and frankly, just about as important as doing the job well.

Almost 20 years ago when the no new fashionable phrase of "Public Relations" was still in its infancy, the noted elder J. Maxwell Coetzee, of the Public Relations Society of America, was expressing the opinion that the public opinion of the public opinion of the public. As recorded in W. S. Halsey's autobiography, Mr. Morgan made the significant statement that "the day is soon coming in America when business must be done in great public steps and most carefully."

This forecast was made many years ago. Do you believe the day has arrived when we must conduct all business in great public steps, and further still, are you ready and able to attract the interest of the public,

The trust men throughout the land, the leaders who have been given positions of responsibility in their respective communities, will recognize and face the brunt of this responsibility, and work for the future of the trust business. The challenge has been offered and will be met.

Address of President Roland E. Clark, Vice-President National Bank of Commerce, Portland, Me.

Just before the annual meeting at Seattle last September I delivered a brief address at the 17th Regional Trust Conference of the Pacific of Rocky Mountain States held in Los Angeles. To that address was attached the title "Our Next Year's Work," and it in an attempt was made to discuss the possible activities of the Trust Division during the year which has just ended. Referring that address recently, it is pleasing to learn that some of my suggestions have been given serious attention during the year, and at the same time it is amazing to learn that some of the projects I suggested were not taken up and were not considered during the same period. Indeed it has been a year of successful activity and we have started on a project which is designed to discharge more accurately than we have ever known before, what a representative segment

of the public think about trust service. Because of limited funds the investigation was confined to the middle and upper income brackets of the public. Most of us are now familiar with this Zins Roper Public Opinion Survey.

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This forecast was made many years ago. Do you believe the day has arrived when we must conduct all business in great public steps, and further still, are you ready and able to attract the interest of the public,

The trust men throughout the land, the leaders who have been given positions of responsibility in their respective communities, will recognize and face the brunt of this responsibility, and work for the future of the trust business. The challenge has been offered and will be met.
I believe the work of the National Conference Group is the most forward and to be desired. It is necessary since we begin with the premise that the representative of the American Bar Association.

'The Trust Division is engaged in two projects of far-reaching importance to all trust institutions. The first is a movement looking towards the improvement, on a national basis, of the American Bar Association Reprinted from the University of Chicago in an address before the Mid-Continental Conference of Bank Officers. The second project is a cooperative effort of all trust institutions. It is hoped that these efforts may be made cooperatively by such national organizations as the American Bar Association, the Trust Division of the American Bankers Association, and the Uniform State Laws Commissions on Uniform State Laws, the American Bar Association, and the Uniform State Laws Commissions. The state of New York, as the state with the highest percentage of decedents, should be considered as carrying the heaviest burden. The draft of such a statute would be submitted to all the states of the union, and the states of the union would be free to adopt or reject the same. Once enacted, a statute totally exempting states that have been suggested in the past by the Trust Division.

Prior to the decision of the United States Supreme Court in 1942, in the case of the First National Bank of Boston v. Malvo, we suggested that the Act was then in the process of being integrated and that the result is the result.

In the operation of the United States Bankruptcy Code, the provision for the payment of all creditors is in force.

The Trust Division has been in operation since its inception in 1927. The operation of the Trust Division was initiated by the Federation of State Bankruptcy Committees and its activities have been based on the principle that the beneficiaries are entitled to a fair share of the assets of the estate.

'The committee believes that the plans proposed for services under qualified trusts should have an effect on the beneficiaries, and that the beneficiaries should have an effect on the beneficiaries. The committee is working on the report of the National Conference on Bankruptcy, and the draft of such a report will be submitted to the states of the union.

This time, we have had the benefit of the work of the national conference on the Trust Division. The committee has been in operation since 1939, and it has been in operation since 1939. The work of the committee has been in operation since 1939.

The committee is now giving its attention to a study of compensation. As a result of the report of the committee, the committee has been in operation since 1939. The committee is working on a study of compensation. As a result of the report of the committee, the committee has been in operation since 1939. The committee is working on a study of compensation. As a result of the report of the committee, the committee has been in operation since 1939. The committee is working on a study of compensation.
This is my final report as President of the Trust Division. Whatever progress may have been attained in the past year is not due so much to the efforts of the officers of the Division as to the energetic help received from men of the Division all over the country. To the members of the standing and special committees and to those of the Division to whom special tasks have been delegated and of whom unexpected requests for advice have been made, are now offered our appreciative thanks for their fine cooperation. The cohesive and unselfish spirit thus displayed has made the Trust Division an outstandingly successful organization of institutions devoted to the administration of trust services.

Newly Elected Officers
Carl W. Fenninger, Vice-President of the Provident Trust Co., Philadelphia, Pa., was elected President of the Trust Division at the Annual meeting of the Division held on Sept. 23. Mr. Fenninger served as Vice-President of the Trust Division during the past year.

Richard G. Stockton, Vice-President and Trust Officer of the Wachovia Bank and Trust Co., Winston-Salem, N. C., was elected Vice-President to succeed Mr. Fenninger.

Louis S. Hasley, Vice-President of the First Trust Co. of St. Paul, Minn., was elected Chairman of the Division’s Executive Committee. Five men were elected to the Executive Committee of the Trust Division. They were: Frederick A. Carroll, Vice-President and Trust Officer of the National Shawmut Bank of Boston, Boston, Mass.; H. Douglas Davis, Vice-President, of the Plainfield Trust Co., Plainfield, N. J.; Arthur T. Leonard, Vice-President of the City National Bank and Trust Co. of Chicago, Chicago, Ill.; James R. McIlhagane, Vice-President and Trust Officer of the Bank of America N. T. & S. A., Los Angeles, Calif.; and John M. Wallace, Vice-President, Walker Bank & Trust Co., Salt Lake City, Utah.
Operating Problems of State Associations

By J. CARLISLE ROGERS, Secretary of the Florida
Bankers Association, First National Bank, Leesburg, Fla.

The deterrent of branch banking and unit banking will quickly arrest your attention. For that reason, I dwell on the common interest of each, and on cooperation for the advancement of the State and the Association. Troubles with some of the state conventions are more than transitory. The Secretary who has enthusiastic and active committees is truly richly endowed with that world’s treasure.

I believe that the latent dynamics of a democracy are more powerful than the driven dynamics of a dictatorship. I sincerely believe the latent initiative and leadership of three members of the Board is the basis for the success of a statewide campaign.

Rather, I appreciate the fact that so many of you have pushed back the horizons of banking and opened up new fields of service and information.

Let me be bold enough to express this in another way. Let’s briefly talk about the horizon. Let’s speak of the “Next Hundred Miles” of the Vehicle Known as the Bank.

Banking is facing a challenge on every hand, and your association can be geared up to a pitch where it can point problems and pitfalls that lie in wait for the exalted chair banker.

General Motors, Ford, United States Steel, and other large, successful organizations have long recognized the necessity of research laboratories and proving grounds for the testing of their various products, and for the purpose of showing up, through constant war and tear, bad weather and other conditions, structural weakness and fancy design. Your association needs the same careful planning and designing you would expect in the product of a master builder.

For years the Florida Bankers Association operated under an outmoded constitution and by-laws. However, when these were originally adopted, they suited the times. A Constitution and By-laws Committee was appointed last year. The set-ups of other socialistic commissions were ruthlessly studied and finally, at Palm Beach, in April of this year, the new Constitution and By-laws were adopted and put into effect.

Let me say that it is imperative that each association have a streamlined, well-organized constitution and by-laws. I will call this the foundation or chassis of your vehicle. This chassis should be designed with an operation capable of functioning with minimum motion as possible, and equipped to handle obligations as work has to be handled.

The motor that goes into your vehicle is the Secretary. Praise Allah if he is truly a human dynamo—becomes then, and only then, will the old bus really catch air. I suggest that we equip this vehicle with a four-wheel drive: Constitution, By-laws, and Public Relations; coaches, and a strong, enthusiastic commission committee; thorough understanding of the problems facing banking, and contacts with key bankers or minority men throughout the State.

After your vehicle has been assembled, you should have on file a blue-print for ready reference in time of need, explaining its design and operation. You have found on your chair an envelope containing a blue print of the Florida Bankers Association known as our “Activity Guide,” an organization chart, together with a copy of our constitution and by-laws. These guides were forwarded to all member banks in a manifold folderletter “1940-41 Activity Guide, Florida Bankers Association.” Member banks were urged to file all bulletins received from the Secretary during the year in this folder, for quick reference.

Your car is now ready for its journey over the highway of banking. Do not start out unless you have a destination or goal. Your journey should be checked carefully on the road map of opportunity of your State.

Interest Rates on Savings

By PAUL W. ALBRIGHT, General Secretary Savings Banks

President Wattam: The next number on our program this evening is a discussion of “Interest Rates on Savings.” Paul W. Albright will discuss this matter.

Mr. Albright: Mr. President, Ladies and Gentlemen: I want to assure you that I did not seek this assignment, because, first of all, as Secretary of the Mutual Savings Banks Association, it is more or less in a specialized field; second, as a State Secretary, I would be discussing a question of managerial matters, and it is as a gentleman from the New England states who are the fellows we work for”; and third, I am from New York, which is another reason why I am somewhat shy and fourth, with the public relations group formed downtown with Scotty Iris and the others, it makes pretty good company. I have been with the Association for only a few years, although I have been 10 years in my work in New York State.

In that connection I would like to digress just long enough to tell you fellows how much I have appreciated the opportunity of being with you and with the Association of the State of New York, New York, N. Y., and working with you. I certainly enjoyed the spring conference and the meeting this morning, and I hope to know more of you as the year goes on. I take or select one of your suggestions, and that is, I just finished at the Graduate School of Banking last Sunday, and I realize that the School of Banking is all right, but I would like to put in a pretty good plug for the Graduate School of Banking, with the assumption that you know, if you please, I know that our bosses will drive a safe race, through new frontiers of service and opportunity, if we see that the vehicle is properly lubricated with that indispensable product known as “allow down.”

Men of banking, it is up to us to assist in fashioning a vehicle worthy of the glorious traditions of the past, and so equipped that we will win the approval and commendations of an exacting public, and at the same time, receive acceptance from our member banks. Thank you.

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In the spring of 1920, the Federal Reserve Bank of New York, and perhaps the banks in all the other Federal Reserve districts, provided a 15% maximum interest.

In the light of this, some economists, including various specialists, said that the banks were really a good thing, to put in on our own—the commercial banks decided it would pay them to go in and pay interest.

Then the economic climate was such that that and would pay interest from the date of deposit if left to the end of the term.

The commercial bank came back and said: "We will pay 1% from the date of deposit on this savings bank advance—that is, that particular savings bank in that territory; the going rate is 5%.

This is something that now haint us. The depositors did not ask for any 1% deposit. It was rather a matter of one of our own banks calling our office and asking who the depositors that were being interested in accepting small amounts, so-called savings accounts. But one of the banks considered that as a possible source of funds.

I had suggested that we could do this and had expressed the opinion rather strongly that I thought the rate of interest paid by the savings banks was more a bugaboo in the mind of the banker than it was in the mind of the saver, and still, in my view, I think that the banks that are now of the same opinion they will be in a much more active interest in this and have picked it up and are doing a very much better job.

As a result of this there are certain conclusions which have been reached. Some of these may be personal ideas and some may be the ideas of others. But I believe that the banks have taken a very active interest in this and have made a very good job of it.

For years, we must be convinced that certain funds which we receive must prove their worth. The present dividend policy is not adopted to high-yield activity in small amounts, and relative inactivity in large accounts. We have certain of our institutions whose activities are perhaps a little more than others. It all depends upon the location that they are in. Furthermore, at a time when services charges are a creeping interest.

I grant you that my young daughter, when I take her book with whatever deposit she has to make, perhaps the item that gives her the greatest thrill are the words, 'No interest paid on deposits over $10,000.' We have been and are being called upon to handle accounts that, frankly, they do their utmost to get rid of.

The present item is that when a bank runs it is paying a certain rate of interest, we will pay 2%, how much is that rate? With all the different ways in which a bank can get its returns, there are not many banks paying trying to maintain their present rate, but if they find difficulty in maintaining that present rate, then there seems to be a decided tendency in an effort to maintain it. I have no idea, of course, how much of this is due to a possible increase in the amount of money that the rate has been decided to take a certain active interest in this and have picked it up and are doing a very much better job. As a result of this there are certain conclusions which have been reached. Some of these may be personal ideas and some may be the ideas of others. But I believe that the banks have taken a very active interest in this and have made a very good job of it.

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I grant you that my young daughter, when I take her book with whatever deposit she has to make, perhaps the item that gives her the greatest thrill are the words, 'No interest paid on deposits over $10,000.' We have been and are being called upon to handle accounts that, frankly, they do their utmost to get rid of.

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to hear from Stuart. Have you anything to add to this discussion, Mr. Friar? Mr. Friar: Well, I came here to listen and am totally unprepared to make any remarks. However, I will say that the Savings Division last year won the prestigious First Prize for its excellent work in the field of lending and found a very astonishing variance in the different methods used. I corrected Rye when he was speaking by saying that we found ourselves in a situation where our banks were operating at a loss by days of grass and penalties for excess withdrawals. But to complement that study, and to make valuable contributions to the Savings Division itself, I must say that, in making our analysis, we are conducting our current analysis of deposit activity in savings accounts, and I think it is of great importance to point out that the last year, the Savings Division hopes it can recommend with some solidness something of uniformity with respect to computation and paying out interest on deposits.

President Wattam: We are glad that you have taken steps along that line to get the people to understand what it is of the banks.

However, with reference to your remark that you came here just to listen, I think it is really a very sorry thing, too, that you should say this. You who got into a golf game and said: "Don't watch; just listen." Every meeting of this sort is of value, and you are not a member that is going to miss meeting here tonight, we do not want you to sit and listen. Anybody who has anything to offer in these discussions, we want you to come forward with it. Is there anybody else who has a question or any suggestion on this subject of interest on savings? Mr. Coopman: I have a question for the A. A. B. as I will work out this to throw light on the problem. I knew that you are trying to get some actual information of coopey in this movement. We are not expecting anything for something.

Mr. Brumage: Well, Well, there is consideration we are to be done to the banks that I was going to have to get a punch card on the IBM machine, and the banks that are now in it have been given until Nov. 1, to make their plans. From this, I see that the time has come either to have them tabulated, and we are going to have each bank ranked according to the amount of capital that they have, and I think it is possible that the subject of interpretation will go on for some time. However, we will begin this meeting tonight, and I think it is.

President Wattam: I am sure that both the A. A. B. and Mr. Albertson's office have a list of material on this, and if any one has any material in that direction, I think it is possible that we could have a meeting at that time which will enable the different Secretaries and the different Associations to come forward with respect to their problems.

I thank you, Paul, for your discussion.

My Individual Responsibility

By CLAUDE L. STOUT, Executive Vice-President and Cashier

The privilege of addressing this group on the subject of "My Individual Responsibility" is one which I would be loath to assume, that I have a hobby, such as doctors and psychiatrists prescribe for the sick, and I am no philosopher and no dissembler. But I know that edge of the ever widening ripple of influence that emanates from each individual member of this Association, and I think it is worthy of note in this day and time, and show you a good many in positions, the possibilities of which are almost unlimited and never ending. For the lack of a more descriptive term, I like to think of this "this responsibility" as that which should the building of better citiess.

There is the vocabulary, the intellect, the oratorical ability and intuitive insight to paint an accurate picture of the dangers as they exist today as compared to the days of yesterday. The 23 nations and 500 million people have lost the right to speak what they think, the right to express themselves, the right to use the press, the right to enjoy the fruits of their own labors, the right to have and to hold and to worship their Creator in freedom. And so this is truly a great country, I think that is the United States of America. And I'll tell you, in this I believe, I hold, and I believe the President Wattam: I have a wonderful privilege just to say "I am an American citizen," because these things are not personal, these are not things which which only one or two could be accumulated or acquired in half a dozen lifetime.

It is no wonder that Americans, when ever their country is threatened, when ever their citizenship is threatened, and this is the citizenship which must be preserved—we must create in the citizens' minds an affection and respect for American institutions, an appreciation, an affection and respect for the American institutions, of its freedom, an appreciation of all the protection which surrounds the individual in his rights of initiative—create respect for our Flag and all its representatives, good, old-fashioned Americanism. These things are more valuable than all the wealth we could accumulate, I don't care how successful you might be, in half a dozen lifetimes. It is really worth something more than it is to say that you are an American citizen, just to be able to say that America is your home. But I believe we are remembering that.

Let's go back and be just good, old-fashioned American citizens. These things are basic in citizenship, are necessary before the people who govern themselves unselfishly. People will not preserve things they do not appreciate.

There are many who say the executive, the business and professional men who have been out here to this meeting, do not care about what is going on. And I think that they should not openly discuss the issues of the day. But in the study of civil government in that country school back in Missouri, I was taught that the greatest people in the country were the farmers, the steel workers, the Texas farmer, the person, because we have young people, and I think that all people, that he should be at all times be honest, friendly, sincere and in good humor. In that way he will be the best citizen.

And I do want, or any citizen the right to speak what he thinks, means that individuals may have differences of opinion. And I think that those leaders have been indirectly disapproved of the public. I do not believe it was the intention of the founders of this great government—the intention of the people who conceived our great Constitutional form of government—that the people of your kind and my kind should be disfranchised from assuming our rightful role in the discharge of the duties of a free American citizen. On the contrary, the founders of our constitutional form of government firmly believed and intended that you and I should at all times take an active, friendly interest in every question affecting our business, our homes, our citizenship, our State and our Nation. I have not the belief that they intended that you, as an individual, or that any other political party which in our opinion most nearly represents our homes and our business, that at all times have two strong, active political parties, because when we have just one political party, in the history of mankind, it has never been successful. And I would say that a person here assembled, that our problem goes much deeper than this. I would say that the President's Secretary Section could possibly achieve is the creation of organizations within their respective States having as their fundamental objective the building of better communities. Even if the State is based upon the organized political system. These are the invisible values of a sound public relations program. It is my belief that the purpose of banking is not only to conserve and preserve the wealth accumulated by the people. This is the wealth that is based upon the organized financial system. I must say that any profound statute, group program or movement of citizens. The solution of our problem, the things we hope to accomplish, must find secure anchorage in the public spirit and substance of good citizenship.

The future of America, the future of all her industries, institutions and people, is essentially a problem of how to make the balance of power today is held by the man on the street. For this reason I firmly believe that the Chairmen of the President's Secretary Section could possibly achieve is the creation of organizations within their respective States having as their fundamental objective the building of better communities. Even if the State is based upon the organized political system. These are the invisible values of a sound public relations program. It is my belief that the purpose of banking is not only to conserve and preserve the wealth accumulated by the people. This is the wealth that is based upon the organized financial system. I must say that any profound statute, group program or movement of citizens. The solution of our problem, the things we hope to accomplish, must find secure anchorage in the public spirit and substance of good citizenship.

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country, uttering opinions subversive to banking, is a potential threat to every bank, a potential threat to the job of every banker, and of every bank officer, employee, and even the public, who appreciates the vital part banks play in a healthy economy. The Federal Reserve Bank is a highly trusted institution because it is the guardian of our nation’s financial system and the protector of the public interest. It serves as an important source of advice and guidance to policymakers and financial institutions.

After all, a friendly banking system such as we have in this country can only exist and endure among people who understand and appreciate the functions of our financial system, and their vital importance to the ordinary business of making and maintaining a reasonable standard of living. The Cooperative’s report in 1925 will show that depositor’s losses were less than 7% in the United States in the period from 1932 to 1934. There is no other way to improve the system. Each individual here assembled should heed the admonition of that eminent banker, the late Melvin A. Traylor, who said:

The next few minutes are as critical as any in the history of banking. The public is exercising a mounting tolerance, tolerant in its viewpoints, but dynamic in its courage. This is the challenge. Let’s answer it.

Ours is a tremendous responsibility reaching far beyond the confines of our own country and for that reason we must not fail. We now know that this freedom, this wealth he built, was a vast inheritance, a rich, valuable, and extensible inheritance. Without the unselfish devotion of every citizen to the interests of his community and country, it is not be possible to make that inheritance grand.

Proceeding his prepared address, Mr. Hout had the following to say:

Presidents of Banks, gentlemen, this evening, we have all been talking about the future of the country. I realized that it is five weeks since probably the most important event in history came over the wire and through the air, telling the world that the English Magus 1798 was at war.

This document was given to the English-speaking people in the reign of King John, in June, 1215, and it is dead of neglect, of anaemic inertia, in the house of 79,000 bankers. We should not let it be buried.

The Magna Charta served a long and useful purpose throughout its life. It had provided effective protection for the wealth it encompassed from 1215 to the present day of enlightenment and high standards of living. It is because of that act that we have the opportunity to stop and reflect on the importance of a financial system.

That is more important than anything that can happen in so far as I am concerned. I do not believe the most important events have happened on Europe’s banking system and in the 36 months since the 1929 crash. I am going to get you to remind gentlemen that they are not holding public relations meetings tonight in Bossass, France, Austria, Sweden, Holland, and other European countries. I understand there have been demonstrations asking to keep public relations and interested in keeping this country alive.

I want to do everything I can, whatever that might be, to preserve this country as it is. I do not hold any particular brief for big business, it is important to me that the 311 top-flight executors, 250 of them came from the ordinary citizen and never had a college education. This is the country in the world and you can do that. That is what I want to preserve for my own family.

Explanation of New York State Bankers Retirement System

By Eduard A. Romano, Managing New York State Bankers Retirement System, New York, N. Y.

President Watt: "The last number on the program is of interest to me and it will be of interest to a number of the bankers here. To other bankers, it will be of interest to them, because, as they know, a number of banks are now thinking of establishing a retirement plan and have succeeded. Other States have failed in their attempts because they have not been successful in the past.

Up in North Dakota we have not attempted one because we have two groups. We have three there, which are larger banks. They are in the State in their organization and they have their own private retirement plan. There is no opportunity for the rest of the bankers in the State to form one of their own. For that reason they are interested in some sort of a plan.

A number of the banks, the number of insurance companies put up such a plan, but that does not seem to suit them. For that reason we have asked Mr. Romano of the New York State Retirement Plan, which I understand is operating under the watchful eye of the New York State, to come over and explain the methods by which banks throughout the State are going about it. We are in need of a plan similar to the one that will be successful in New York. Mr. Romano, I would like to introduce and ask you to explain:

I think that a number of you are already familiar with the New York State Plan, but I am here to explain that Gordon Brown, Secretary of the New York State Bankers Association, spoke informally about the plan and that he should be the one to explain the methods by which banks throughout the State are going about it. The plan has been in operation in New York, Mr. Romano. It is called the New York State Plan and it is called the Bankers Retirement Plan. It is a plan to provide for the employees of the banks in New York State.

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Eligibility rules have been modified recently to encourage participation. Originally, 75% of a bank's staff had to join the plan. In a number of instances, a bank has taken advantage of this opportunity to attract additional personnel to its staff. Newcomers are attracted especially by the financial assistance, the security of the different past service credits. They are expensive and hard to sell to a Board of Directors. If you can get the younger members interested, it will greatly improve your plan.

For these reasons the rules and regulations were changed. The bank will now have only a 

A. It shall enroll 75% of all employees under age 65; B. It shall enroll 50% of all employees over age 65; C. It shall enroll all employees who have served at least three years; D. It shall enroll all employees who have served at least six years.

The second change is that the bank shall give a premium of 20% of the payroll to each employee for the first three years of membership, and 10% for the next three years.

Committee of Officers' Reports—State Secretaries Section

Address of President C. C. Wattam, Secretary of the North Dakota Bankers Association, Fargo, N. D.

The State Secretaries Section, pledged as usual to full cooperation in carrying out the splendid program of work, sponsored by President Hanse and the various other officers and staff members, has from the first been interested in the welfare of the banks and the banks' staffs. The members of the Section have been practically united in the franchise of the benefit to the banks' staffs.

The Board's decision to broaden the membership to other State associations is a most important step in the development of the possible participation by the member banks of your associations. Now that everything in order, it is my pleasure to extend to you all the privileges of the American Bankers Association System. The only possible obstacle might be found in your respective State insurance statutes. The Board, with the strong financial support of the American Bankers Association, is very strict and vigilant, and I am inclined to doubt whether any serious question will arise.

The second, to present for discussion to the other secretaries operating problems within his own association, and then obtain from these helpful information on the various problems which have arisen within his own State.

Herefore, during the few years I have been attending those meetings, the meeting of the Secretaries Section has occupied but a small portion of one day out of the time that I felt I could afford to spare. The secretaries must be recommended the original plan, contemplating 4% contribution by the employees and 6% by the banks. We believe that this will work at a complete satisfaction on the part of the participants in the plan. We have all the MFIs that work well have been well known to me personally and you get a better chance in a black which is bound to wind up 25 years from now with a complete participation in the plan. The time is ripe for you to make it a very easy decision to have.

You will have to think that it has been described if you start putting a part of your bank presented in the plan, leaving out the other part. You may well have troubles. On the other hand, I think people today are thinking a little bit differently from the way they did some years ago, and I can't see why, in time, it will not be recognized that if a bank cannot go in with the full force now, there is any good reason to jeopardize the people who are coming in as young people today.

You know something about the Social Security Act. The Social Security Act goes right along hand-in-hand with this plan of ours. We have reduced rates, we can't pay it. We can't pay it. We recommend the original plan, contemplating 4% contribution by the employees and 6% by the banks. We believe that this will work at a complete satisfaction on the part of the participants in the plan. We have all the MFIs that work well have been well known to me personally and you get a better chance in a black which is bound to wind up 25 years from now with a complete participation in the plan. The time is ripe for you to make it a very easy decision to have.

The bank will now join the plan under different ways:

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Committee of Officers' Reports—State Secretaries Section

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My report, and a tribute to the Committee of Insurance and Protection, are as inseparable as New Jersey and a Convention. Because of the time that has elapsed since I have prepared this report, it is not for the aired guidance and timely efforts of Secretary James H. Berridge. From his coming-tower in the New York headquarters of the A. B. A. Committee, Secretary Berridge keeps in close touch with the surety companies' rating offices. He is in a position to have a clear view of the magnificently noble work which is being done by his committee. During the past year, this committee has had a great deal to do, as is evidenced by the report.

Obviously, the duty of the Secretaries Section of this Committee is to augment the efforts of the insurance committee and to arouse the interest of member banks through State secretaries. My Committee desires to do everything possible to support its work.

As in other matters of State legislation and regulation, the A. B. A. Committee looks to State Association secretaries to assist in carrying out its work in the States. This applies particularly as it relates to the individual member banks. The work of the Committee has no value until it is of practical application to the member banks and is calculated to raise the standards of insurance protection and maintain equitable premium schedules.

If one era has ever challenged the importance of the A. B. A. Insurance and Protection Committee, it has been the past three years, when the annual cost of insurance to banks has been 25% more than the annual income. Here, in this terrific area, are the results of this reduction:

1. The direct premiums on bank bonds have been reduced 25% for banks having over $10,000,000 and 35% for banks having over $25,000,000 in deposits and earnings.

2. Protective and blanket bond policies have been reduced 25% to 30% for banks having over $10,000,000 and 40% for those having over $25,000,000 in deposits and earnings.

3. Revenue insurance, which has been a major factor in insurance rates on banks, has been reduced 30% for rates over $600,000.

4. The rates for the renewal of insurance policies have been reduced 25% for banks having over $10,000,000 and 35% for banks having over $25,000,000 in deposits and earnings.

5. Changes under the foregoing paragraphs apply to all banks having over $10,000,000 in deposits and to those banks having $25,000,000 in deposits whose incurred loss ratio for the last five premiums is 45% or greater. For rates equal to and below 25%, the incurred loss ratio, after a cut in the effective rates, may be as high as 35%.

In the absence of any of these five requirements, the rate charged is the basic rate plus a surcharge for the insurance. The surcharge is based on the ratio of the incurred loss to the earned premium.

6. Rates on fire insurance policies have been reduced 30% for banks having over $10,000,000 and 40% for those having over $25,000,000 in deposits and earnings.

7. In the case of those banks whose incurred loss ratio is greater than 25% and less than 45%, the rate in the absence of a rate reduction under any of the above paragraphs is a 50% reduction in the rate.

8. The ratable allocation of the rates on fire insurance policies, as reported to the committee, has been reduced 20% for banks having over $10,000,000 and 30% for banks having over $25,000,000 in deposits and earnings.

9. These changes in the rates may be carried over only the current year at the request of the bank, and carry over to the next and subsequent years until seven years have elapsed.

10. Retrospective ratemaking, as contained in Form No. 9, has been reduced 25% for banks having over $10,000,000 and 30% for banks having over $25,000,000 in deposits and earnings.

11. A reduction of 25% in the rates on fire insurance policies has been in effect for banks carrying Form 2 primary or excess bonds for a total coverage not exceeding $25,000,000.

12. Changes under the foregoing paragraphs apply to all banks having over $10,000,000 in deposits and to those banks having $25,000,000 in deposits whose incurred loss ratio for the last five premiums is 45% or greater. For rates equal to and below 25%, the incurred loss ratio, after a cut in the effective rates, may be as high as 35%.

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19. Changes under the foregoing paragraphs apply to all banks having over $10,000,000 in deposits and to those banks having $25,000,000 in deposits whose incurred loss ratio for the last five premiums is 45% or greater. For rates equal to and below 25%, the incurred loss ratio, after a cut in the effective rates, may be as high as 35%.

In the absence of any of these five requirements, the rate charged is the basic rate plus a surcharge for the insurance. The surcharge is based on the ratio of the incurred loss to the earned premium.

20. Changes in the rates may be carried over only the current year at the request of the bank, and carry over to the next and subsequent years until seven years have elapsed.

21. Changes under the foregoing paragraphs apply to all banks having over $10,000,000 in deposits and to those banks having $25,000,000 in deposits whose incurred loss ratio for the last five premiums is 45% or greater. For rates equal to and below 25%, the incurred loss ratio, after a cut in the effective rates, may be as high as 35%.

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making the form of a size representing twenty-five standard mill sizes, that is, 3 x 5 to 30 x 30 inches, inclusive.

As previously indicated, the weight of the paper used is dependent to some extent upon the mechanical equipment employed in completing the forms. For instance, the weight of stock must be sufficient to prevent the possibility of sulphite paper. Such paper will permit preservation of the record for a longer period of time than normal sulphite paper, which are subjected to frequent usage, paper with some degree of rag con-

As to color of paper and type to be used, it is quite generally agreed that black ink on white paper usually makes the most economical, readable and best appearance. In some cases, however, such colored paper makes forms more desirable, in some cases, for convenience of handling to vary the color of paper or type.

The selection of the style of type to be used is largely a matter of personal preference. However, the majority of the major associations favor a black face. The black face, it is the opinion of the terminating the question, is not only more readable, but is more easily identified.

'As to color of paper and type to be used, it is quite generally agreed that black ink on white paper usually makes the most economical, readable and best appearance. In some cases, however, such colored paper makes forms more desirable, in some cases, for convenience of handling to vary the color of paper or type.'
iv. Some other businesses have carried systematic forms work much farther than banking. This report does not include a comparative study, but the same experience in other lines of business can be accomplished by banks.

VII. Notwithstanding the excellent work accomplished in a for States, there is still a wide gap in uniformity and standardization. Although considerable rivalry in forms and procedures will probably continue for some time, the banking field and their dignity in size and character, there is much room for constructive work. No doubt we must expect a considerable variation in the form situation in a country as large as this and with so many different kinds of banks as there are in this country.

VIII. Systematic forms work offers tangible benefits in different operating activities and effective and reliable savings, not to mention other advantages.

A viewpoint of possible obstacles to more effective work in this field is the principal barriers—apathy and indifference of associates and the lack of proper administrative leadership. There are so many of the associations which make up State banks associations, and each State Association is in a field for activity by State banks associations.

Committee on Standard Forms makes the following recommendations:

1. Each State Association should establish a definite agency, whose committee, or State deposit and loan association, or the like, as a State banks association.

2. Each association should take steps to acquaint its members with new developments in forms work, by sending them for the American Bankers Association forms manual. Educational work should be carried on through articles in the Bulletin, by reports and discussion at meetings, by educational conferences, and regional clearing house meetings, and through committee work.

That involves making a careful analysis of the American Bankers Association work to determine its adaptability to individual state banking conditions. So a part of the work looking toward the final product of the American Bankers Association's Committee. I should feel that this commission is working on the right lines. I would like to see a year or so or by going without taking this subject up with his State officers and making definite programs, the American Bankers Association is published, probably in the course of the next year, I believe it will be an advance over any bank card with a blank card covering the actual value, and unless each State Association is prepared to deal with that manual and utilize it when it is issued, the State banks associations will be left alone at a disadvantage.

3. The State committee should maintain a constructive and sympathetic interest in the work being carried on by the American Bankers Association, and support them for the American Bankers Association forms manual. Educational work should be carried on through articles in the Bulletin, by reports and discussion at meetings, and through conference at which the subject could be discussed. In other instances, it may be possible to bring such interest into the State banks associations, and to familiarize the membership with the activities of your membership with this important activity.

4. The State committee should maintain a constructive and sympathetic interest in the work being carried on by the American Bankers Association forms manual. Educational work should be carried on through articles in the Bulletin, by reports and discussion at meetings, and through conference at which the subject could be discussed. In other instances, it may be possible to bring such interest into the State banks associations, and to familiarize the membership with the activities of your associations with your important activity.
CONVENTION

Report of Committee on State Legislation, by Chairman Eugene F. Gum, Secretary, Oklahoma Bankers Association

We hope to bring to your attention in this report, some of the accomplishments in the way of State Legislation proposed or enacted during 1939 and 1940. A copy of the Report will be presented and proposed to Legislatures that will convene in 1941.

When the committee met with the A. B. A. Legislative Committee for the first time it was purchased in some localities.

The Banks or credit associations, in favor of uniformity seemed palatable to everyone, including the State Secretaries, and immediate steps were taken by the State Bankers Associations to set up a uniform schedule. Many banks have made provision for their charges that their charges may be supposed to be minimum, but naturally the banks took them at the highest and as a result many banks sold their services at less than cost. Some banks, which may be considered to be the most inefficient, would charge consumers and from them the charges were adequate. The wide publicity given to the move to standardize bank service charge schedules and the situation with respect to them and charges were decreased at a point where they would not cover expenses.

The committee made a distinction between the consumer and the business man. Commercial banks reveals that bank service charge income is considerably beyond.

The State banks in some states are making a rather good showing by charging the consumer what they believe the cost to be to the consumer. It is difficult to defend and no doubts will some day be against the law. In that connection the committee urges the banks to market for a more complete and equitable charge system.

This is about the only system which seems to be sold on the need for uniformity in charges. Prices for groceries, clothing, fuel, lawyer's fees, doctor's fees, and the fees of city officials vary from city to city. Have you ever seen a uniform schedule of fees for lawyers?

Any one who has taken an automobile trip of any length knows that the price of gasoline, oil, and tires is the same throughout the country. If a man knows what the gasoline cost him, what he had to pay for freight and taxes and knows how many miles he has driven, he can tell approximately the cost and this is the price he asks for his product. Although the cost of the gasoline, the service will vary in cost may be from 100 to 150, each filling station operator may be asking a fair price.

The most important thing. The method by which the price is determined is the most important.

The banker should approach service charges from the same angle as the flighting. The banker could not possibly be expected to furnish the service and base the charge on those costs, plus a reasonable profit. The banker may be quite willing to study out a uniform method of figuring costs. They also might recommend a satisfactory rate. When the man more the more involved are the lesser chances they will have for adoption.

Textbooks are now operating some departments at a loss. This fact may not show up in the earnings statement as some other department on the books on the ground of the load.

Many banks complain of Government competition, yet, it is only natural. They sell the lowest rate and the savings depositor to seek the highest. In a good market, this is the reason for some.{

There is a proper determination of their checking account, transit and miscellaneous services they could refund non-exchange, but that the latter are on certitudes of deposit and meet all rate competition. As it is now, the present practice of banks customers only to get accustomed and will tend to stifle the present practice of bank customers playing one against another on rates.

DISCUSSION FOLLOWING ADDRESS OF MR. STARRING

President Wattam: There's one point in the report that I do not quite agree with, George, and that is on that service charge. I think he must have been working along with a couple of our Congressmen. I don't know what the banks and the House of Representatives was supposed to have. For years, they have asked for a farm program which would involve costs, and I think an efficient system would operate in furnishing the service and base the charge on the costs that might be imposed on a man.

The problem is certainly worthy of study. A bank in a sound, healthy, financial condition and one which has a well managed lending institution and better able to stand up under governmental competition. The Government Bank Management Commission has recently issued a booklet entitled "Bank Management and Organization Manual" which gives the extent of organization in the various States and gives the report of the State Banking Superintendent and the conduct of the meetings. It is a splendid publication and we recommend like this to the lending institution. We might have one of these banks, or at least a bank, should be an aid to secretaries, in developing regional clearinghouse activities in their region or State. The regional clearinghouse is a supplement to State conventions and group meetings and give an even better opportunity for the interbank to express himself. Regional clearinghouse Association offer these banks an opportunity to get acquainted and will tend to stifle the present practice of bank customers playing one against another on rates.

Mr. Starrig: Well, as I see it, the first thing is to develop a uniform method of figuring costs, and then if we could have a uniform method of figuring costs of the operations afterwards. I think we would approach uniformity; it is that, that is, that we would approach uniformity, it would be so that they were too high and they could then approach this thing with the rate of investigation that might be made.

President Wattam: Well, that subject is too involved to go into a discussion of it here and now. I would like to have the time to argue it out with the bankers. It is the feeling of the committee that some of us have charging the traffic which the traffic charges would be. Would be my opinion that the rate of investigation that might be made.

Mr. Starrig: Yes, that is, that they are doing it on the exchange.

Mr. Starrig: Yes, that is, that they are doing it on the exchange.
Resolution Expressing Regret at Resignation of C. W. Beerbower as Secretary of Virginia Bankers Association—Similar Action on Resignation of W. G. Burt as Secretary of New York State Bankers Association

C. W. Beerbower: Mr. Chairman, may I have just a word, please? I am retiring as Secretary of the Virginia Bankers Association to devote my entire time to my bank. I think it proper that an official of the Virginia Bankers Association, first, that I greatly appreciate the fine cooperation that I received during my entire time with the Bankers Association, and I am truly grateful for the fine service that has been rendered to the Virginia Bankers Association. I am sure that many of our annual conventions have not been of a less value to us, and all of us have always responded.

Second, I want to recognize the contributions and financial support and the assistance that the New York Association has given us. I am sure that we have always carry it in our mind.

Mr. Miller: In view of Mr. Beerbower’s announcement, I might say that I have a resolution here which has been hand edited by me and signed by some of the members who have been associated with Mr. Beerbower, which I think it is a good time to bring it up right now, I will read it.

Mr. Chairman, I am sorry, I didn’t know anything about this.

RESOLUTION

President Wattam: During a period of ten years C. W. Beerbower has been actively associated with the State Bankers’ Association of the State of Virginia as Secretary; he has been a member of the Bankers’ Committees, served as a member of the Bankers’ Associations, and as a member of the State Bankers’ Association. In the spirit of the splendid service Mr. Beerbower has rendered, his presence and influence among the members of the Board of Directors of the Bankers’ Association and his personal qualities will be missed by all who have had the privilege of knowing him and admiring his personality.

Although Mr. Beerbower contributed much in his time, knowledge, and appreciation, he has been a loyal and efficient officer and a leader, and has always been an asset to the Association. He has been a person of integrity and integrity, and has been a valued member of the Board of Directors and the Bank of America.

The members of the State Bankers’ Association desire to express their appreciation for his invaluable services. He has been a member of the Bankers’ Association for many years, and has always been an active member in the Association’s work. He has been a loyal and efficient officer and a leader, and has always been an asset to the Association. He has been a person of integrity and integrity, and has been a valued member of the Board of Directors and the Bank of America.

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Mr. Chairman, Mr. Simonds, Gentlemen:

The planning for productive work is nothing that is theoretical. It is something that we are faced with that we must do. The decision of whether we allow our hours and rates to drop in or out of line is very important. This means that a bank with 50 employees is going to have 5,000 less productive hours next year than they have this year.

Some bankers have warned me that you may decline this decline in working hours won't go into effect, that the draft will make the difference and the production will need to be stepped up immediately.

If that is true, I think that the bankers of this country will be faced with even more serious problems than a decline in working hours, and those of you who were present during the last war in executive capacity will probably recall this. You will be forced to substitute insufficient for efficient help in many cases. In fact, the larger banks will find it a very good idea if they recognize the probability—not only the possibility but the probability—that this having and starting type of employment in which they pay girls a minimum wage so that they can learn something about the banking business, keep them for a couple of months and take an option on their services if they should require them. It might pay them large dividends.

But I see talk for production, any talk for planning of any kind must start with the executives; it must start with the top hands. Too frequently, I think, in the past, and very often do I find when I am talking with the senior executive of some banks on the problems, operating problems inside their own institutions, I have had them tell me, "I don't even know what you are talking about." This may be large banks, this may be small conditions. Banks have thought that there is only one function to banking and that is the lending policies and the investing of funds and they spend all their time on that and do not consider the routine operations which they think will take care of themselves. As a matter of fact, they won't.

There are two ways to make money. One is to increase loans and one is to control and reduce expenses. Until management realizes the importance of their internal operations, it will not appreciate the importance of the same thing. If they leave that to the junior clerks, they are not going to get very far. It must interest the senior executive; they must know what is going on.

The efficiency of operation, like loyauté, is like water; it will not run up hill. It must run downhill or it will go.

Now with the larger institutions, the best way—not the only way but the best way—that I know for them to control operations is by the building of an operating manual. By an operating manual, however, I do not necessarily mean or refer to a manual that is composed of a lot of unimportant things. To be practical, it must fit the individual institution. The best way that I know to prepare a manual is to recognize the different departments of the bank; start off with the functions of that department and then put everybody's duties down, just as they are supposed to do.

In going through banks, one trouble I frequently find is that there is something that is somebody else's problem; he is supposed to do that. If we will take every person in the bank, list what duties they are supposed to do, not only is management able to control the affairs but it will be a surprise to them the tremendous amount of duplication of work that they can avoid. Duplication of work is one way that banks can increase operating efficiency—and duplicating work, one way they can increase efficiency and at the same time get the results they want.

A lot of this duplication, I believe, has come about because the average bank has taken as a policy, if they did the same work twice, they will have a good internal check. That is not true, positively not true. If we have one good record in one place, we never need it anywhere else. Duplication of work for productive work is nothing that is theoretical. The purpose of internal check is that all transactions should, as far as possible go through two hands but that doesn't mean that the two hands have been very busy in the past to duplicate work.

Another great advantage of the proper building of a manual is that the various employees not only know their duties but anyone else stepping into the bank can be told who was there and has a complete memorandum of what those duties should be. In certain places, even the time they should go down, for example, the time to cut off for cleaning, the time to cut off for cleaning, the time to cut off for cleaning, the time to cut off for cleaning.

Also, there should be a clear description of the policies applying to that department. Too frequently we have the unaware person, what are your investment and loaning policies, by a lot of generalities. So in your manual, you should make it as an example of a manual, it should be preceded by the rules and regulations for making loans and should be followed by such things as the margin requirements. If a bank has much money in discounted loans, must be have duplicated things as the margin requirements. If a bank has much money lent on such stocks, bonds or other things, for any such complicated things as lending on life insurance policies. All these are part of the policies of banks. There is no way in which they can be as well controlled and as well planned for as the manual can be if they have one, with the forms and explanation of those forms so that anybody can follow them.

I know that there is something that is called the patient hand in loans and discount from the vice president, whoever has charge of the discount, through the bookkeepers, through to the teller, if we have one, with the forms and explanation of those forms so that anybody can follow them.

If we are going to run a bank as a business— and, gentlemen, I want to emphasize that banks are business. We can call bankers professional men, if we like, and I have no particular objection to it, but the banks are corporations organized for profits and must be conducted along profitable lines. They must learn to distinguish the cores and operations of such departments. They must recognize that one function, the lending function, cannot alone carry a bank; there must be care of all other functions of the bank. There are two main functions, a lending function and a service function, and certainly we cannot get to separate those if we are going to be able to control them, and control in a bank comes from the statements that you as executive officers get, 90% of the decisions you make as managers of banks are based upon the interpretation of those statements. If the information that you receive is not correct or do not tell you the complete story, you are only handicapping yourselves. It is very important that you get along with the banks, you are the ones the public look to, you are the ones that are blamed. You are not being blamed; you are being advised. You cannot set up those statements unless the records down below are susceptible to their preparation.

Many times bankers tell me, "Well, if we go to work and do all that work, it will be a tremendous job. We will never get through with it." The funny thing is, the opposite is true. No such large a bank that I have seen in a system in many banks. They had a man on a general ledger, paying him $175 a month. They were keeping departmental distribution down from 15 different departments. It was taking that general ledger bookkeeper from 7 o'clock in the morning till 7 o'clock at night to get the bank balanced.

I do not think that banks are right when they attempt to balance by cumulative totals. By cumulative totals I mean the bank as a whole. You have only got the day's work to balance, and why not balance merely by the day? That is what we did in this particular bank. We used a balance by the day and that general ledger bookkeeper now starts his work at 3:30 in the afternoon and he is completely balanced at 5 o'clock in the evening. The run of the work is done by an $80-a-month girl on a machine—not only is the general ledger and the day's statement and the departmental distribution out of figures. She is enabled to keep the liability ledger and the records of the two other departments.

Certainly it does not pay to use expensive men to do work that can be better done by cheaper people or by machines. This is the day of machines. We have electric record on all these offices or other things. You can say referred to, and banks can just as well do a tremendous amount of work on their machines within five minutes by a pen and ink. Now I will agree with you that it does not pay to have little bookkeepers doing it for 500 hours, but if a machine is bought for one particular operation, it can very easily be adopted to take a tremendous amount of work out of the bank out of other people's hands.

The difference is, as I said, was the fact that the average chief executive of a bank believes that those things are not within his sphere. He is not interested and does not understand that as an executive officer, it should be preceded by the rules and regulations for making loans and should be
Operations do not mean something that is not worthy of your attention, as a matter of fact, everything that happens is your bank's opera-
tions. You buy a bond, it is operations. If you take care of the operations, the balance sheet will take care of itself.

I want to give an example of the little history back in 1929 that will tell you exactly what operations and the care of operations will do. This particular bank was in 1929 a very large investment banking concern, with about $90,000,000 in deposits. On the banking holiday in 1923, it had $71,000,000, a substantial proportion of which consisted of high-grade bonds. But it had the perfect system, it opened up immediately after the banking holiday. If that bank could do it, that was possible for any institution. All you have to do is to make sure that you have a sufficient number of reserves, like taking care of 95% of their deposits, there would be no trouble with America's financial, there would be no trouble with anything.

You did it. They did it by planning. Your collected a lot from the so-called service charges, but that alone would not have been enough to tide over the crisis. But, during the fall of 1921, that we were going to have some difficulty, so we took a long look at our reserves, at the total reserves that you have, at the amount of expen-
ses that we might be called upon to use. We went to the Federal Reserve Bank of St. Louis, where we have the Reserve Bank. As a matter of fact, practically everything goes on that. Another machine manufactured by something way back in the stages of the research, they all had a machine that we have, including the proof, transit, general ledger, statements; everything goes on that. Another machine manufactured by some other way back in the stages of the research, and it had the same machine that they had, we have, and we say, well, we will not have wasted. You will need them.

I think, perhaps, if it is wrong, I think that it is unfair, to try to have everything come from the once source, to yell at interest rates and we want to get more inexpensive. I think that it is something that we need to meet that is a new thought. We got it: It is going to start only with the senior executives. I, in those few minutes at my disposal, I have been able to look at some, some ideas of those who, the people, the people, they have not been. You will need them.

However, as a matter of fact, banks in the past have been financing to a large extent the same merchandising and a half and a half to three times.

"A" has been constantly on the manufacturing, in the process of the re-
ceivable and inventory for repayment. Bank "B" has been doing the same thing with the merchandising for a few years and no one has said, in the same old management that left the manufacturer.

We wouldn't do this, and we can't do this, and we can't do anything. It can be done with the banks, because they will not take the trouble to know what costs are, and the costs, the banks, anything else, I will not accept a letter credit in the right way.

We have the Federal Reserve Bank, and we will send all of the banks, therefore, that a bank can know that it is the same as a business position on that end to know. This is the difference. We have done this, is the difference.
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1928 in income.

funds deposits stood. The value of the savings and loan association in the United States has been estimated to be approximately $200 billion.

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help competitive in their local enterprises.

other fields of activity.

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It makes a little difficulty, New York among them, but that is because the banking system is not geared to the business as to how much he has to work. They have got to go, to investigate a loan. That is what costs the money. You are asking yourself if you are going to get a loan from a bank. You may be a substantial person, perhaps a million dollars around town; you have to look up the borrower. All of this costs money. Does your money cost you anything?

Question: I have one other question. In your experience, what has been the minimum and the maximum investigation fee?

Mr. Robey: Well, $15 to $20 is the minimum and the maximum investigation cost; $5 will cover it over. Again, it depends upon the rate of rejections to applications received. It costs more money—if we get that clear in our minds, that it costs more money to reject a loan than to make it, we will see the same thing across.

Mr. Robey: No, I don't think that any stopwatch is necessary, is it? In the smaller banks where a man's duties are very much mixed up, it is hard to determine the largest part of the man's time. If you are looking up credit, it is the time that you are looking up the credit, and the cost of running the bank you might say is more or less overhead and forseen, for, isn't it—the cost of the man looking up the credit and other information, as well as all costs of bookkeeping time and form to the point where you turn the money over to the borrower, should apply.

This thing of splitting salaries in between various costs and expenses is quite simple. That our banks be operated soundly and safely.

Mr. Robey: Mr. Woolley, what would be the cost, do you think, in a mid-sized bank in a large city? Probably half of the average cost of a mid-sized dollar.

Mr. Woolley: Well, in a large bank where you have a line of demarcation, the problem of allocation of cost is much easier than in a small bank. I know where there is one person doing all the work it is simply based on salaries. I have no hesitation in saying that all the investigations forms, everything up to the point where the loan is handed over to the borrower, he will find that it costs much more money that the cost of the investigation forms, the help that he needs, and it costs more than it does to accept the payments, because that is done by the clerical labor.

Mr. Robey: How about the budget in a mid-sized bank? Probably half of the average cost of a mid-sized dollar.

Mr. Woolley: I have found costs that are higher than that you are to the large banks. There is no such thing that I know of as a large bank, I have found costs that are higher than that you are in large banks, and that is just true in your personal loans. The only thing that you can keep track of which I have that we have in the mid-sized bank which I have found has costs that are higher than that you are to the larger banks. I have never found anything yet that would allow us to control costs through the same amount that you would ever find any other thing that a cost should be. That is why I say the only solution to better management is to build yardsticks or budgets for your own institution on the dollars of expense that go out in relation to the dollars of income that come in, and to those is the only way you are likely to try to control its items.

Mr. Robey: That would bring up another question, and that is, you get a great value out of fixed salaries. You do not try to control its items.

Mr. Woolley: Well, yes, isn't any business. Mr. Robey, bound by our little one-quarter mile.

Mr. Robey: Well, the "New York Times" costs in my town the same is it does in Fort Dodge, but there is no reason why they have to think of that question.

Mr. Woolley: Yes. I think so; I most decidedly agree with you. In other words, a lot of the selling prices in banks are governed, naturally, by law, by custom or by competition, aren't they? They are not able to raise the interest rates higher than the average in their community or what other people are doing. I cannot believe that you are likely to sell your services at a considerably higher price. They do not have a patented article. On the other hand, we may have smaller banks with a materially lower sale of salaries or anything else. It is only in between those two points that our operations may get in its good light. That is why management must know what is going on in between those two points, in order to control them. They are never going to be able to sell things at the same time and for the same time. The charge is four times the price that somebody else is selling it for.

Mr. Woolley: Mr. Robey, if you mentioned on the books, do you have any estimate of the cost of selling a loan, say, or an 11.25 per cent?

Mr. Woolley: What do you mean by servicing a loan?

Question: I mean collecting the payments and the stationary and auditing so on.

Mr. Robey: No, I have not, and the reason why I haven't is, again, that you average wouldn't be so great. Any average of that kind I could tell you would be misleading because a great deal depends on how you are operating. If you haven't power to think of, if your methods are antiquated, you are not using machines where you could machine, your costs are going to be higher. There is no way I know of that you can either control or that it means very much to have those item costs in the banks.

The thing that management needs to know is that you may try to take a man and say that they can tell whether they are getting a satisfactory return from this that is to keep the expenses of the Personal and to keep the expenses of the Disbursements of the amount of money that we are investing, and so that it can find an effective rate on each individual class. In other words this amount you represent the two classes, you have automobile loans direct, you have automobile dealers' loans, you have direct loans to individuals, you have automobile dealers' loans, you have different classes of loans. Then you certainly have the people who are employed in that department.

Are we free from the money invested satisfactorily? I think that, as a fact, an analysis on this style, has been the thing that started many a bank in the power of the investment. By the way, no matter what it is—let's say, for instance, 3.12 per cent on commercial loans, and that they had been averaging, after all expenses and the interest, your personal loan is a two per cent. If I get it I am not after all expenses, I have a department that is paying me, no matter what the individual transaction may or may not cost, I don't that that.

Question: Mr. Dart, may I ask Mr. Redenlial a question? I understand him to be the largest bank in the Federal Reserve District. What rate of return do you claim to be making on loans?

Mr. Redenstial: I mean on the earnings? That allowance is made on the net realized balance.

Question: Yes, I know, but is it 30 cents on the hundred? And is it not realizable balance?

Mr. Redenstial: Net realized balance, 15 cents or 20 cents a hundred dollars, yes. If I were to say 30 cents, that is the thing that might have been used. However, it is a refusal to consider.

Mr. Dart: I would like to point out that we are not entirely free from the matter of modernization, writing all correspondence in longhand, doing all detail work without the help of up-to-date machinery would today be comparable to a cross of ditch diggers endeavoring to tunnel a mountain with a pair of ice tongs. Conversely, a bank can be modernly equipped with machinery and labor saving devices, but poorly staffed with officers and employees, and little if any progress will be made. There has never existed in the history of the American system a greater need for us to survey our operating methods, procedures, systems and forms of our personnel.

And the need is emphasized in so far as it is necessary for economy. Councils of acceptable loans with resultant low rates on prime paper and high-grade small loans makes the efficient bank a much more desirable proposition. A well-managed man can save his salary many, many times over in most of the banks.

Better Earnings and Greater Efficiency Through Simplification of Bank Operating Forms

[J. W. Bestor, Cashier State-Planners Bank & Trust Co., Richmond, Va.]

Safe banks are the order of the day. The order launts from our deposits, our credit, our reputation and our obligations. If you have any doubts on this score, consult your records and contemplate thorough inspection and examination of the Virginia Life and Accident Insurance Corporation since 1933 as safety insurance on your deposits. Never in the history of the country has there been such an insistent demand from all quarters for correction of existing evils and for safety. Now, it is elementary that a bank to be safe, must be profitable. Profits must be forthcoming to bolster capital in order that capital growth can keep pace with expanding deposits. Profits are needed as a reserve, a safeguard against loss to be supplied by your stockholders.

Cashe is a mortgage formula, the application of which will produce great bank profits, however, there is a time-honored adage, the use of which is as well as it was the day it was coined: "a penny saved is a penny earned." Saving is not applicable in these times; $5,000 is dead loss. And I mean not earnings, not gross, but the cash for which you are paying a dollar. In the last analysis, we are interested in earnings. And earnings can be obtained through simplification of bank forms, paid for by the savings made by the efficient personnel, using the right kind of mechanical equipment. We are interested, then, in coordinating every detail of our plant to the greatest efficiency with the least cost of rendering good service and maintaining adequate records. The net result will be a saving of funds, a reduction in eye strain, and an increase in the value of your capital investment.

It must be remembered that the call of the man, no matter how great business and the efficiency of the man, no matter how great his efficiency, is to make no matter their capacity for winning friends and influencing people. In other words, their duties are not equipped with proper tools, such as good operating forms, proper and good in mechanics, they have been equipped with a machine that has proceeded only half way. It has been my privilege to go over the operating systems of several banks, and in my opinion, the system that has been found out some banks still using the old style, back-bookkeeping machine, and in doing this, they do not receive their due rewards and procedures which would not be required with more modern machinery. This is only one instance in which time and labor, and a period of time and effort, and a period of time, would suffice. This is the period of time necessary for the proper execution of the new machinery.
How would they recover these expenses? By assuaging them against their deposits. The net result would be that the system would have to pay higher charges and discount rates just to make up the loss on some large accounts that a proper analysis would show to be uneconomic. This would spread the burden around, and in the long run we would enjoy a tremendous advantage over the bank which was having to expend four cents additional to handle a check.

We have not yet "simplified" the system. We have lost the profit from one big account absorb the loss from hundreds of small accounts. And some of the new methods of doing business, instead of reducing our cost, have increased our expense. In 1934 our printing and stationery expense was four cents per $100 of deposits. In 1939 it had been increased to three cents per $100 of deposits, representing a reduction of 25%. This was accomplished, however, at the cost of a 25% average increase in activity. For example, the daily items handled from our previous year's total of 137 million increased to 170 million per day to 25,000 with a peak of 55,000. To be exact about the interest and to understand the picture, the 1934 total was $2,500,000 for 1939 was $9,900,000. In other words, if we keep and suppling of monthly statements, together with encoded checks on which the signers' names are guaranteed.

For these services we must be paid at a cost-plus basis. We are in the same boat with the manufacturer who takes raw material and converts it into finished goods of being able to employ those funds at a rate suf- in order to bring him a profit. We shall know, beyond a good faith, that we will be able to employ those deposits at a rate that pays the expenses of delivering the service and yield us a fair profit. Like the manufacturer, we invest not only funds and means of lowering the production cost of our product, service, in order that it may enjoy a wider distribution. Take, for example, our own institutions. We have 12,000 commercial and industrial accounts in which we hold deposits of $50,000 or more. In the past the 1939 gross earnings of insured commercial banks were 15% lower in 1937. Expenses decreased slightly more than 1% for the same period. The explanation of this apparent variance is that the costs in which the banks are affected the largest part of this decrease in operating cost is attributable to the reduction in their expenses for deposit insurance and appraisal. The second part of this comparison is that: if we exclude from the figures the amount of reduction in the expenses of the banks by the change in the rate of interest, in place of showing the reduction in expenses of approximately $400,000,000 of the reversal in 1939 as compared to 1937 showed an increase of approximately $400,000,000. Our opening the banks are the order of the day, "ultimately what we are doing is not based on a profit motive but on the desire of the banks to raise?"

We do not feel ourself by comparing the figures on our bank with those of the A. B. A. Bulletin showing earnings and expenses of all insured com- mercial banks. This figure was calculated on a "pay hundreds of dollars of deposits" base. What makes them look good is the fact that deposits increased more than five billion dollars since 1937. However, the catch is that required and excess reserves have increased more than seven billions in the same period. In other words, all of the increases in deposits, plus the changes in excess reserves has increased the cost of doing business.

For instance, under the new system of banking, as in the old days, we are not earning the banks save that we have been successful and so is it costing them in increased activity or service? The answer to this question is yes, and we are con- vince that the problem of dividing say and means of reducing operating expenses will not be solved by the problem of reducing costs. An approach which holds promise lies through the simplification of the administration of systems and forms. This included also the better organization of men and the efficient use of the time of money. To keep the banks from reducing our costs and enabling us to offer our two products, service and credits. How have we made a real and intelligent study of our operations from the point of view of eliminating waste? Have we analyzed the cost of service rendered on the one hand and the cost of lending money on the other? If we, or our counterpart, can not submit to us any reason why it is cheaper or more economical of time and effort, because our bank has changed its arrangement of forms and systems. A new system was installed at the head office and other units. This was both in our departments of the bank and was a contributing factor in the tremendous cost of producing many kinds of forms, where a standard form would do equally well. In our offices.

There is an important and interesting job in banks, particularly in the larger ones, in the form of the accounts a bank has on hand. They are the signature cards, pass book, collection form, in short every printed form should be subject to an analysis somewhat like this: Can it be dispensed with? If the answer is yes, and the saving is enough to cover the cost of its dis- pacement, than the form is worth abandoning. The auditing department or purchasing department or printer should be consulted in this case. The form should be evaluated, measured by the cost material, and its method, but the ability that this form can be devised to the smallest cost. We have found three connections in our printing department of 64 accounts. This will be retained or determined? This will have a bearing on the weight and rag content requirements. Can the number of copies be reduced? Can the printed matter be reduced from its present size to a smaller one? Can the reduction be made? Can it be printed in one color instead of two or more? These are but a few examples. One question, if you are interested in our opening an account, "A penny saved is a penny earned," and if you go along with us in the belief that the savings of this form is as applicable to thousands of dollars, as it is to the lowly penny. For instance, the total cost of the pass book. It is a well known fact that the average bank has a tremendous mortality of accounts, both savings and checking. It takes a lot of new business to net one permanent account. To complete, if your pass book cost us 10 pages, for instance, the chances are that if you draw six or six would do just as well, as for you. If you can get those cased accounts, you will have to put the latter under some other method or else you may lose your job.

True, of we can keep our doors to all forms of deposits with the help of those banks at a rate safe in- the savings of almost everything that has been done in our own institution. We have been unable to make any unnecessary operation in a bank; this is the case when we find check three or four times a week in some cases. We have also been restricted in the amount of business that can be done. We have a good feeling about the efficiency of the operations of the bank.

In 1934 our deposits were approximately $30,000,000. In 1939 they were approximately $50,000,000. In 1934 our gross earnings were $3,260. In 1939 our gross earnings were $2,620 per $100 of deposits. In 1934 our depositors were doubling themselves, our income $100 of deposits was doubling approximately 40 months. We have been able to do this for me to dwell on the reasons for this decline. The continued downward trend in the demand for bank currency and rate interest is a story familiar to all of you. Over these factors, we will not discuss them here.

Now, what of our expenses which are controllable? In 1934 our gross expenses were $2,620. In 1939 our gross expenses were $1,510. In 1939, our cost has been reduced to $1,510. In 1939, our costs were $75 less per $100 of deposits. In 1939, the per $100 of deposits had dropped 74 cents, by applying the theoretical formula of efficiency in credit, we had reduced our expenses by 75 cents. And this is a high figure. But if we can hold down our expenses by 10 per cent during that six-year period were such uncontrollable factors as Social Security were not in existence in 1934. Social Security and the increased FDIC premium and the increased rates of interest are in addition to the increase in cost of operation. Making allowances for these uncontrollable and increased charges, our expenses have been reduced by 30% in the six years. This would represent a decline of 74 cents against a decline of 74 cents. Naturally, we are very proud of the fact that we have been able to reduce our expenses at a rate slightly greater than the 10% decline expected.

In telling you these things, I do not wish to convey the impression that we hold out to our competitors the idea that we are better off than I do that many banks have done equally as well or better. You may well wonder where the difference is. It seems to me to be due to the small number of our accounts. In 1934 our printing and stationery expense was four cents per $100 of deposits. In 1938, there was 30 cents per $100 of deposits, representing a reduction of 25%. This was accomplished, however, at the cost of a 25% average increase in activity. For example, the daily items handled from our previous year's total of 137 million increased to 170 million per day to 25,000 with a peak of 55,000. To be exact about the interest and to understand the picture, the 1934 total was $2,500,000 for 1939 was $9,900,000. In other words, if we keep and suppling of monthly statements, together with encoded checks on which the signers' names are guaranteed.
The checks your bank has dropped in the individual institution systems, bank committee and filter down to the clearing office. If you have one, then he is a good credit machine. A great deal of expensive and unnecessary checking of the same data is done by the bookkeepers in the banks. The supervising authorities appraise these assets often to determine their soundness, but a great deal of important and necessary work is done by the bank can have—personnel—is often left to drift.

When we purchase a machine we know exactly what it will do and what it is worth. When an individual comes to us to ask whether he can send us your book or bank—personnel—is, I am afraid, left to drift.

Up to this point in the history of the American banking system the greatest majority of the banks have been in the hands of individuals. The business of this is going to continue to be true, even our employees deserve and must know our employees. They are the banks and their officers have been selected for the major departments, whether you are making millions or dollars or whether you are making nothing by the way of income or losses.

When we are all for doing this problem, is it one for the individual business? Can they be made to address themselves to? By that I mean, should we not start with the A.A. and B.A. and C.A. and D.A. and E.A. and F.A. and G.A. and H.A. and I.A. and so forth, and go over, these set up, and get the benefit of their experience, and then go to clearing house associations, and the clearing house associations, and the examining authority. I might add that 28,000 of these are used primarily by banks in the country which have resources of five million and less. In fact, in one of the finest ways to have more interest in the A.A. A. by smaller banks is to continue this work. In other words, you are giving a part in the work. It receives itself back to one thing which was the great thing in the great depression, "Give men light and they will find their own way."
It requires a football and 11 men on each side to play a game of football. We can purchase the finest equipment and produce uniforms for the best piece of pigskin, but unless 11 men on our team cooperate, coordinately and clodically, andcles will just come out. The same thing is true of our banks. We can purchase the finest equipment and produce the most beautiful bank charters, but unless 11 men cooperate, and the 11 men of the bank we cannot be a success. Professional sounding problems naturally go hand in hand, and the officer that is trying to control expenses should, directly or indirectly, have the authority to hire and fire, move or interchange employees from one department to another. One of the greatest reasons why a successful operation of a bank is a highly systematized, well-aimed plan of operations, where each employee is doing his part no matter how large or how small, where the work flows evenly and smoothly from the time it enters to the time it leaves, where the processes are perfect, then does it well. Men, not dollars, make banks. All of us have virtually the same problems, the same stock in trade, but the difference between going forward or going backward, between success or failure, is in the hands of the balancing factor—men. The thoughts I wish to leave with you have been best said by Julia Wheeler Wilcox. Here is her conclusion:

"One ship drives east, and another driven west, 

Tie the set of sails, and not the gales, 

Which tells us the way to go."

REAL ESTATE

Real Estate Mortgages

By JOSEPH M. DOUGLASS, President of the Detroit Bank, Detroit, Mich.

The purpose of this Conference is to consider real estate loans in connection with bank operations. We shall have an address on the subject of "Real Estate Loans in the Investment Portfolio," followed by a question-and-answer discussion.

In the banking business, investments made in the form of real estate mortgage loans usually involve the highest average rate of gross income, and the highest average departmental profits, after applying the direct expenses of handling the mortgage account. This profit rate may be exceeded on property which has been such a deposit to the bank, but these loans usually represent a much smaller part of the bank assets.

The development of modern residential and business facilities has attracted increased amounts of public and private investment, and is being aggressively sponsored and furthered by numerous governmental agencies, both national and local. The banking and commercial activities, commercial loans, coupled with the expanding activity in residential building, in the nature of its source of losses on our bank deposits, has resulted in severe competition between banks and savings and loan associations for this custom. The importance of our subject lies in the strength of these foundations.

Mortgage loans are essentially long-term transactions. In your bank, although we are in the business of making bank deposits, there are long-term mortgage investments, they have a past, present, and future. In the past many mistakes were made in handling mortgage loans of too great extent. It has taken the better part of the last 15 years to liquidate the mistakes and avoid the losses. In the process many losses should have been loaned, never to be forgotten.

In the present, we have a situation where the emphasis on new building and development with extreme competition between the lenders, the result will be a situation in the middle 1930's.

The future is complicated by the economic uncertainty of the times, the increased and probable losses of the present, and the probable results of the extreme stimulus to our economy caused by the national emergency and demand of defense.

Because the improper extension of credit by banks in the 1920's culminated in a stock market speculation and collapse, there is a general distrust of the banks by the public because of the losses, almost criminally, from that source. We are all familiar with the restrictive legislation and the controls that have been placed on the securities markets and make securities loans to avoid any repetition of the previous conditions. We are now in the same position as in the previous conditions directly related to sound mortgage lending. Yet, these were just as important, and, in some banks, were the major source of difficulty.

Mortgage Loans in the Bank Portfolio

By ERNST M. FISCHER, Director of Research in

Mortgage and Real Estate Finance of the A. B. A.

There has been no corresponding restrictive legislation in connection with mortgage loans. Some of the few restrictions that existed in banking laws have been modified. There is no restriction or requirement on our part, as to the nature and amount of any asset that a bank may own.

The need for earning assets, competition for loans, the need for modern residential and business facilities, and the current need for control and adoption of a proper association principle, but the projection of monthly payment on mortgage loans will have civil values in the future unless an entirely different policy is taken toward principal payment than in the past.

The loans made in earlier days had partial payment requirements written into the mortgage contract which were not collected when they should have been and could have been. That can be repeated. We also found that liquidating the residence and business properties as appraised values that can be forgotten, particularly in connection with the current policies of larger loans to the-agencies.

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In other words, the investment program is based upon the assumption that the 
flow of liquid assets is such as to ensure that these banks will 
allow back into primary reserves or cash. The timing of this flow is 
the same as that of amortizing the principal of mortgages at their 
maturity dates, so as to secure a satisfactory and dependable flow of funds 
back into primary reserves. Primary dependence is placed upon maturing 
securities and the investment program constitutes the measuring 
instrument for this purpose.

The bond maturities, as they were made prior to the last few years, could 
not qualify upon either of these counts. While they were frequently 
mentioned as the major form of reserve investment for amortization, and were customary either renewed indefinitely or 
called. But in view of the drastic cutback in the flow of income, their 
interest income, but did not create a return flow of funds into cash reserves. 

Some appearance of liquidity is given such a loan by its secondary 
market value. The yield on the secondary market is in the nature of the 
liquidity has been amply demonstrated. Liquidation by the borrower at the 
end of the short-term mortgage, in part or in the entire amount, is the 
result of short-term loans to another lender has been the rule. Some 
certainty may be demanded of us not to re-enter into a loan that is 
liquidation is most urgently desired by the lender, the borrower is least likely 
to be able to liquidate. The first of the assumptions is that there is no systematic flow 
of funds invested in this type of mortgage back into primary reserves 
can be anticipated. It would seem, therefore, that they must be treated as 
a special category in estimating and a fund conversion policy to accomplish 
this purpose.

But, under the stimulus of both law and logic, the use of this type of 
measure is not so simple as it is likely to prove difficult, while it is more 
appropriate the mortgages which provide for liquidation of the debt which 
will be realized after amortization, if they are not so used. The other major 
portion of a type of amortized mortgages automatically places the 
entire cash flow into a small number of large deals. A reasonable 
premise, that funds invested will flow back into primary reserves at a 
calculation rate is established. Investments made in regularly amortized 
securities, and the importance of the fund conversion policy. This 
invested in mortgages in any period, the rate at which these invested funds are returned in cash 
depends rather on the rate at which the bonds are to be amortized, the yield and 
discounts.

These two important bases upon which all investments are judged 
and insurance, (2) their yield, and (3) their liquidity. Liquidity is 
interpreted in terms of maturity dates or marketability of the security. 
Therefore, we are concerned with the rate of interest or the maturity.

The importance of the flow of funds from investments back into primary 
reserves is evident. A single element in the following formula. In any 
period, the rate at which these invested funds are returned in cash 
depends rather on the rate at which the bonds are to be amortized, the yield and 
discounts. The examination of the final maturity of mortgages is likely to be many years after the 
date of the maturity of the principal. The placement of the instrument.

But this statement does not mean that the funds invested in amortized 
securities are invested for long periods of years. Actually they are 
invested in the same mortgage for varying periods of time. Only the last 
scheduled payment is required to be amortized. The determination of the place of amortized mortgages in the portfolio 
requires a knowledge of the time of amortization. This can be ascertained 
from provisions contained in the mortgages, the funds will be returned to 
primary reserves.

For purposes of illustration, a single investment in 20-year 4½% 
monthly amortized mortgages is taken. This illustration is indicated in the 
classification below.

During the first year 5.4% of the principal advanced is returned to 
primary reserves, and 3.16% net interest. At the end of the first year each of these 
mortgages 94.5% of the principal is still outstanding. During the second 
year 4.4% of this principal is returned to primary reserves. The process is 
repeated in each of the other years. The payment at the end of the first year 
perpetual, payments payments of the entire amount of liquid current into the mortgage 
loan. Since the mortgage has been assumed and is already properly secured as a 
asset, the amount that constitutes the second year, the mortgage is returned to 
primary reserves.

The accuracy of the classification is that a small portion of this current 
principal remains and that it is liquid current is introduced into the mortgage 
loan. Secondary reasons for this include the accuracy of the analysis. The current 
amount of which is predictable within a reasonable margin of error. Obviously 
accuracy when the current is a single payment, or the final estimate of all funds likely 
be received in a small intangible and dependable there can be no estimate 
be calculated. This is particularly true in the case of the bonds with 
forbearance. The purpose of this is to calculate the rate of return into the mortgage 
loan. By any possible conversion, or the bonds with 

The matter of the entire investment portfolio will make these generalization 
classified. A distribution of maturity by this portfolio is 
appropriate to the seaboard States in 1937 was 
follows:

- mortgages within 5 years or less
- mortgages within 10 years or less
- mortgages within 20 years or less
- mortgages within 20 years or less
- mortgages within 20 years or less

From 1937 to 1939 there was an effort to advance mortgages, so that in 
December, 1937, 20-year 4½% monthly amortized mortgages, the 
when the government had the amount of the principal. The interest on these 
mortgages had been amortized. In 1939 and invested these 
mortgages in 20-year 4½% monthly amortized mortgages, the 
interest on which would be considered the 

So far as mortgages which were in the process of amortization. These 
mortgages had taken their maturities of 10 years and over in 1937 and invested these 
mortgages in 20-year 4½% monthly amortized mortgages, the 
looking at the maturity of the principal. Even in the case of mortgages that 

For the first five years substantially the same results would have 
been achieved. Maturities within 10 years would have been slightly less than 
three obtained instead of the 20 year; for the first fifteen years of maturities would 
be considerably more satisfactory, and at the end of 25 years the entire portfolio 
would have been amortized as against 8½% for the 20-year 
version of the program as achieved in 1939.

Other considerations may have made it worthwhile, however, to pursue this 
policy; but even if we assume that 50% or more held in the portfolio 
in 1937 had been converted into 20-year amortized mortgages a 
amount of funds. This is because the yields on these 
features would have been scheduled at each five-year interval for 
return to primary reserves.

This line on the chart represents the adjusted distribution of 
investments in these two States in 1937. This solid line represents the displace 
unamortized mortgages held in their portfolios in 1937. In 1937 the bonds 
of more than 10 years' maturity had been converted into 20-year amortized 
mortgages, as shown above. The typical program of fund conversion, it 
invested in the amortization of 3½% mortgages, rather than 4½%

With flexible mortgage terms, and consequently flexible amortization 
requirements, these changes might be achieved with a flexible program of fund 
conversion, provided that the terms of the loan is not 
smaller, or to create an excessive burden at the end of the mortgage term. 
The second point is important in connection with the investment program is 
that of yield. The objective of the investment program is to secure as high a 
yield as is consistent with the preservation of the assets. 

At the end of the quarter, bonds with maturities of 3½% have been 
acquired, to be held against these mortgage loans. The estimated yield of the 
loans, therefore, is the loss of foreclosure costs and interest on the 
outstanding balance from the date of default to the date of institution 
of foreclosure proceedings.

Even if a liberal allowance is made for foreclosure costs and loss of 
interest, it is difficult to see any major risk involved in the investment 
of funds is insured mortgages.

Another interesting point in the insurance feature is its relationship to 
spreading requirements and therefore its effect on fund conversion policy. 
It is obvious that the rate of return on such a program is to 
be secured with the purchase of real estate. But there is also 
retirement of the real estate which is usually acquired as a result of the 
insurance program. One of the purposes of the real estate of the 
debtors of the Mortgage Insurance Fund, which are 
warded by the 
that the interest of 2½% and are tax-exempt except for estate, inheritance and 
shift tax. It is carried on the income tax return as a deduction. But the 
income tax return as a deduction. But the 
the Federal Housing Administration.

These provisions warrant classifying these debentures, if not as 
secondary reserves, at least as prime investments for banks. It is difficult to 
conceive of their fluctuating far below par, or of an institution's being 
required to carry the debentures for any considerable length of time if it 
desires to dispose of them. They would probably qualify, therefore, as 
secondary reserves.

The insured mortgage program, therefore, has advantages to a bank 
as an investment that are excellent. It gives unique protection against loss of 
in the fund conversion provision of the bank it 
self is more than justified.

I have illustrated this chart (indicating chart). The 
amount of amortization during the year is represented by the first 
cross-hatching. The amount of the principle to be retired is represented by the other 
cross-hatching, the cumulative amount of amortization is illustrated 
between the two cross-hatching. The section of the bar that represents 
in this section of the bar. Now, of course, to make such a diagram as this, I 
had to make the assumption that the total amount is 
would be indexed. We made a very liberal 
assumption. Of course, it is a very close 
100 years from that date to the date of 
the Federal Housing Administration.

Of course that is a large amount, a total foreclosure rate of 20%, but you notice 
that it is within the 20-year term. The 
and coloring of the bar, represents at any time the proportion of the 
funds invested which have been returned to primary reserves as principal and 
debonded which I shall classify as secondary reserves.

And then we have the second fact of operation that the greater the 
rate of foreclosure, the greater the proportion of the bank from the point of 
the view of fund conversion policy, because the 

Finally, in the investment program it is imperative to receive as high a 
yield as possible from these investments. I am 
the attempt any summary of net yields obtained from ordinary or uninsured

For further reading, see the Federal Reserve Bank of St. Louis FRASER database.

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For further reading, see the Federal Reserve Bank of St. Louis FRASER database.
mortgages. Experience varies so greatly, and the data available are so fragmentary, that we should hardly dare to

With respect to the insured mortgages, however, certain observations are interesting. The annual yield on mortgage bonds yielding a gross return to the mortgagor of 4½%. If a liberal allowance is made for future sinking costs of making and managing a portfolio of insured mortgages, a yield of 3½% may be considered an acceptable return on large

corporate bond yields, and a considerably higher yield than that obtained from first-mortgage bonds. The yield on high-grade corporate bonds for 1939 was about 2½%, according to the figures of the New York Federal Reserve Bank. Thus it is seen that even though 15½% of the mortgages are foreclosed within the first five years, the net return to the mortgagor is considerably less than that obtainable from other securities.

In summary, mortgages find a place in the portfolio of the bank only in connection with the joint mortgage program. In order to participate in any investment program, the mortgagor must be regularly amortized by periodic payments which are sufficient to cover the amortization of the mortgage. When this condition has been met, the foreclosed mortgage can be included in an investment portfolio.

The insurability of mortgage investment is a matter of some importance, the security of the mortgage bond varying in amount to the investor. The value of the mortgage bond as an investment depends upon the value of the property, the amount of principal and interest due, the length of time remaining to maturity, and the interest rate. The value of the mortgage bond as an investment is based upon the probability of collection of the principal and interest and the amount of time that the mortgage will remain in force. The value of the mortgage bond as an investment is based upon the probability of collection of the principal and interest and the amount of time that the mortgage will remain in force. The value of the mortgage bond as an investment is based upon the probability of collection of the principal and interest and the amount of time that the mortgage will remain in force.

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Liquidity of Loans to Farmers

By C. C. Neumann, President of the Nebraska Bankers Association

In these times when the goal of every country banker is to acquire a higher volume of earning assets, good loans are difficult to get. We explore every new source of revenue and try, but without much success, to expand and improve the lending position of our banks. It may be seen superficially and a waste of your time and mine to discuss liquidity in farm credits, or for that matter, the liquidity of credits of any kind, for redundant privileges have been released and extended to include almost any kind of bankrupt paper. But notwithstanding these conditions that exist, the momentous fact that a country bank is still from its loans, and the question the bank examiner wants to know, is what your note case in Is this in such a note? A case is in the possession of the examiner, and bankers should know the answer. Often we have passed on the security of a note of one kind or another, and someone has asked us, "Is this a good note of your note case in Is this in such a note? 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BANKERS' CONVENTION

liquidity in our note case during normal times and under average conditions, all the banks of the District are able to handle that volume of business when the note box is full.

The fundamental principles of credit do not change, and regardless of the fact that our deposits are increased, we are not relieved from responsibility to our depositors and stockholders. As a matter of fact, we have added so many new offices and larger offices that the interest of the agricultural credits cannot be so easily met as during the panic. We are forced to make arrangements for credit as we need it, to pay off secured obligations. If he pays off a load of cattle in the market, he will have to pay the money for the purchase price, freight and commission and add more and more to his debt. And we do not hope for the day when our accounts are made from time to time, but on the contrary he usually makes arrangements for credit, as he needs it to pay off secured obligations. If he pays off a load of cattle in the market, he will have to pay the money for the purchase price, freight and commission and add more and more to his debt.

The heart of this problem is the need for more adequate credit facilities. We need to realize, 1) that our banks are a part of the business community; 2) that they are not only in the business of making loans, but in the business of servicing those loans; 3) that the banks have a responsibility to the community to help it develop; 4) that the banks have a responsibility to themselves to make sure that their earnings are sufficient to cover their expenses and make a profit. The heart of this problem is the need for more adequate credit facilities.

You can check back on our liability ledger for years and trace the credit provided to the farmers. The figures have been compiled, the first time we considered it, the first time we realized the importance of that factor. We have many cases in which we have been called upon to make loans to farmers and have been able to do so because we realized the importance of that factor. You can check back on our liability ledger for years and trace the credit provided to the farmers. The figures have been compiled, the first time we considered it, the first time we realized the importance of that factor. We have many cases in which we have been called upon to make loans to farmers and have been able to do so because we realized the importance of that factor. You can check back on our liability ledger for years and trace the credit provided to the farmers. The figures have been compiled, the first time we considered it, the first time we realized the importance of that factor. 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bankers representing every section of the United States, at the end of May.

As a result of these meetings, the American Bankers Association for Consumer Credit is interested and doing our best to help the expansion of C.C.R.C. It is our desire to like to give you just a brief summary of some of the activities of this department during the past year.

The activities of this department have been far-reaching, notwithstanding its short period of existence. Some of the most important are:

1. Holding monthly education (telephone) conferences and the monthly publication of the C.C.R.C. Bulletin—cooperation in connection with state association educational conferences.
2. In its paper the "Consumer Credit, the Indispensable Element of the Economy," it is stated that in the month of March, 1940, an estimate placed the gross commercial banks lending for the purchase of new homes at $1,155,560,000, and that the monthly disbursement of new home mortgages in that period was $1,512,800,000. The C.C.R.C. Bulletin, however, does not include the figures for the monthly disbursement of home mortgages in March, 1940, of a combined total of new home mortgages of 

Third, and last, we are faced with the problem of properly equipping ourselves to cope with the tremendous tasks this extension of credit represents. The recent publication of the "Stable Indicators for the Finance Industry," with its emphasis on the need for greater efficiency and productivity of the finance industry, is a timely reminder of the importance of improving our services and methods of operation. The C.C.R.C. Bulletin, for example, is a valuable resource for anyone interested in developing a comprehensive, up-to-date view of the consumer credit field.

The C.C.R.C. Bulletin is also used to facilitate cooperation among the various state associations, with the goal of ensuring a consistent approach to the promotion and protection of consumer credit. The Bulletin provides a platform for sharing best practices, policies, and strategies, thereby maximizing the impact of the collective efforts of state associations.

In summary, the C.C.R.C. Bulletin and the C.C.R.C. department have made significant contributions to the consumer credit field. Their work has helped to establish a more transparent and informed approach to consumer credit, and has contributed to the development of a more efficient and productive finance industry. The ongoing efforts of the C.C.R.C. are essential in meeting the challenges of a constantly evolving consumer credit landscape.

Second, if we are to continue to derive a profit from this business and to enjoy our present status as a valuable business, it is necessary that dealers be able to escape rigid legislative control, and we must be prepared to give a good account- ing of ourselves to the public in this connection. We must have a better understanding of the public mind in relation to such things as advertising, rates, terms, renewals, etc. It is sufficient to say that we are not yet our own advocates, if only to help avoid misleading statements of rates and cost and overstatement of facts. Rates should be clearly stated, and be adequate but fair, and in matters of the loans and methods of handling with care and understanding, prices just, and helping give additional emphasis to the problem of renewals. Extended or continued tenures, if not on the rate, must be watched closely, and services previously consumed, is dangerous. There may be some justification for continued tenures, if service is given the consumer in return for the benefits which have a deferred value in excess of the outstanding indebtedness. Nevertheless, the job that people continually in debt is extremely dangerous economically and socially.

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BANKERS' CONVENTION

of accounts that would be affected by the provisions of this Act. The different types of consumer credit would be affected as follows:

Retail Installment Paper, that is, with the provision of excluding furniture paper—25% to 33%.
Cash Loans—8% to 10%.

After eliminating those ineligible due to marriage, dependents, physical defects, etc., this would undoubtedly be somewhat reduced.

It is quite evident, therefore, that in view of the mutual consent clause in the proposed Senate Bill that the major problem created by this legislation is not to be found in the liquidation of the present outstanding portfolio. I should say in this connection that the mutual consent clause is also included as amendment to the conscription bill. The greatest danger in this legislation seems to lie in its possible effect on the sale of consumer goods.

While no accurate information is available it is estimated that upwards of one-third of all purchasers of automobiles would fall within the draft age, and in the case of instalments on other consumer goods. When we consider, for example, in the case of automobiles, considerably in excess of 60% are paid on time, we realize how dependent the sale of consumer goods is on instalment sales financing.

It is interesting to note that automobile loans accounted for 72% of all of the retail installment loans of commercial banks. Moreover, it is significant that the percentage of consumer goods sold on the installment plan rises as sales increase and decreases as sales are depressed.

In 1929 for example, close to 15% of all consumer goods sales were on the installment plan. In 1933 this decreased to 6.5% and in 1935 it had risen to 16.5% and by 1940 it has undoubtedly reached or exceeded the 1929 figure, particularly in view of cash buying for the purchase of consumer goods. This means that if we curtail instalment sales of consumer goods we will depress by a larger percentage the consumer goods sales. Notwithstanding the inclusion of the mutual consent clause which admittedly helps in the liquidation of our present portfolio, I think that unless some additional relief is provided, that every bank and sales finance company, and other financial institutions and holders of installment paper, will have to make a clear statement of policy in regard to their future dealings with persons subject to the provisions of this Act. This statement of policy can be none other than a drastic curtailment of the extension of this type of credit, particularly in regard to the sale of such consumer goods as automobiles.

It would be most inopportune at this time to have our consumer goods sales seriously affected, and it is suggested that some type of war risk insurance be provided to combat this contingency.

War risk insurance of this kind should stand on its own feet and should cost but a small percentage of the face of the paper and should not be confounded as a guarantee of private credit by government agencies. It is strictly a different principle than that of government guarantee of private investments and it is only considered in light of an emergency. What, if anything will happen to this suggestion is not known. I only mention it to you to keep you abreast of the thinking of some of those individuals endeavoring to safeguard the field of consumer credit property.

We had war risks 25 years ago but not in relation to consumer credit as we know it today, because it was more or less insignificant. Even though the cycle of the Nation's relations seems to run true to form we have in the development of this type of credit in the United States a splendid example of the necessity of keeping pace with modern business. And, of being ever alert to the continual changes about us. Our activity in the consumer credit field is a challenge to our perennial crisis.

The present hour, with all of its apparent difficulties, will produce new and profitable fields of banking.

PUBLIC RELATIONS

The Need for Action—Accomplishments and Aims of Public Relations Council

By the Chairman, SAMUEL N. PICKARD, President National Manufacturers Bank, Neenah, Wis.

The cultivation of Public Relations was never so necessary as it is today. On the one hand, we have a public loudly critical of our banking system, and on the other, the bankers themselves seeking ways and means of giving the public a true pleasure in the case of the banking structure and its proper place in the American economic scheme.

To assist bankers in giving the public the facts is the task of the Public Relations Council—a task which has increased in volume and pace in the last year. By two principal methods have we gone about this: First, by acting as a clearing house for Public Relations projects and procedures, and second, by preparing original material for use by individual banks and banking groups in their efforts to win public approval. In the assembling, digesting and distributing of ideas and information we have sought still closer coordination and cooperation between our organization, the banks, and the State Associations.

Special mailings on important topics have been sent to a large list of associations, committees, and key individuals. In addition, we have begun the issuance of a Public Relations Council bulletin. The first covered the use and value of essay and public speaking contests in schools; the second reported the bank employee contest run by the Virginia Bankers Association. A number of other bulletins have been projected.

We have revised more than 50 talks for use by speakers. Two new talks, recently added, have been sent in quantity to the State Associations with the suggestion that bankers use them in combating propaganda that the American banking system is not equal to financing the rearmament program. Altogether we have given out more than 70,000 copies of talks since last September. Our library of speech material is now up-to-date and it will be kept so.

It is an old theory—and a sound one—that the best way to make friends for a bank is to make satisfied customers. If every man and woman in the community were a satisfied customer, there would be no Public Relations problem. It is for this reason that we published and distributed our work on Constructive Customer Relations and our series of Talk booklets. One of our most important undertakings in the last year has been the preparation of a course of instruction in setting and holding customers. It is now ready for you. It is adaptable to either in-class or class work, and is equally useful for big banks or little ones. It is called "Building Business for Your Bank." You will hear more about it later on this program.

One activity with which some of you are familiar is the Public Relations play, "John Sterling Finds the Answer." The enthusiastic reception of this play, which outlines a practical Public Relations program for a small bank, shows how welcome is any help or suggestion in solving Public Relations problems.

Our record for the last year speaks for itself. It is with the present that we must now concern ourselves; it is for the future that we must plan. Today there is a need for action—not alone by the Public Relations Council, but by other banking groups and every bank in the country. We can point out what should be done and we can help, but in large measure the banks themselves must cultivate their own publics. As Dr. Stonier has said many times, "We need not our Public Relations program, but 15,000 Public Relations programs."

[Following Mr. Pickard's remarks an extended dialogue ensued on the several subjects, "Meeting the Need," "Pulling Together" and "Down to Cases."
SAFEGUARDING THE NATION’S BUSINESS

When new frontiers are to be gained, the hardy scout plays the leading role. It is he who forges ahead to feel out dangers and sound the alarm for those who are to follow.

Capital Stock Fire Insurance is industry’s trustworthy scout. Without the constant vigilance of this sound and effective protection, all industrial progress would be slowed down or stopped.

The engineering and inspection service of The Home and its policy of prudent yet progressive underwriting, provide for industry the safest and most reliable precaution against loss following insurable mishaps.

Industry crossing frontiers need not be exposed friendless to savage attacks and the gauntlet of fire, windstorm, explosion and similar hazards. This kind of insurance — ear to ground, eye to future — safeguards the nation’s business.

The HOME INSURANCE COMPANY
NEW YORK

Through its agents and brokers, THE HOME is the leading insurance protector of American Homes and the Homes of American Industry
OF INTEREST TO

EVERY AMERICAN MOTORIST!

★ ★ ★

IN 1938, Chrysler Corporation engineers first introduced to the American public one of the great motor car advances of all time... Fluid Drive.

In the hands of many thousands of motorists, and in millions of miles of service, Fluid Drive has delighted those who have tried it.

Like many truly great things, Fluid Drive is simplicity itself in design and operation. Yet it opens up a whole new world of motoring pleasure.

Fluid Driving is so different from ordinary driving that it is a wholly new experience. Fluid Drive is an example of applying sound engineering principles that give practical benefit to the man or woman who drives a car. It is so easy, so effortless, so much simpler and safer, it so simplifies driving, that I believe Fluid Drive must be compared in motoring importance to hydraulic brakes and Floating Power... two of the many other pioneering achievements of Chrysler engineers.

Fluid Drive has been available only upon our higher-priced Chrysler cars. Now, in response to public demand, we are about to make it available also on 1941 models of Dodge, DeSoto and the lower-priced Chryslers. Not only that, but we are adding to the basic principle some further advances that make it even more extraordinary in operation.

I believe that every owner of a motor car will want to try this new and thrilling motoring experience.

President, CHRYSLER CORPORATION

YOU GET THE GOOD THINGS FIRST FROM CHRYSLER CORPORATION!
is engaged primarily in facilitating wholesale distribution and retail sales of the following products of GENERAL MOTORS CORPORATION and its world-wide affiliates: CADILLAC, LA SALLE, BUICK, OLDSMOBILE, PONTIAC, CHEVROLET automobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUXHALL and other foreign made automotive vehicles.

The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of $80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.

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These notes are available, in limited amounts, upon request.

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NEW YORK

BRANCHES
IN PRINCIPAL CITIES
A LIVING TRADITION

Holding fast to the course of trusteeship and complete mutuality chartered by its founders, New England Mutual has come unshaken through every test of strength for a century. . . has continued to provide distinctive life insurance protection and to increase steadily in strength and service to its members.

New England Mutual Life Insurance Co.
OF BOSTON
GEORGE WILLARD SMITH, President

FIRST MUTUAL LIFE INSURANCE COMPANY CHARTERED IN AMERICA

THE DIME SAVINGS BANK OF BROOKLYN

Incorporated 1859
DE KALB AVENUE AND FULTON STREET
BROOKLYN, N. Y.
JULY 1, 1940

One Hundred and Sixty-Second Semi-Annual Statement

RESOURCES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Cash on Hand and in Banks</td>
<td>$18,971,295.26</td>
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<tr>
<td>Bonds of the United States</td>
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<tr>
<td>Bonds Guaranteed by the United States</td>
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<td>Bonds of States</td>
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<td>Bonds of Cities</td>
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<tr>
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<td>Bonds of Towns</td>
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<td>Bonds of Railroads</td>
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<tr>
<td>Investment in Savings Banks Trust Company</td>
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<tr>
<td>and Institutional Securities Corporation</td>
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<tr>
<td>Bonds and Mortgages (less Reserves)</td>
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<td>Banking Houses</td>
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<td>Other Real Estate</td>
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<tr>
<td>Loans on Pass Books</td>
<td>17,700.00</td>
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<tr>
<td>Modernization Loans</td>
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<td>Interest Due and Accrued</td>
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<td>Other Assets</td>
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<td><strong>$237,509,634.99</strong></td>
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LIABILITIES

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<td>Reserve for Expenses</td>
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<td>Other Liabilities</td>
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<td><strong>Total Liabilities</strong></td>
<td><strong>$203,206,522.29</strong></td>
</tr>
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</table>

Surplus (Investment Value)                 | $34,303,112.70

Specializing in the Care of Property in a Changing Age

Empire Trust Company
120 Broadway
New York

FIFTH AVENUE OFFICE
880 Fifth Avenue

HUDSON OFFICE
1411 Broadway
At our Head Office a group of National City officials is exclusively engaged in handling Latin American relationships.

**THE NATIONAL CITY BANK OF NEW YORK**

**HEAD OFFICE: 55 WALL STREET**

**LATIN AMERICAN BRANCHES**

<table>
<thead>
<tr>
<th>Argentina</th>
<th>Cuba</th>
<th>Dominican Republic</th>
<th>Mexico</th>
<th>Republic of Panama</th>
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<tr>
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<td>Río de Janeiro</td>
<td>Ciudad Trujillo</td>
<td>Mexico City</td>
<td>Panama</td>
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<tr>
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<td>Barahona</td>
<td>Puerto Cortés</td>
<td>Chiriqui</td>
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<td>Rosario</td>
<td>Plaza Once</td>
<td>La Victoria</td>
<td>San José</td>
<td>Colon</td>
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<td>Brazil</td>
<td>Plaza Once</td>
<td>Montevideo</td>
<td>San Juan</td>
<td>Uruguay</td>
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<tr>
<td>Rio de Janeiro</td>
<td>Plaza Once</td>
<td>Montevideo</td>
<td>Montevideo</td>
<td>Montevideo</td>
</tr>
<tr>
<td>Penha, Sao Paulo</td>
<td>Plaza Once</td>
<td>Montevideo</td>
<td>Montevideo</td>
<td>Montevideo</td>
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**CARIBBEAN BRANCHES**

<table>
<thead>
<tr>
<th>Country</th>
<th>Cities</th>
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<tbody>
<tr>
<td>Argentina</td>
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<td>Rio de Janeiro</td>
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<tr>
<td>Cuba</td>
<td>Havana</td>
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<tr>
<td>Colombia</td>
<td>Bogotá</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>Santo Domingo</td>
</tr>
<tr>
<td>México</td>
<td>Mexico City</td>
</tr>
</tbody>
</table>

**ESTABLISHED 1812**

Member Federal Deposit Insurance Corporation

**BRANCHES, AFFILIATES AND CORRESPONDENT BANKS IN EVERY COMMERCIAL CITY OF THE WORLD**
94 YEARS OF EXPERIENCE IN DOMESTIC AND FOREIGN BUSINESS AVAILABLE TO BANKS AND BANKERS

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All correspondents of this bank are sure of prompt service.

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JERSEY CITY
Gives Real Advantages to INDUSTRY

TAXES: NO CORPORATE INCOME TAX, NO INDIVIDUAL INCOME TAX, NO UNINCORPORATED COMPANY TAX, NO GROSS RECEIPTS TAX, NO OCCUPANCY TAX, NO SALES TAX, NO COMPENSATING USE TAX.

MARKET: Jersey City is in the heart of America's richest market.
LABOR: Jersey City affords a wide variety of skilled labor.
TRANSPORTATION: Jersey City has unsurpassed transportation facilities, by rail, water or highway.
PLANT SITES: In Jersey City certain desirable industrial sites are available at a fraction of their value. Reputable builders will erect plants to meet your special needs. Payments extended over a period of years. Favorable terms.

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OF NEW YORK
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Personal Trusts
and
Personal Banking

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Broaden your service to customers with Chase correspondent facilities

By establishing correspondent relationships with the Chase, banks throughout the country give their own customers—farmers, manufacturers, merchants—the advantages of additional facilities. In turn the Chase calls on these banks for many valuable services and through them figuratively feels the pulse of the nation’s business. Through the Chase, correspondent banks speed their collections, secure loan accommodations on short notice, obtain up-to-date information on trade conditions and investments, expedite transfers and keep posted on the current financial standing of American and foreign corporations. Thus they broaden their own service to customers.
How Petroleum Science Helps New 1941 Cars Run Better

New-car buyers in cities and towns throughout Pure Oil's marketing territory will save by buying a new type motor fuel for their 1941 cars.

It is Solvenized* Pure-Pep or Solvenized* Woco-Pep gasoline.

_The reason is:_ Pure Oil's Solvenized gasoline contains an exclusive chemical combination which helps reduce excess carbon formation in automobile motors, helps maintain "new car" performance over a longer time. It was developed in Pure Oil's own research laboratories and is sold only by Pure Oil dealers. It costs motorists no more than "regular" gasoline.

Producing good results in older cars as well as in the new models, Solvenized gasoline has been enthusiastically accepted by thousands of motorists who want more miles of transportation for their gasoline money.

_It is the latest scientific contribution_ to the motoring public from a company which has been among the leaders in petroleum research for more than a quarter century.

It is one more reason why motorists have learned to look for the big, blue-and-white Pure Oil sign where they can always

Be Sure With Pure


THE PURE OIL COMPANY, U. S. A