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The Teller Tells the World

By C. W. FISHBAUGH

SINCE the Brayton Savings Bank was robbed during a local fire alarm, the Bankers association has a new suggestion. "It is respectfully suggested if there are any fire alarms in your town or city during any hour and it should seem important for all the officers and employees to go to the fire, that you first put away the cash in the safe and vault and then lock all bank entrances."

The same applies when the mail comes in.

☙ ☙ ☙

WHICH IS LIKE THE STORY told on the cashier who came from a small town which had a volunteer fire department. The president said John was a mighty good fellow but he had only one trouble. Every time he heard a bell ring he would run for the back room shouting: "Fire, where's the bucket?"

They finally cured him — they hid the bucket.

☙ ☙ ☙

A YOUNG LADY recently brought in a certificate of deposit on a Nebraska bank dated back in 1917. It drew 5 per cent interest.

Gee, those were the days when C. D.'s were C. D.'s and banks were making money.

☙ ☙ ☙

THE TOTAL NUMBER of persons employed in gainful occupations in the United States is 49,000,000.

Evidently that doesn't include bankers, since it says "gainful."

☙ ☙ ☙

RECENTLY I read an advertisement that read: "Every 3 minutes a new customer joins our numbers."

Beyond a doubt this conveys the growth of the bank, but out of that rapid growth there may be a good many unprofitable accounts. There's a question in my mind whether that's good advertising.

☙ ☙ ☙

THE FIRST NATIONAL BANK of New York now resides temporarily at 52 Wall Street. While blasting for foundations of the Bankers Trust Co. the foundation of the old building was weakened and it was condemned. The old building for many years has been one of the landmarks of Wall Street being located at No. 2 Wall Street.

☙ ☙ ☙

RECENT RUNS on two banks in San Antonio, Texas, brought out an interesting story of a bank run in 1887. It seems that depositors drew large sums of money out of one bank. They were at a loss as what to do with it. Finally they took a large part of it to a leading wholesale hardware merchant and asked him to keep it for them. He agreed but said he could pay no interest. A year later at a banquet he addressed a number of the men who had left their money with him. The gist of what he said was: "Gentlemen, many of you brought money to me for safekeeping, I immediately returned the money to the bank and deposited it in my name. I made compound interest and the bank was saved. I thank you."

☙ ☙ ☙

ONE OF THE general managers of the A & P Tea Co. stated that since service charges came into effect he has been called into conference with more than 150 different bankers in various towns relative to the cost of handling their account. He says that every one of the 150 places had a different idea of the cost of handling checks, remittances and clearing house checks. He wonders why costs should vary so much over the country. Maybe it's the same reason that prices in the chain stores vary at differerent towns in the country!

But seriously, banks should establish a uniform charge to be used in analysis of accounts.

☙ ☙ ☙

I HAVE SET A NEW PRECEDENT in our bank. Something that has never been done before and I doubt will ever be done in the future. I bought a stamp for one of my personal letters.

The fact that we were out of stamps at the bank had nothing whatever to do with it, in spite of the rumors you hear.

(Continued on Page 17)

Savings Withstand Depression Admirably

(See Chart on Opposite Page)

Deputy Manager,
By W. ESPEY ALBIG
American Bankers Association

AT THE close of the year ending June 30, 1931, savings deposits in banks and trust companies of continental United States stood at \$28,214,907,000, a decrease of \$270,-085,000 as compared with the preceding year, according to reports received by the Savings Division, American Bankers Association. Thus for the second time in the last twenty years, and with only a year intervening, savings deposits show a decline, having decreased by \$195,000,000 in 1929 as compared with 1928. This year they are less by almost \$3,000,000 than in 1929, thus constituting a recession beyond anything before experienced in time deposits.

This decline in savings may appear surprising in view of the current reports throughout the year of great gains in savings deposits in certain areas of the country or in some banks. The explanation lies in the shift of deposits among institutions, of which no mention is usually made, and also the actual gain in some parts of the country with over-balancing recessions in other regions.

So many unusual and non-recurrent features affected savings in banks this year that real difficulty is experienced in trying to separate them from the natural factors entering into the increase or decrease of savings.

Normally the recession in manufacturing, the lessened prices received for agricultural products, the low yield in livestock, the stagnation in mining, the eclipse of foreign export trade, and the diminution of freight and passenger traffic on transportation lines, would serve to decrease the amount of money available for deposit in savings in banks. Offsetting that to some degree is the money no longer needed in industry and investment funds which might seek temporary repose as savings in banks.

Industry and Savings

As to how much money enters savings from industry during unusual dullness, there has always been much discussion and little agreement. The belief is generally held that in times of least demand for money in business, commercial funds go into savings and that during normal prosperity these sums are withdrawn. Whether or not this belief is correct, a period of recovery in the United States has never yet operated to decrease the amount in savings.

Rarely if ever has the United States witnessed such another era of commercial activity as that which occurred with slight interruptions during the years 1925 to 1929. During that time savings deposits increased from \$23,000,000,000 to \$28,000,000,-000, an increase of \$5,000,000,000. Depression marked the years of 1921 and 1922. Then it might have been expected that demand deposits would find their way into savings to a marked degree and the rising tide of business in 1923 would have drained out the increase of the preceding years and brought about a reduction in savings. Such was not the case, for 1923 showed an increase in savings of more than \$2,000,000,000 over 1922, and 1924 topped 1923 by \$1,500,000,-000. Preceding eras of business expansion leave no room for belief that our next period of normal industry will to any perceptible degree reduce the amount of money now found in savings.

That there is a considerable volume of investment funds in savings at present no one doubts. The sum is likely very little greater than the normal amount invested in savings. More attention is simply being paid to it now in an effort to explain why savings remain at a high point in the midst of a far reaching depression.

Hoarded Money Increases

In normal times, it is estimated, about \$415,000,000 is hoarded. Hoarding consists of taking money from actual circulation and hiding it, not for use, but for the personal gratification of seeing it or keeping it from loss. At present the claim is made that money has been physically secreted in amounts between \$800,000,000 and \$1,000,000,000, or more than twice the usual sum. The change in the amount of hoarded money in the United States has been so negligible during the past decade that the increase of hoarding at this time would be surprising were it not for the knowledge of the widespread hysteria which during the year seized the people of the United States in their relation to banks, and the people of foreign countries in their relation to the gold holdings of the United States.

Under the present monetary system in our country the supply of money in circulation is readily responsive to the needs of increased or diminished business. When industry is at flood the amount of money in circulation tends to increase. In quieter periods the supply dwindles.

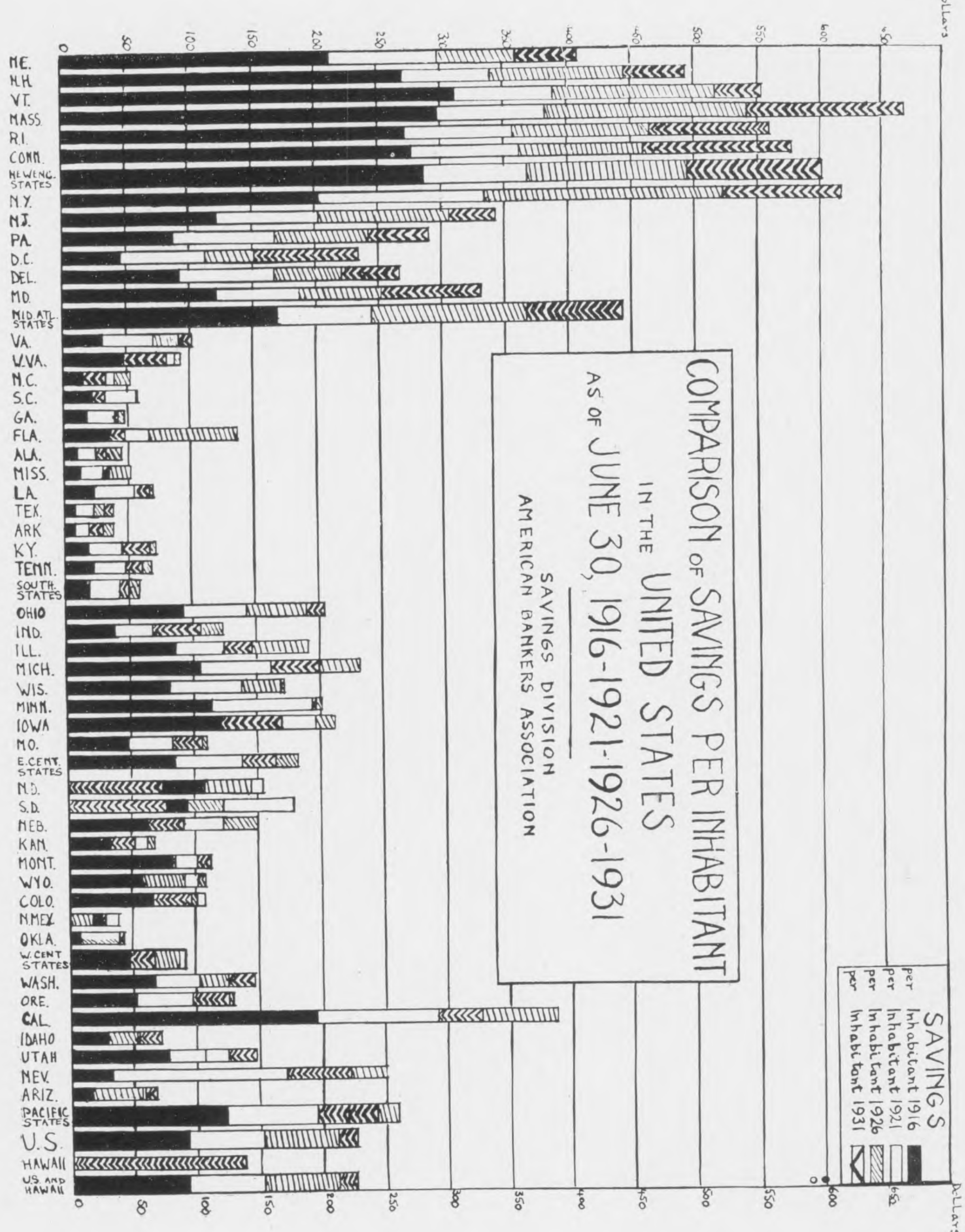
In keeping with this rule the amount of money in circulation in 1929 dropped sharply until by June 30, 1930, it had almost touched the mark established in 1922, the lowest since the World War. During the current year it might have been expected to recede further, but, on the contrary, by June 30, 1931, it had reached a point almost \$300,000,000 above that registered one year earlier. This added volume is necessary to replenish the circulation depleted many millions of dollars by hoarding, occasional sums by misers, more substantial amounts by people obsessed by fear of impending financial calamity.

What effect a recreation of confidence on the part of the owners of this money would have had upon the present volume of savings deposits is simply a fruitless speculation. Information available since the date when the material in this statement was collected indicates a rapid improvement in the financial hysteria which has swept over the country. Present currents of public sentiment are running toward a revival of confidence in banks and a return of funds from unsafe hiding places into the safeguards of established financial institutions.

That the feeling of apprehension which caused the hiding of money widespread is further evidenced by the general growth throughout the country in postal savings deposited in banks which during the year increased from \$171,497,000 in 1930 to \$298,-510,000 in 1931. Of course the interest rate paid on savings by banks in some cases was no greater than that afforded by the post offices to depositors in postal savings. In ordinary times the rate of interest paid on savings deposits is a very important factor in determining where money will be deposited. The concern of depositors now over the safety of deposits has possibly caused most of them to be more indifferent than usual to the rate paid.

The Saving Habits of the American Citizen

(See Opposite Page for Story)



THE PICTURE covering the United States is not as drab as it appears at first glance. Provident people are maintaining their accounts in banks. They are adding to their balances. Recessions, both in the volume of money deposited and in the number of depositors, are a natural result of conditions during the past year.

This Thing Called "Gold" and the GOLD STANDARD

By BENJAMIN ANDERSON, JR., PH. D.
Economist, Chase National Bank

All of the countries which went off the Gold Standard in the past have struggled to return to it, since there can be no monetary stability without anchoring to some precious metal of fixed weight and fineness.

THE HISTORY of England, in recent years, is a classical demonstration of the helplessness of the cheap money policy in bringing about good business when it is used as a substitute for general readjustment in prices, wages and other costs, and when it is used to protect an inflexible economic situation. It has failed completely—and it has wrecked the gold standard in England.

A Recent Precedent

Memories are short. Startled inquiries have come since England, Sweden and some other countries abandoned the old standard, as to what will happen to gold and the value of gold when only a few countries adhere to the gold standard. Fear is expressed that there will be an immense depreciation of gold, and fear is also expressed that the countries which abandon the gold standard will have an immense advantage in foreign trade over the countries which adhere to the gold standard. Memories are short.

Precisely this situation did obtain from 1914 to 1925, when the United States, Switzerland, Sweden and The Netherlands were almost the only countries that adhered fairly closely to the gold standard throughout. None of these countries regretted having done so. None of these countries suffered so much as in trade disorganization or loss of trade as did the countries that failed to adhere to the gold standard. All of the countries which went off the gold standard struggled to return to it. Very recent history confirms the answer which theory and earlier history confidently give. There is no monetary stability unless paper money is firmly anchored to precious metal of fixed weight and fineness. And, without monetary stability, there can be no sound general economic life.

Rules of Gold Standard

Mr. J. M. Keynes, in a recent article in which he expresses his satisfaction over the breakdown of the gold standard in England, asks:

"Would the gold standard countries be interested to learn the terms, which must needs be strict, on which we should be prepared to enter the system of a drastically reformed gold standard?"

And there have been many expressions from the school of thought which Mr. Keynes leads which suggest that some new gold standard rules are to be promulgated, the general tenor of which is that the gold standard shall cease to be a restrictive standard, that the gold standard shall not prevent easy money, and that credit policy, under the gold standard, shall be aimed at the artificial stabilization of commodity prices.

The answer to Mr. Keynes on this point is that we are *not* interested.

> **THE CALM incredulity with which the Federal Reserve System, the American banks and the American people met the fears of frightened foreigners regarding the safety of the gold standard in the United States is an impressive thing. We made no protest as the foreigners called for gold; we simply paid them.**

The rules of the gold standard are not arbitrarily made. The rules of the gold standard are based on economic laws, and not on political choice. They are in essence simple. A country may maintain the gold standard so long as it can make good its demand liabilities in gold. The first rule of the gold standard is paying out gold on demand. The second rule is that you keep your demand liabilities within such limits that your creditors trust you to do this. The third is that you reinforce the confidence of your creditors by courageously meeting your demand liabilities in critical situations, and by building through the generations a record for doing this, even though your gold reserves go low. Gold reserves should be accumulated in quiet times, and protected by firm money rates in boom times, but they should be courageously used in crises. A fourth is that you keep your general position liquid, so that you may supplement your gold with other assets. Gold is merely the most liquid asset. An abundance of other assets, convertible into gold on fairly short notice and at moderate sacrifice, makes it unnecessary to carry as much gold as is needed if your general position is frozen. A fifth rule is that you keep your public finance in good shape. This doesn't mean that you must have the government's budget balanced at all times. In times of depression, a strong government may have a deficit without any impairment of its credit. A government which, over a ten-year period, has been paying off public debt, need not be afraid of ruining its credit by increasing public debt in an acute depression, though it may have to pay higher rates in the process. Another rule is that a gold standard country must have flexible prices and costs, so that when prices in the world generally recede its export trade shall not suffer disproportionately. Another rule is that when a country is losing gold it must raise its rates of interest to protect its gold.

From the standpoint of meeting its demand liabilities and paying its debts, all of the gold of the Federal Reserve System is free gold. That is what the gold is for. For the purpose of meeting its demand liabilities the Federal Reserve System had, as of October 28, 1931, $2,738,000,000 of free gold. In addition, it had the power to draw in at least 600 millions in gold through substituting Federal Reserve notes for gold certificates in the circulation of the country. Further, the Federal Reserve System held cash reserves other than gold of $164,000,000 which it could present to the United States Treasury for redemption in gold. And, finally, as shown above, the Treasury itself has an unlimited obligation to redeem Federal Reserve notes and an obligation to sell bonds for gold for that purpose, if necessary.

(Continued on Page 11)

Turning the Spotlight on Old Sources of New Income

By A. G. KAHN
Union Trust Co., Little Rock, Arkansas

"THE PROFESSION of banking imposes upon its executives tremendous responsibility. To discharge that responsibility calls for determination and courage of the highest order. We have been going through trying times. Better times are ahead. The present hour offers an unrivaled opportunity to put our houses in order and to build better, safer and more profitable banks."

HAVE you ever definitely undertaken a survey of your own institution, department by department, for the purpose of determining the costs in each, and the service conditions of each? Such a survey reveals amazing results. Let us glance briefly at a few departments. We will start with the department which I call the Loan and Collection Department because in most banks of moderate size the two functions are coordinated. You will find immediately that many bad and costly practices prevail in it. You are making loans to non-depositors. In other words to people who never furnish some of their own money to lend to somebody else. This is manifestly improper and costly except in exceptional cases. Instead of discounting practically all of your notes, you are permitting your customers to persuade you to accept interest from date notes. On your small loans you are accepting rates of interest under the maximum although the transaction is a manifest loss. You are sending out, without charge, notices of non-payment, follow-up letters — even street-runners. You are possibly not even charging a minimum fee on small loans. Similarly you are handling and rehandling in the Department drafts and collections on a basis of charge which is inadequate and which does not provide for representation, etc. These are all conditions easily remedied.

Your Custody Department

Next, what of your Custody Department, if you are maintaining one. Most banks, even of smaller size, do some custody business. A survey of this Department generally indicates that you are accepting custody of very valuable negotiable or bearer securities; that you are accepting escrows and performing exceedingly valuable services for no charge or for an inadequate one. You are also renting safe deposit boxes at a very low flat rate by the year regardless of the varying amount of service required to be given the various customers. This is not equitable. The Custody and Safe Deposit Departments should show a profit just like any other. It represents a very large investment in the vault and vault equipment. It demands a large amount of high priced insurance. It requires regular and careful supervision.

And what of the very heart of the bank—the Banking Department itself. Until a comparatively recent time, we invited our depositors to make us their bookkeepers. They accepted the invitation. So you found your institutions cluttered up with a vast proportion of accounts which, upon analysis, proved to be a loss to the bank. Usually the proportion was about eighty per cent. This particular condition was of course to be cured and has been cured in many places by the imposition of an activity charge. You are all more or less familiar with the various types of activity charges, which have been recommended by the American Bankers Association and by various state associations. Personally, I do not have a particular preference except that the charge should put each account on a profitable basis. In doing so it should take into consideration the readiness-to-serve cost of all accounts whether active or inactive. In Little Rock we found this readiness-to-serve cost was thirty cents per account per month. You have also handled out-of-town checks for your customers without charge, giving them immediate credit, absorbing the cost of collection yourself as well as the interest during the time outstanding. This service is to be taken care of by a float charge, or exchange charge if you prefer to call it that. Such a charge will produce surprisingly substantial revenue. It is a just charge for a valuable service. It can be handled either as a flat average charge of so much per $100 dollars, or as a charge based on interest, for the outstanding time. It should be made on items drawn on par points as well as nonpar points. While you seem to collect items on par points without cost, you do not actually do so. The cost is absorbed in the cost of your organization, your deposits with your correspondents, and your membership in the Federal Reserve System. You have also been furnishing free checks, and free endorsement stamps. You have been transferring funds without charge, issuing cashier's checks, and exchange without charge. All of these items and numerous others are proper basis for reasonable charges.

Your Savings Department

What about the Savings Department? Here we are presumed to be treading on sacred ground and here we find the thought in the minds of many bankers that all savings accounts are profitable. Such is emphatically not the case. The small savings account is apt to be just as unprofitable as the small checking account. The experience in the bank with which I am associated has been that such accounts under $45 are unprofitable even after the first year. The Savings Department should be studied and a system provided whereby each account takes care of itself. Besides many banks within the past two years have found out that instead of needing simply a secondary reserve for their savings accounts that they need a primary reserve of the most liquid order. Certainly there should also be a charge on savings accounts closed within sixty days of their opening.

Some of you have Trust Departments. If so you find it a continuous effort to avoid doing attorneys' work. But in this department there are many documents drawn and many unusual tasks performed which do not come within the routine functions of the department, and which are not covered by routine fees.

In your Mortgage Loan and Real Estate Departments, if you have them, I am very sure that you are drawing a large number of documents; that you are making appraisals; that you are performing special service on negotiations and on collections for which you are making no charge, or an inadequate one. In these departments you should study, too, the question of whether your charges even for routine transactions are adequate. In many localities they are far from it.

All of these conditions hold true of the Bond and Insurance Departments in the banks which are conducting them.

Executives' Advice

Then there is the question of executives' financial advice. If it is worth giving, and worth having, it falls in the same category as expert medical or legal advice. Except to customers whose volume of business warrants it, a reasonable charge should be made.

A charge should also be made on checks returned on account of insufficient funds; on public funds because of bond requirements, service, etc.; for credit ratings, and reports; for obtaining automobile licenses, and similar services. Even here the list is by no means complete. Possibly all this enumeration sounds excessive and burdensome to the customer. Such is not the case. No one customer would incur all of them or even many of them at one time. But they are all services worthy of reward. That they are numerous does not change the fact. A druggist has hundreds of articles on his shelves, yet manifestly there is a price on each one and the customer pays for what he gets. There must of course be a rule of reason applied in some cases and under some conditions toward good customers, but let the rule in all fairness give the benefit of the doubt to the bank.

The unprofitable account is an old story. So is free service. Both should be approached with the idea that the customer is not to be driven away from the bank. He is to be encouraged to remain. He shall only be taught to pay his way.

We, the executives, must train ourselves to think in terms of necessary, increased revenue. We must train our employes to do likewise. Above all, we must avoid an air of haughtiness, of independence, in installing our new charges. When the customer is met in a spirit of fairness, he does not take offense, but approves of adequate charges. This is said not as a theory, but from actual experience.

In Little Rock, during the past twelve months, we have reduced the savings interest rate from 4 per cent to 3 per cent. We have installed an activity charge and a float charge as well as most of the other charges I have enumerated above. These were accepted by the community in good spirit, and all discussion of them has long since died out. They are now treated purely as a matter of course.

I am firmly committed to the theory that our banks need increased revenue. I am, however, just as thoroughly committed to the theory that most of them need decreased expenses. Net earnings grow even more quickly from decreased expenses than they do from increased revenue. One dollar saved net still equals four or five additional gross. If interest on our deposits is too high, let's reduce it. If it should be eliminated, let's eliminate it. Let's also attack every other cost of our budget. If we do these things—if we build up our gross revenue by proper and adequate charges, and if we courageously reduce our expenses on the other side of the ledger, we will be true to our trust; otherwise not.

BONDS AND INVESTMENTS

Buying For Secondary Reserves

By J. H. WILKINSON, JR.
Manager Investment Department, State-Planters Bank and Trust Co., Richmond, Virginia

IN CONSIDERING that part of our subject called bond buying, I should like very much to refer to it as a philosophy of bond buying, for after all, philosophy is essentially reflective and are we not examining the past with the idea of developing definite concepts for the present and future? Are we not trying to determine certain methods and principles which we can use for guidance? The key to the problem is this. Bond buying for secondary reserves and bond buying for investment are two very distinct operations which must not be confused. In the case of secondary reserves, only one year to eighteen months bonds are desirable and these must be high grade governments, high grade municipals, or unquestioned corporation credits. On the other hand, bond buying for investment, which we will call if you will a "tertiary" reserve, is a different problem and one causing banks much concern today.

It should not be necessary to narrate in detail the advantages of bonds for commercial banks any more than it is necessary to argue with a sick man as to the efficacy of a physician, but it is desirable to have the right kind of physician and not too many, even though I understand consultation is the order of the day. The hackneyed word, "diversification," really has some meaning here and there is just reason for investing a portion of the bank's funds in securities which will not be affected by conditions touching any particular community. The banks of one state in the Union were measurably aided by having bond accounts; perhaps there could be others.

A Distinct Problem

The banks outside of the very largest metropolitan centers have a distinct problem. Suppose they do not invest in bonds, be they short term, medium term or long term. One of several things must happen. The money may be left on call or in the banks at a very low rate of return and if the institution has a secondary reserve of full strength, it cannot put an endless amount of funds in either of these channels without a terrific sacrifice of return. Another avenue open for the investment of this portion of the money which would not be in bonds would be loans on securities to people in local communities. There is reason and merit in so investing a portion of a bank's funds, but unless the institution is in a large metropolitan area where the personal element is comparatively insignificant, the investing of too large a portion in collateral loans to individuals in the community served by the bank will inevitably result in some embarrassment. In addition the liquidity is not there.

"WE HAVE been lax in our bond buying. It has been from 1923 through 1929 a seller's market. The situation will not be corrected until the banks as a group take such a stand that the market—at least that part which they affect, and it is a large part—will, from now on and forevermore be a buyer's market."

A third outlet for these funds which are not going into bonds is additional commercial loans. A commercial bank to be true to its name must, of course, supply the commercial needs of the community and the country before investing funds in a bond market, but within the confines of good banking these commercial loans are limited, especially limited as to the quality desired. The placing of these non-bond funds into marginal commercial loans is courting disaster. The pressure, be it conscious or unconscious, on loan officers when cash is piled mountain high is intense. It is far easier to acquiesce in loan making when cash is lying idle in banks than when it is properly invested in the various channels available to financial institutions. Let none of us deceive ourselves as to this. Therefore, any debate becomes not one of bonds or no bonds but one of poor, unprofitable commercial loans, those venerable housekeepers, as against good bonds. Would you not consider a bank which had high grade securities—even though depreciated on today's markets — a sounder, more liquid, more profitable institution than one showing no bonds or few bonds and possessing a large supply of housekeepers? Who sleeps the better, the man with high grade securities bought in proper amount or he with the marginal loans? There is then, from the standpoint of diversification, safety and liquidity ample reason for purchasing bonds in the proper amount.

A Racking Period

"But," you say, "Look at the bond market and the banks today." First of all let me state that we have been witnessing one of the most racking periods in American finance. All of the economic laws have not been able to assert themselves with the sweeping power of a steady stroke; on the contrary have they made themselves felt in spasmodic jerks, which tended to shake severely the frame of the economic body. Perhaps this absence of assertion of their power in orthodox fashion on the part of economic laws has been due to the terrific spree on which the patient went in the halycon days from 1926 through 1929—a spree both in the legislative and economic fields. However, the immutable laws of economics — and I contend that the basic ones are immutable—will make themselves felt in the future as they have made themselves felt in the past. There are many factors which can account for the seeming peculiar action on the part of the bond market today, not the least among which are the *character* and *quantity* of bonds bought by the banks. I do not mean to intimate that these two points stand out like sore fingers on an otherwise well hand, but I do believe they are sore digits at the end of an ailing palm.

How many bonds then should a bank buy in this "tertiary" reserve as we have chosen to term it and what kind of bonds should it buy? Please do not think that I am armed with a complete and definite answer to these questions. That is impossible, but it does seem as though we may set forth certain landmarks which, if constantly kept in mental view, would be of service. But before entering into a discussion of these two questions, let me say that bank bond buying should be more for the purpose of a satisfactory average return over a period of years and less for the purpose of making a profit through trading operations. The bond account must be a relatively permanent earning asset. One of course knows that it is possible to make a profit through buying bonds in times of tight money and selling them in times of easy money, but may I state that the successfulness of this depends largely upon two factors. The first point is not to buy too many bonds, not to buy bonds with temporary funds so that the necessity will arrive for liquidating in a disadvantageous market. The second point is buy good bonds. Profits can be made sometimes, but to count on such operations with anything approximating the clock-like certainty which must guard the operations of a bank is dangerous. If the bond account is so arranged in the volume of funds employed that the securities can be carried through fair weather and foul, then provided the correct types of bonds are bought, there is indeed much to be said in favor of security portfolios.

There are those who contend the size of the bond account can be determined by a correlation with time deposits, the theory being that time deposits are permanent and that a large percentage of such deposits can be invested in a bond account. In the light of practice, however, such a relationship does not hold, for are there any such things as time deposits in the pure sense? To put into effect a thirty-day clause is to invite trouble and the practice is that time deposits can be withdrawn on demand, not after the giving of notice. As affecting the question of bank bond buying, the argument is often heard that banks gather up deposits of individuals throughout the nation and invest them in securities, that this is the normal channel for the flow of capital. There is, however, a very vital distinction between bank deposits representing the savings of individuals and individuals' savings. The former are subject to call; the latter are an entirely different matter, and if an individual wishes to purchase bonds with all of his funds, it is a different thing from a bank purchasing the same bonds with the sum total of individual savings given it in the form of savings deposits. Of course, relatively speaking, there is a permanency in the time deposits as regards their fluctuation and to that extent it is a useful measuring rod in determining the size of the bond account; but it is not, to repeat, the sole measuring rod.

Another Guide

Others would use the size of the capital account as a guide to the volume of bonds, here too relying on the theory of permanency. The error in this case lies with the fact that more often than not the capital account itself is absorbed by the building, by real estate in one form or another, and frozen loans. Accordingly the bond account cannot always be used as an offset against this truly permanent investment of capital. Should the capital account not be absorbed by the building of real estate and non-liquid assets, it too may be put in the classification of a guide.

Again we come to a point already discussed, namely the condition of a bank's loan portfolio, its other assets, and this appears to me to be the factor of greatest weight in determining the size of a bank's bond account. The institution whose assets are liquid may purchase bonds to a greater extent than one whose assets are not so liquid and the institutions themselves are the sole guide as to the liquidity of their loans. This, you may say, is a mere truism and generality and hence of no value, but I know of no way other than through using these three pegs—time deposits, condition of capital account, and nature of the loan portfolio—as guides to determine the size of security holdings. It will take some time and some effort for each of us to review our loan history, our loan portfolio, and from that determine what our duty to the community we serve actually is as regards the volume of funds we should be called upon to place in that community through the extension of sound loans.

A Bank's "Duty"?

We should be weak and weary by now of hearing the phrase, "A bank's duty to the community." The community owes the banks something and if you wish to phrase it as a "bank's duty to the community," the greatest duty a financial institution can perform to those it serves is not to tie up any considerable portion of its funds in slow loans. A certain portion in slow loans, yes, inevitable in practical banking, but the portion must be watched and must be kept within limits.

It would have been useless for me to have come with figures, ratios and percentages. The specific computations would not have applied in more than one or two cases out of many. To repeat, the amount to be placed in the bond account must be determined by a consideration of the three factors mentioned above and this amount must be arrived at by each institution for itself. But there are few of us who would deny that we have loans, both commercial and collateral loans, on our books today which, allowing for all the shocks and gyrations of the bond market, we would prefer to have in that bond market when it came to the question of safety and final liquidity. Experience then, experience based on past history — and past history is not confined solely to the two preceding hectic years — is our only practical, safe guide. Some say they will never buy bonds again; once the portfolio is liquidated never will another security enter it. Those individuals, however, are, it seems, too close to the situation for dispassionate observation and it is not unlikely that they and others will be buying bonds on a different basis than they have been bought in the past just as they will be making loans on a different basis than they have in the past. And if they make stricter loans and better loans, what will they do with the surplus funds which used to go in the marginal, poor, or weak loan, call it what you may?

What kind of bonds should a bank buy? This question is easy to answer though from the looks of portfolios one would judge it is not so easily to carry out. The answer I have already given. Buy high grade bonds. However, even though nine of us out of ten would expect such a reply to the question, it appears that many have regarded the answer as merely a copybook story to be told but not to be followed. Pathetic to relate, vocal homage rather than action as been rendered this all-powerful principal of buying high grade issues. We have not the time to discuss at length the art of bond buying or the multitude of factors to be considered in purchasing securities. These, every one of them, are most significant but they must be left until another day, though, to repeat, they are tremendously important. More and more is bond buying becoming a specialty work with financial institutions and more and more will this be the case in the future. It is not a thing to be done as a sideline, it is not a by-product; it is, on the contrary, very definitely a vocation and a major product. There are hardly any who would deny that many of the troubles which bank bond accounts today reveal would not have occurred had the bonds been purchased by individuals who analyze securities and markets.

This Thing Called "Gold"—and the Gold Standard

(Continued from Page 6)

The term "free gold," however, has a special technical meaning in our money market terminology, which bears, not on the ability of the Federal Reserve System to pay its debts, but, rather, on the ability of the Federal Reserve System to make an easy money policy through buying Government securities. The legal reserve requirement for the Federal Reserve Banks, as usually stated, are 40 per cent gold against notes in circulation and 35 per cent gold and lawful money against deposits. These reserve ratios are not absolute. The Federal Reserve System, may, should, and would go below them if necessary to meet its obligations, the only limitation being a progressive tax, with the requirement that they raise their rates, which means that they can go below the limits only with a tightening of money rates in the United States. This is a wise and proper provision to put a flexible brake upon credit expansion as reserves go low.

But there is a further check upon credit expansion when it is initiated by the Federal Reserve authorities themselves. When they expand credit at the instance of the member banks, through rediscounting, or in response to the commercial needs of the country as manifested by the offer to them of acceptances by the open market, they acquire "eligible paper" which can serve as collateral for Federal Reserve notes. Federal Reserve notes are not issued by the Federal Reserve Banks, but, rather, are issued to the Federal Reserve Banks by an officer of the United States Government, known as the Federal Reserve Agent. The Federal Reserve Banks must give him collateral for the notes. If they have not enough eligible paper for this purpose, they must give the Federal Reserve Agent gold, dollar for dollar. When the Federal Reserve Banks expand credit by buying Government securities, the member banks use the increased credit in paying off rediscounts, and in buying acceptances, so that the Federal Reserve Banks have very little eligible paper, and Federal Reserve notes are issued by the Federal Reserve Agent, not against paper collateral, but against gold collateral, dollar for dollar. Thus, on August 27, 1930, there was 104.9 per cent of actual gold tied up behind the Federal Reserve notes in actual circulation, because the Federal Reserve Agent had issued more Federal Reserve notes to the Federal Reserve Banks than the Federal Reserve Banks had put into circulation.

When, however, monetary pressure comes, manifesting itself either in a foreign drain on our gold, or in increased call for domestic circulation, so that the member banks are obliged to rediscount, this situation reverses itself radically. Money rates rise, but the gold is available. As the Federal Reserve System takes on rediscounts, or as it buys acceptances, it can substitute these for gold as collateral with the Federal Reserve Agent, freeing gold dollar for dollar. Precisely this process did take place during recent weeks, as the foreign drains were made. While (from September 16 to October 28) we were losing $728,000,000 of monetary gold stock, the "free gold" of the Federal Reserve System actually increased by $27,000,000.

Gold Drains

The ability of the Federal Reserve System to pay out gold, as shown above, is enormous. It can certainly pay out far more gold than foreign countries are in a position to demand, and still have an adequate reserve of lending power. The only complication that could arise would be if the member banks were not in a position to borrow from the Federal Reserve Banks, through lack of eligible paper and Government securities. The pressure of gold withdrawals falls in the first instance upon the commercial banks. Their balances with the Federal Reserve Banks are debited as gold goes out. These reserves they must then replenish by securing credit from the Federal Reserve Banks. The question arises as to the extent of their eligible commercial paper and Government securities. The answer on this point is absolutely reassuring. The member banks of the Federal Reserve System held approximately $7,500,000,000 of eligible paper and United States Government securities on October 21, 1931.

Hold Omaha Meeting

More than thirty officers and directors of the Northwest Bancorporation attended a meeting of bankers last month in Omaha, where they were guests of Gwyer H. Yates, president of the United States National Bank, and of Ford E. Hovey, president of the Stock Yards National Bank, both of which banks are affiliated with the Bancorporation. A meeting was also held at the Omaha Chamber of Commerce Public Affairs Luncheon, at which W. Dale Clark, president of the Omaha National Bank, was the presiding officer and officers of all Omaha banks were present.

Both President E. W. Decker and Vice President and General Manager J. C. Thomson, of the Bancorporation, were speakers.

Besides Mr. Decker and Mr. Thomson, members of the party included: Charles E. Mickler, director, F. W. Woolworth & Co.; A. L. Searle, president, Searle Grain Co.; Joseph Chapman, president, Donalson Realty Co.; Robert E. Macgregor, vice president, Northwestern National Bank; C. V. Smith, vice president, Minnesota Loan & Trust Co.; Gardner B. Perry, vice president, Grant W. Anderson, W. E. Brockman, and Willis D. Wyard, assistant secretaries, and Robert F. MacTavish, assistant treasurer, Northwest Bancorporation.

Accompanying the Minneapolis resident officers or directors were E. J. Weiser, president, and F. A. Irish, vice president, First National Bank & Trust Co., Fargo; W. Z. Sharp, president, Security National Bank & Trust Co., Sioux Falls; Isaac S. Moore, president, First and American National Bank, Duluth; David C. Shepard, president, Empire National Bank, St. Paul; W. H. Brenton, president, Iowa-Des Moines National Bank & Trust Co., Des Moines, and W. G. C. Bagley, president, First National Bank, Mason City, Iowa.

Elect J. P. Van Vliet

Resignation of Guy C. Patton as president and treasurer of the First American Life Insurance Company, Lincoln, Nebraska, has been accepted by the board of directors, and J. P. VanVliet, a member of the agency force, has been elected in his stead, with full executive control.

INSURANCE
Its Application to the Banking Fraternity

Life Insurance vs. Real Estate

By S. W. SPARGER
State Mutual Life Insurance Co.

I USED to think of life insurance as protection. Experience has taught me that it is the best property that one can buy.

I entered the life insurance business during the tumultuous days of 1906 as a whole time agent.

I early adopted a systematic plan of saving. I planned to live on my first-year commissions and deposit my renewals in the savings bank. I had never had much to save before. I began selling life insurance and this was the only form of savings I knew for small and uncertain amounts.

In the town where I formerly lived almost all the young fellows of my age who were getting along dealt in a small way in real estate and almost without exception they made money, as the town was growing rapidly and they bought for a quick turnover.

Expands in Real Estate

When my savings account grew to the point where I thought of looking for a more remunerative investment I was ready to talk to some of the many active real estate men and I began by buying cheap residence lots in nearby outlying districts. I was able always to sell for a profit, sometimes making the sale even before the deed was made to me. The profits were never large and the amounts involved were small.

As the years passed and I began to realize more from my renewals I became a little more ambitious and decided that I would like to own some business property. It seemed, however, a goal entirely beyond my reach, for all the desirable business property was located in a few blocks on Main street and was owned by a few men who believed so strongly in the future of the town and the soundness of their investment that they would not think of selling.

In 1913, one of these property owners became bankrupt and his holdings were put on the market. One of my friends in the real estate business approached me with the proposition that a stock company be organized with $25,000 in paid-in capital to purchase this property, financing the balance through the banks, which he had already arranged. As I happened to have enough money in the bank to pay for my stock I readily agreed.

From time to time we had offers for the property which would give us a profit, but I had decided that I wanted to stick and when some other stockholder wanted to sell the property and get his share of the profit I would try to get a price on his stock. In this manner over a period of years I purchased enough stock to give me a five-sixths interest — the amount which I now own. This always necessitated borrowing money and paying interest instead of receiving interest. Since 1913 I have never had a savings account.

I RAN across this quotation the other day: "Money needed is gold, money deferred is silver and money given after death is lead." Our "Insurance with Income" is always gold and makes golden the sunset of life.

I used to sell insurance as protection; I now sell it as property, because—

"My stocks and bonds have failed me,
My real estate's a burden and care,
But my life insurance is my treasure,
When cash is needed it's there."

The building consists of three stories and a basement, divided into three stores on the ground floor and offices above. There were a number of tenants to deal with, leases expiring at different times and old tenants moving out and new ones moving in. Nearly every move cost money because of changes and alterations to suit new tenants, to say nothing of the loss of rent while part of the premises were vacant. The repair account runs into formidable figures and the city and county taxes have multiplied by over six times the figures in 1919.

Makes Expensive Lease

It was not until 1915 that we were able to obtain possession of the entire building and lease it as a whole. It happened that the fall of that year was a period of unusual activity in real estate in Durham — due to the publicity the town was receiving in connection with the indenture of the late James B. Duke, providing for the extensive building program at Duke University. Many new businesses were locating here and a chain store corporation began negotiations for the leasing of this building. The usual investigations were made and the report stated that while it was a new corporation, the active president was capable and experienced and the corporation had ample financial backing. A 15-year lease was made and the following rental stipulated:

$12,000 a year for the first five years;

$16,000 a year for the second term of five years;

$20,000 a year for the third five-year period.

The lease further stipulated that "the lessee agrees to pay the taxes assessed against the leased property during the term of this lease. By taxes is meant the general, county, city and state taxes."

Certain alterations and improvements were necessary to put the building in condition for the new tenants, and after some discussion we reached an agreement whereby this expense would be shared on approximately a 50-50 basis. (We estimated our part of the cost as $5,000.) As this seemed to end all alteration troubles for 15 years we did not balk at the expenditure of this amount.

After the work was started we found that the plumbing had to be re-located and added to; we found the heating plant worn out and a new one had to be installed.

We placed a $30,000 mortgage on the property for a period of 10 years. This was to take care of the alteration expense and retire an existing loan of $18,000.

Two years ago during a northeast storm we were notified that rain was leaking through the front wall. A building contractor was given an order to remedy the trouble. The building inspector refused to give him a permit to repair but condemned the wall—ordering it torn down immediately and replaced according to the present building code. This cost about $7,000, and the lessees deducted $500 from the rent for what they claimed was loss of trade during the time the work was being done.

From March, 1926, to March, 1930, we collected in rents $47,500. The amount spent on the property for repairs and alterations amounts to $15,300. The amount paid for insurance was $2,680.85. Other items of expense $2,198.

The corporation is now in the hands of a receiver and the rent is $4,000 in arrears.

Income Returns Small

Taking the appraisal made early in 1926, deducting the cost of alterations, insurance, and other items of expense—a total of $20,178.85 from the actual rent received of $47,500 you can easily figure the net income from the property.

Remember also that the above lease was made on October 15, 1925, and it was March 1 before the alterations were completed and the lessee could occupy it. The loss of rent during that time was also a considerable item.

But someone will say you improved your property. That is all true, but we are chiefly interested in this matter from a standpoint of income.

After this lease was made the prospects looked promising — my bank loans having been reduced to $500, I purchased jointly with a friend of mine another piece of property on a parallel street. The price was $50,000. The insurance company accepted that figure as an appraisal and made a loan of $25,000 on the same terms as the other loan. We spent an additional $3,680 for elevators, heating plant, etc., making the total cost of the property $53,680.

The amount collected in rent since that date of purchasing has been $15,000.

The taxes have been	$4,123
The insurance has been	1,581
Repairs and other items have been	521
	$6,225

Fixed Charges Heavy

A net return of $8,775 over a period of four years and eight months.

You can also figure the percentage for yourself on this property.

Here, then, we have two pieces of property, one just a half block from the postoffice and within one block of four of our six banks, the other only two blocks further away, both conceded to be excellent in every way, and one rated as 100 per cent department store property, worth on the basis of 1925 appraisals plus improvements since then over $275,000. There is today not one penny of income to the owners of this property.

But that is not all. There are certain obligations which were assumed which must be met, such as taxes, insurance, interest, curtailment of loans, upkeep, etc.

The amounts of these known items, or fixed charges, are at the present time:

Main Street:	
Taxes	$3,600.00
Insurance	463.07
Interest	1,402.50
Payment on principal	1,500.00
Chapel Hill Street:	
Taxes	$1,125.00
Insurance	304.51
Interest	1,127.50
Payment on principal	1,500.00

These charges have to be met if the investment is to be saved. In other words, at the present time the owners of these properties from a standpoint of income would be vastly better off if they did not own it.

Life Insurance in Comparison

Now let us consider life insurance as a contrast. Below is a statement of results on $20,000 "Insurance with Income at 55" issued at age 32—about the age at which I started in my program.

Insurance with Income at 55—Age 32..........$20,000.00
Annual Premium 1,246.80
5 premiums in advance 5,785.15

It is assumed herein that the policy becomes paid up for $8,260 at the end of the fifth year. Dividends shown are the regular premium paying dividends on the full amount for the first 5 years and thereafter paid-up dividends on the reduced amount.

Year	1930 Dividends	Additions
1	$140.40	$ 240.00
2	156.80	520.00
3	174.00	820.00
4	192.00	1,140.00
5	211.00	1,480.00
6	118.60	1,660.00
7	123.00	1,840.00
8	127.60	2,040.00
9	132.60	2,240.00
10	138.00	2,440.00
11	143.20	2,640.00
12	149.00	2,840.00
13	154.80	3,040.00
14	161.20	3,240.00
15	167.40	3,440.00
16	174.00	3,660.00
17	181.20	3,880.00
18	188.80	4,100.00
19	196.60	4,320.00
20	204.60	4,540.00
21	213.20	4,760.00
22	222.40	4,980.00
23	231.40	5,220.00
Value Paid-up Policy..		8,260.00
Additions		5,220.00
Total Maturing Value		$13,480.00

Safe and Sane

In the event of death the unearned premiums are returned so that the insurance protection ranges from $24,536 the first year to $21,480 the fifth year. Then if no further premiums are paid the contract becomes paid up for $8,260 plus $1,660 additions the sixth year, increasing by dividend additions to $13,480 at age 55—payable to the insured then or its equivalent in a life annuity. Using your compound interest factor you will find that this initial payment of $5,785.15 at 4 per cent compound interest for 23 years will amount to $14,258.66; only $778.66 more than the maturing value of this contract.

For safety and a sure income you can't beat it. One may leave a large estate if he lives long enough and is lucky by investing in real estate, but he can never be sure of the value of the property nor of an income from it when he needs it most.

It is almost impossible to realize cash on real estate during a period of tight money, and cash is absolutely essential to the happiness of a man at 55 or 60 who has become accustomed to a comfortable income. It is just as John York said to me one afternoon at Old Point—"If when you have needed $5 and have always been able to run your hand in your pocket and find $5 and then the day comes when you need the same $5 and can't find but $1 it hurts."

First Trust Dinner

The First Trust Company, Lincoln, last month was host to many insurance men and representatives of banking and bonding houses with whom it does business, at which hard times were stressed. Invitations were in red ink on yellow scratch paper, and responses were on cardboard, wrapping paper and paper towels. A red tablecloth completed the picture. Out of state insurance men present included: Aetna—Guy Beardsley, vice-president, Hartford, and E. L. Vaughan, agency supervisor, Chicago; Home of New York—J. A. Campbell, vice-president; C. A. Ludlum, former vice-president, New York, and E. V. McKarahan, agency supervisor, Chicago; Globe Indemnity—E. J. Schofield, vice-president, New York; A. B. Ross, inspector, and Martin Doyle, auditor, Kansas City; Phoenix—G. W. Holton, secretary, Hartford; W. G. Curry, state agent, Kansas City, and N. W. Cady, Minneapolis; North America—Sheldon Catlin, vice-president, Philadelphia; H. A. Miller, assistant manager, Chicago; New York Underwriters—R. L. Tanner, secretary, New York; J. M. Clark, special agent, and S. C. Shotwell, marine manager, Chicago; M. H. Grannatt, manager, Liverpool & London & Globe, New York; A. D. Yeaton, western general agent, New Hampshire, Chicago, and O. C. Gleiser, secretary, American Central, St. Louis.

Reinsures Omaha Life

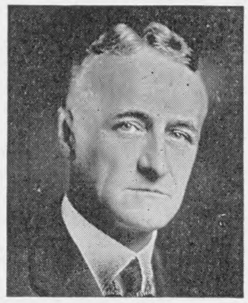
Officers of the Omaha Life Insurance Company of Omaha, of which E. M. Searle, Jr., is president and H. E. Worrell, secretary, have executed a reinsurance contract with the Ohio National, by which the latter takes over all of its obligations. Approval of the transaction has been given by Insurance Commissioner Herdman, subject to similar action by the Ohio department of insurance. With the American Old Line Life Company, which the Ohio National took over a year ago, it will have approximately $25,000,000 in force in Nebraska. The American Old Line was formerly a Lincoln company, later it was purchased by Omaha parties, and still later removed to Chicago. The order of Commissioner Herdman requires the Ohio company to keep a separate account for the 1,300 participating policies issued by the Omaha Life.

Into Permanent Forms

Nearly $770,000,000 of life insurance carried by members of the Modern Woodmen at less than cost rates has been transferred into the permanent forms, according to national headquarters. This figure includes a considerable amount of additional insurance taken by the old policyholders or purchased with cash withdrawals. Of the $4,000,000 written in September, $340,000 was transferred insurance.

E. N. VAN HORNE, President
Nebraska Bankers Association

Nebraska News



WM. B. HUGHES, Secretary,
Nebraska Bankers Association

GWYER H. YATES, president of the United States National Bank of Omaha, is chairman of the committee of Wyoming and Nebraska bankers and business men, to rule on applications for loans from the National Credit Corporation in the two states.

W. Dale Clark, president of the Omaha National Bank, was named vice-chairman of the committee, and William B. Hughes secretary-treasurer. Mr. Hughes is secretary of the Nebraska Bankers association. The committee's headquarters are the offices of the Omaha Clearing House association.

Nebraska subscriptions for the credit corporation had exceeded a million dollars early in November, the total then being $1,079,365.40. Charles Finegan, Hyannis, Nebraska, accepted appointment on the loan committee for the Omaha territory.

CHARLES T. KOUNTZE, vice president and chairman of the board of the First National Bank of Omaha, and Denman Kountze, vice-president of the bank, resigned their posts early in November. The directors of the bank announced that the vacancies would not be filled. Mr. Charles T. Kountze expects to make his home in New York; Denman Kountze will remain in Omaha.

DEPOSITORS of the Richfield State Bank, which closed September 18, 1929, were to receive dividend checks last month to complete payment of one hundred per cent of their deposits, Ben H. Schroeder, receiver, who has been in charge of liquidating the bank's assets, announced. There have been other cases in the history of banking in the state where closed banks have paid out in full, but such occurrences are rare, the state banking department told Schroeder.

In addition, Schroeder said, there is money enough to reimburse stockholders of the bank who paid their double liability deposits.

The reason for complete liquidation of the bank's assets, as set forth by Schroeder, is that there were no large loans held by any one individual and all borrowed sums were small. At the time of its closing, the bank had loans of $121,344.78 and held bonds and judgments to the extent of approximately $20,000. Time and demand deposits amounted to $123,720.54. The bank had a capital stock of $25,000 with an $11,000 surplus.

Gradual withdrawal of deposits and the fact that it was impossible to collect on loans fast enough to meet the withdrawals, was given as the reason for closing.

Depositors had previously been paid 85 per cent of their money in three separate issuances. The first dividend check was for 60 per cent, a second of 15 per cent and a third of 10 per cent.

The Richfield State Bank was organized in 1926, following failure of the First State Bank there. Officers were J. A. Calvert, president; Paul Graham, cashier, and John C. Becker, vice president. The bank owned no real estate, not even the property in which it was housed.

D. P. HOGAN, president of the Federal Land Bank of Omaha, has been elected director-at-large of the Eighth Federal Land Bank district for three years beginning January 1.

GEORGE A. WRIGHT, president of the First National Bank of Creighton, Nebraska, the youngest national bank president of the state, and Miss Marian Hansen, daughter of Mr. and Mrs. Charles Hansen of Battle Creek, Nebraska, were married early in November.

THE UNION STATE BANK of Omaha, closed last August 15 because of withdrawal of deposits at the time of the closing of two other state banks in the city, reopened for business last month.

The reopening was made possible, it was announced, by an agreement of enough of the 5,000 depositors in the bank to withdraw only moderate amounts of their deposits during the coming 20 months. Two hundred thousand dollars in additional new capital was also subscribed to the bank.

F. C. Horacek remains as president of the bank.

Three months of work that made the reorganization and reopening of the bank possible was done by Mr. Horacek, C. V. Svoboda, Frank J. Riha and Mose Yousem. Governor Bryan, E. H. Luikart, secretary of the state department of trade and commerce, and George W. Woods, state bank commissioner, helped.

The bank is one of the largest state banks in Nebraska. The depositors agreement, it was said, was to withdraw not more than 10 per cent of their money for the next 60 days and not more than 5 per cent per month of their opening deposits, after that. The restrictions on withdrawals may be removed when the officials of the bank believe conditions warrant. The depositors will eventually be repaid 100 cents on the dollar.

Emil Kavalec is cashier of the bank, Ernest J. Horacek, assistant cashier. Directors are F. C. Horacek, Frank J. Riha, Frank Koutsky, Joseph T. Votava, Ernest J. Horacek, C. V. Svoboda, and Edward Chaloupka.

SIX OMAHA BANKS have distributed Christmas Savings funds totaling $645,000 to 14,000 depositors —the largest sum, it is said, by $100,000 to be accumulated in these funds.

While it was expected that most of this money would find its way into retail trade channels, a considerable portion was re-deposited in new Christmas funds or other savings accounts.

CHARLES H. RANDALL, president of the Security National Bank of Randolph, Nebraska, died at the age of 67 last month in the Clarkson hospital at Omaha, after an illness of six weeks. Mr. Randolph was the republican candidate for governor of Nebraska in 1922, when he was defeated by Charles W. Bryan.

Mr. Randall was president of the state bankers association in 1921-1922. He began his banking career in 1890.

THE FARMERS STATE BANK of Albion, Nebraska, is liquidating without a receivership. Stockholders guarantee all deposits, amounting to about $165,000.

W. J. BAILEY, governor of the Kansas City Federal Reserve Bank since 1922, has announced that he will retire from that post January 1.

Failing health is the reason for his withdrawal from active banking.

Mr. Bailey is 77 years old. He has been connected with the Kansas City Federal Reserve Bank for the past 16 years of its existence, as he was a director from the start. Mr. Bailey had a breakdown in health more than two years ago, but recovered and returned to his desk.

WALTER W. HEAD, former Omaha and Chicago banker, and at one time president of the American Bankers Association, has been named president of the Morris Plan Corporation of America.

The Morris Plan Corporation operates in 142 cities and has been in ex-

WALTER W. HEAD

istence 21 years. They do an annual business volume of $200,000,000 and have resources of approximately that amount.

Mr. Head is at present chairman of the board of the Nebraska Power Company; director and member of the finance committee of the Northwestern railroad; director of the Milwaukee railroad; chairman of the board of the American Union Life Insurance company; director of the United States Fidelity and Guarantee Company; and was recently reelected president of the National Council of Boy Scouts of America.

He was formerly president of the Omaha National Bank and of the Foreman State National Bank of Chicago. Austin L. Babcock will continue as executive vice president of the Morris Plan Corporation.

In announcing Mr. Head's election as president, Arthur J. Morris, founder of the Morris Plan Corporation, said:

"Mr. Head's election to the central organization, charged with the further and larger development of the Morris Plan system of industrial banking, begins a new era in this country for industrial banking. Mr. Head brings to the system 25 years of successful experience in all the details of commercial and investment banking, an added asset for the successful and further development of industrial banking. He has been a close observer and investigator of the Morris Plan system and all other forms of personal loan credit operations as operated in this country and now becomes the dominant figure and factor, therefore, in the development of this important phase of banking in the interests of the people of this country."

The Teller Tells the World

(Continued from Page 3)

IN YEARS GONE BY a bank statement called for a number of painful facts, such as the amounts of debts due, debts considered doubtful, amount of loans to directors and stockholders and amount due from insolvent banks.

I HAVE A LETTER from a friend in Nebraska, who says he remembers "Cash" Jones, of whom I recently referred to in this column. He also remembers the two sons, "Credit" and "Charge-It" Jones. He goes on further to state that he knows their two sons: "Repossessed" and "Finance" Jones.

My, my, how that Jones family does grow.

WALTER WINCHELL says: "The trouble with banks is that bankers are trying to carry more people than the railroad trains."

Yes, what we need is a few good trucks.

A LARGE NEW YORK bank advocates that its depositors spend some of their money. Stating that careful purchase when prices are low is as much thrift as saving the money.

Here's the sticker. It suggests that you keep sufficient reserve against emergencies — at least six month's salary.

EVERY PLACE we look someone is trying to invent machines to make mass production. Then we turn the other way and see a government trying to get rid of a surplus. Then we look straight ahead and wonder if it isn't playing both ends against the middle.

☘ ☘ ☘

AN INSURANCE MAN was telling me about making a policy loan to a farmer. He was filling in all the blanks as the farmer answered the questions. He listed as improvements: House, barns, corn cribs, etc. Then the insurance man read to him: "Any other permanent improvements besides those listed above?"

The farmer thought for a minute and then replied: "Well, there's a $3,500 mortgage on the farm."

I SAW AN advertisement the other day that read: "A practical pencil for bankers." I doubt it. Some day I'm going to invent the practical pencil for bankers. It's going to have a mint flavor and half of it is going to be an eraser. That's the part bankers use most.

☘ ☘ ☘

IN REGARD TO lowering interest rates on time deposits from 4 per cent to 3 per cent—it is claimed that a bank can lose over forty per cent of their four per cent C. D.'s and still make as much money on the balance by paying three per cent.

But what bank wants to take a forty per cent loss of deposits in these times?

☘ ☘ ☘

FOR THAT MATTER there seems to be a gradual reaction already back to higher interest rates. The National City Bank, New York, has again raised its interest rate in the thrift deposits to 3 per cent compounded 12 times a year. On September 1 they had cut the rates to 2 per cent.

It is worth noting that after a little more than a month's trial this city bank swung back to their regular rates.

☘ ☘ ☘

A BANK EXAMINER told me an interesting story. He was examining a bank in eastern Iowa. As soon as he entered the bank the cashier started to move him to the back room. Sending the books, adding machine, and everything back to him. The examiner said nothing. At night the cashier came back and remarked: "Maybe you've noticed that we hurried you to the back room?" The examiner admitted that he had noticed it somewhat. "Well," explained the cashier, "the last examiner we had made so much noise yelling at us, that the man in the hardware store across the street came across to see what was the matter."

That's one on the bank examiners.

☘ ☘ ☘

ALEXANDER ONDI, aged 21, robbed a bank in Budapest, Hungary. He was captured soon after the holdup, rushed to the palace of justice, tried at 4 o'clock and hanged two hours later in the yard of the palace.

It is needless to say, there are very few holdups in that country.

☘ ☘ ☘

WE ALL KNOW news travels fast and inaccurately. Here's an example of it: A gentleman was rushing down the street, when a friend stopped him. "Why the hurry, John?" he asked. "Haven't you heard?" exclaimed John, "Jack Brown just made a million dollars on cotton. I'm going over to his office." The friend replied: "Sure, I know I just come from there. Only it wasn't Jack Brown, it was Joe Green. And it wasn't in cotton, but in copper. And it wasn't a million dollars, but a hundred thousand dollars. And what's more he didn't make it, he lost it.

Tch, Tch, Tch!

Mrs. Gleeson (at seaside concert)—She has quite a large repertoire, hasn't she?

Gleeson—Yes, and that dress makes it look all the worse."

News of the Omaha Stock Yards

An Interesting Survey

That the dairyman himself is the most important "animal" on the dairy farm, is strikingly shown by a study of the cost of producing butterfat, carried on in Pine county, Minnesota. About 25 herds were included in the study, which was made by the Minnesota agricultural experiment station and which extended over a three-year period, making 77 herd-year records.

To study the effect of management, the dairymen were divided into four groups. Those rated "good" secured 17 per cent more fat from the same feed than did those rated "fair," whereas the group rated "poor" obtained only 70 per cent as much fat from the same feed as did the "good" group. Differences in quality of management accounted for more differences in production than did all other factors combined.

Ready for Winter

Stockmen in southeastern Wyoming are prepared for the coming winter, according to Silas Cole of Laramie county of that state. "Ranges are in very good condition," he stated. "There is plenty of feed to carry the stock through winter all right. On the average, we had a fair crop of hay. This will be supplemented with about the usual amount of cottonseed cake. A number of ranchers still have some old hay on hand.

"The big end of the cattle have been shipped out, but there are still quite a few to come. A few of those remaining are being fed. In the last few years we have started to raise some corn and hence can do a little feeding on the side."

Name Nebraska Judges

Nebraska will be among the seventeen states and two foreign countries furnishing live stock judges for the 1931 International Live Stock Exposition.

The judges chosen for the task of awarding honors in the Chicago exposition are from as far separate points as California and Connecticut, Texas and Ontario. They include, exposition officials state, the most noted live stock authorities in the world.

Nebraska will contribute A. C. Shallenberger, of Alma and H. J. Gramlich, of Lincoln, to the list of judges.

Shallenberger, a well known breeder of live stock and present congressman from Nebraska, will be a judge of Polled Shorthorn cattle. Gramlich, who is connected with the University of Nebraska college of agriculture, will judge the class of steers entered for slaughter on hoof.

It is estimated by officials of the Chicago exposition that the live stock show will have entries in excess of 12,000 head of the choicest farm animals on the continent.

"Depression-Proof" Cows

"Good dairy cows are as near depression proof as any class of live stock or any class of agriculture.

With this statement, C. A. Smith, extension dairyman at the Colorado Agricultural College, comments on certain suggestions for winter feeding of dairy cows, and announces the high-producing cows and herds in the state for the past month.

"Winter dictates winter feeding and winter care," he adds. "To forget about the water heater, to overlook the bedding shed, to try to skimp through reduced rations is to 'kid yourself.' War-time prices for butterfat do not prevail, neither do wartime prices for good protein feeds.

"With hogs at new low levels for 25 years, and with feeder lambs actually bringing less than a nickel a pound, the owner of a herd of good dairy cows has much to be thankful for this winter. Year by year the dairy-herd-improvement associations tell the same old story. Proper feeding combined with proper care and the use of potentially good cows have made a profit every winter for half a century. The winter of 1931-32 is no different. Cheap feeds fed to good cows will tell the same story next spring."

International Stock Show

Early entries pouring into the headquarters of the International Live Stock Exposition, to be held at the Chicago Stock Yards this year, November 28 to December 5, give assurance of one of the largest displays of live stock and educational agricultural exhibits in its history. So reports B. H. Heide, secretary-manager of the exposition.

The coming 32d anniversary of this exposition of the meat making breeds of live stock will open its doors upon the mammoth International amphitheater and 22 adjoining buildings on the first Saturday following Thanksgiving. Each day and evening will be crowded with events of education, inspiration, and entertainment to the visitors from town and country who combine to make the International Live Stock Exposition the most cosmopolitan agricultural show in the land.

Officials of the International Grain and Hay Show, a department of the Live Stock Exposition, but in itself the world's largest competitive display of small seeds, hay, and grain, state that in spite of the drouth in many sections of the country this year, they look for the largest entry in the history of this event.

Bright Outlook

The year 1931-32 should be a good one for 4-H baby beef club members to feed calves, is the belief of Paul C. Taff, assistant director of the extension service at Iowa State college, who is in charge of 4-H club work in Iowa.

Prospective club members are beginning to look for their calves. Good ones can be bought at even lower prices than last year. While the average quality of calves fed in the past has been high, many cases are known where the club boy could have increased his profits $10 to $20 by paying a few dollars more for a higher quality calf with which to start. Feed probably will be cheap and the club members should be able to feed their calves well.

Credit Corporation Formed

The Keith County Agricultural Credit corporation, of Ogallala, has filed articles of incorporation at the office of the secretary of state.

The $50,000 corporation listed as its purpose the loaning of funds to persons engaged in growing or marketing grain, live stock or other agricultural produce.

Incorporators are Hugo Eyeman, F. J. Sibal, C. L. Contryman, J. J. Geisert, Oscar Eyeman and H. J. Geisert.

Mystery

A freight agent received a shipment among which was a donkey described on the freight bill as "1 burro." After checking his goods carefully the agent made his report: "Short, 1 bureau; over, 1 jackass."

Wyoming News

Is New Director

At a meeting of the board of directors of the First National Bank of Rawlins, Wyoming, John K. Hartt, prominent citizen of Rawlins and Carbon County, was elected to the board to fill the vacancy caused by the death of John Mahoney last June.

J. E. Cosgriff, president of the Continental National Bank & Trust Company of Salt Lake City and also president of the First National Bank of Rawlins, was in Rawlins for the meeting. He has been associated with Mr. Hartt in the sheep business for many years. Mr. Hartt has been a stockholder in the bank for a number of years.

At Lander

William J. Hagans has been named president of the Lander State Bank, Lander, Wyoming, to succeed John Carmody, deceased. Mr. Hagans has been a member of the board of the bank for a considerable time. George F. Earley of the Lander Mills was chosen director to succeed Mr. Carmody.

Create With Life Insurance

Money for life insurance isn't spent money, set aside to guarantee financial independence for you or your family. Life insurance is sending dollars on ahead.

Some day the earthquake of death or of disability will shake your home to its very foundation. Then the insurance company unlocks the safe and returns to you or your family, not only every dollar you have saved, but in addition the dollars you would have saved, if misfortune had not wrecked your plans.

The savings bank takes care of the money you have saved. It can do no more. The life insurance plan not only takes care of the money you have saved, but it also pays back the money you would have saved.

You give the savings bank the principal sum and you receive interest. You give the life insurance company interest and you or your family receive the principal sum. Under life insurance you do not owe for an estate—you own an estate. Life insurance guarantees both principal and interest. What other investment offers so much for so little? What other financial institution pays on your promise rather than your performance? More than 65,000,000 policyholders can't be wrong.—*Echo.*

Kansas News

In Remodeled Quarters

The National Bank of Pittsburg, Kansas, which has been occupying quarters in the Commerce building, has moved to its own building at the northeast corner of Fourth and Broadway.

The National Bank building has been remodeled.

Fontana Bank to Paola

The Fontana State Bank, Fontana, Kansas, has been taken over by the Miami County National Bank, Paola. The bank had a capital stock of $10,000 and the assets were $51,402.22. Hugh C. Whitford was the president and principal stockholder.

Wichita Banker Dead

E. E. Masterman, vice president of the First National Bank in Wichita, Kansas, and one of the widely known and beloved men of finance in Kansas, died last month.

Mr. Masterman was 80 years old August 3. He had resided in Wichita for the past 31 years.

Retires at Downs

At a meeting of the board of directors of the State Bank of Downs, Kansas, the resignation of D. H. Harrison was tendered and accepted. Mr. Harrison was then elected chairman of the board of directors.

J. O. Harrison, son of the former president, and who for several years past has been assistant cashier, was elected to the position of president and W. H. Harrison, also an assistant cashier for several years past, was elected vice-president. The other officers, D. B. Harrison, cashier, and M. W. Hardman, vice president, will remain the same.

In New Quarters

The Citizens State Bank of Moundridge, Kansas, has moved into their new quarters across the street, the former Bank of Moundridge building.

The interior of the building has been completely cleaned and a number of small repair jobs done.

A Merger

The state bank of Stuttgart, Kansas, and the Woodruff State Bank have merged their business interests and the Stuttgart bank has taken over the accounts and holdings of the Woodruff bank. Stockholders of the Woodruff bank were paid 100 per cent on the dollar for their interests and the deposits and accounts were transferred to Stuttgart. The Woodruff bank has been closed.

Nimrocks Honored

George W. Nimocks, president of the Bank of Scandia and a prominent worker in the Kansas Bankers Association, has been appointed as a member of the Committee on State Legislation of the American Bankers Association.

Mr. Nimocks has just completed a three-year term as a member of the executive council of the American Bankers Association. While serving on the executive council, he established himself as one of the outstanding workers in the national organization and made many trips over the United States in connection with the council's work.

Ralph Smith Resigns

Ralph E. Smith has resigned his position as assistant cashier of the First National Bank of Hiawatha, Kansas, has accepted a position with the First Investment Co., will devote his time to insurance investments. Mr. Smith has been connected with the bank for a number of years.

Group One Meeting

Group One of the Kansas Bankers Association, comprising banks in Atchison, Brown, Doniphan, Jackson, Jefferson, Leavenworth, Marshall, Nemaha, Pottawatomie and Wyandotte counties, will hold its annual meeting in October, 1932, at Troy. At the annual meeting held in Seneca, recently, the decision was made to hold the next meeting at Troy. The association will be the guests of the Doniphan County Bankers Association of Doniphan County.

Charles V. Norman, cashier of the First National Bank at Troy was chosen as president, and Edw. E. Doughty, president of the Troy State Bank, was selected as secretary of Group One of the Kansas Bankers Association.

Ask Me Another!

"Now, suppose," said the teacher, "a man working on the river bank suddenly fell in. He could not swim and would be in danger of drowning. Picture the scene. The man's sudden fall, the cry for help. His wife knows his peril and, hearing his screams, rushes immediatelv to the bank. Why does she rush to the bank?"

Whereupon the boy exclaimed: "To draw his insurance money."

Diary of a College Grad

June 23, 1929—Graduated today.

June 28, 1929—Looked for a $10,000 job.

July 20, 1929—Looked for a job at $100 a week.

August 9, 1929—Looked for any kind of a job.

September 2, 1929—Still looking.

September 23, 1929—Went to work for my uncle for $75 a month.

Colorado News

C. H. Sheldon Dead

Charles Herbert Sheldon, pioneer banker of Fort Collins and vice president of the Poudre Valley National Bank, Fort Collins, Colorado, passed away recently at the Larimer county hospital.

Mr. Sheldon was taken ill in December, 1930, with pernicious anemia and leakage of the heart, but had been up and around most of the time since that time, only going to the hospital the morning of his death for treatment.

From early boyhood Mr. Sheldon decided to become a banker and May 1, 1875, he entered the A. K. and E. B. Yaunt bank as a bookkeeper, working for his board. In the fall of 1876 he was elected cashier of the bank, which position he held until the fall of 1878. November 11th, he and W. C. Stover started the Poudre Valley Bank, later known as the Poudre Valley National Bank.

Mr. Sheldon retired from active business as cashier January, 1925, becoming vice president, which position he held at the time of his death.

Protective Systems

Installation of a tear gas system at the Englewood State Bank, Englewood, Colorado, in the immediate future was announced recently by C. W. Bish, president of the bank.

As part of the system bullet-proof glass will be used for the enclosure within which employes of the bank work. The employes will talk to depositors by means of amplifiers and the only openings in the glass will be small slits where money may be taken in and passed out.

New Deposit Boxes

To supply the demands for safety deposit boxes, one hundred safety deposit boxes have been installed this week in the Loveland State Bank, Loveland, Colorado. They are of the latest type in safety box construction and of varied sizes.

W. J. Isaac, cashier of the bank, stated that demand for additional deposit boxes had exhausted the supply and this new section of boxes was being added to provide this service for customers.

Elected Vice President

Roblin H. Davis, president and general manager of the Davis Brothers Drug Co., has been named executive vice president of the Denver National Bank.

The work formerly handled by the late Clark G. Mitchell, executive of the bank who died two months ago, will be divided between Davis and James C. Burger, another vice president, in addition to their other duties.

No other changes will be made on the bank's executive staff, the announcement said.

Mr. Davis has been a director of the bank since 1915. Although his election calls for his assuming his new duties at once, he will retain his connection with the drug firm for the present, he said.

Installs Tear Gas

The American State Bank of Brighton, Colorado, has installed a new type of burglar protection in the form of tear gas guns that can be operated by electricity by merely pressing a button.

New Mexico News

Merger at Artesia

At a meeting of the stockholders and directors of the First National Bank of Artesia and the Citizens State Bank, Artesia, New Mexico, a merger of the two institutions was unanimously approved, operation to continue under the head, "First National Bank."

Officers serving the First National Bank under the new arrangement will include: J. E. Robertson, president; C. E. Mann, active vice-president; J. H. Jackson, vice-president; L. B. Feather, cashier; Fred Cole and William Linell, assistant cashiers. The directors are: J. E. Robertson, E. A. Cahoon, Roswell; M. A. Corbin, C. E. Mann, D. W. Runyan, J. H. Jackson, Rex Wheatley.

At Estancia

At a meeting of the bank directors of the First State Bank, Estancia, Estancia, New Mexico, Otho Lowe was elected vice president and J. C. Hester cashier. Dr. Ottosen of Willard, H. B. Jones of Tucumcari and local directors were present.

Reopens at Las Cruces

The First National Bank of Las Cruces, New Mexico, on its opening day, last month, showed a large gain in deposits, according to W. P. B. McSain, active vice-president. The deposits exceeded withdrawals at the ratio of about 20 to 1.

A good share of money withdrawn was used to pay grocery, dry goods and other bills, and was redeposited by merchants later.

All of the business men of Las Cruces report that the opening of the bank had a very beneficial effect on business.

Meat Inspection

Systematic Federal meat inspection was 25 years old on October 1. Though the act of congress on which the service is based was signed by President Roosevelt June 30, 1906, certain of its provisions did not take effect until October 1 of that year. In the 25 years of its operation Federal meat inspection has included the thorough veterinary examination of more than 1,600,000,000 animals, both before and after slaughter. Of this number more than 98 per cent passed the rigid inspection and were designated as suitable for food, a record the Department of Agriculture regards as highly creditable to American stockmen. The remaining 2 per cent were passed for food only in part, or were condemned.

A more complete picture of the growth and magnitude of the meat-inspection service may be gained from the records. The number of animals slaughtered under Federal meat inspection during the first full year of the law's operation was about 54,000,000, including cattle, calves, sheep and swine. During the fiscal year ended June 30, 1931, nearly 75,000,000 animals came under inspection, an average advance of more than 800,000 animals each year.

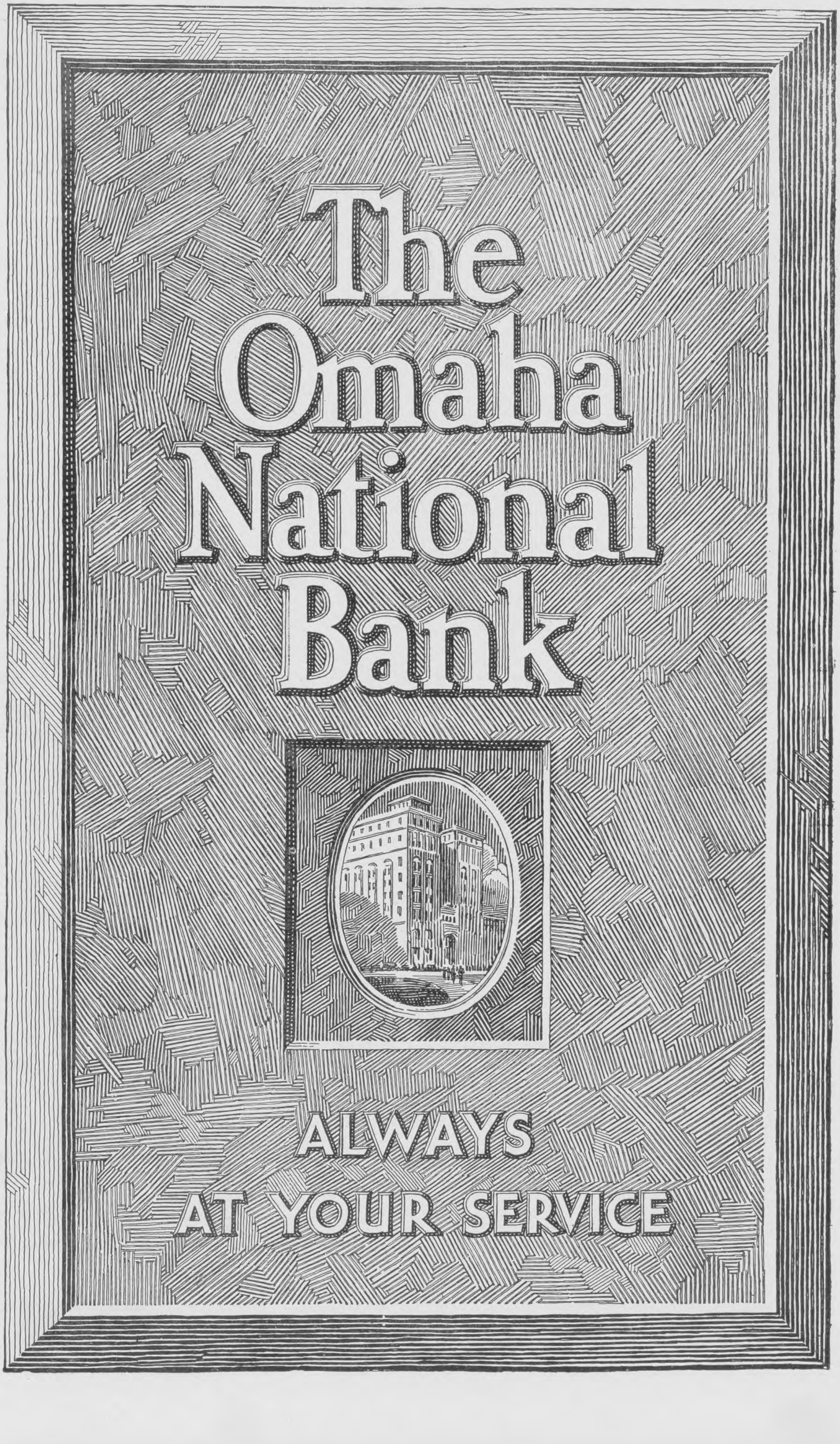
A Fellow Countryman

"A lordly Rolls-Royce was followed through the streets of New York by a very 'tinny' car. The Rolls-Royce suddenly pulled up with all its four brakes and the other crashed into it.

"A policeman came up and asked the driver of the little machine for his name and address.

"'Paddy Murphy is my name,' was the reply.

"'Begorra, is it now?' said the constable. 'Hould on a minute while I take the other fellow's name for backing into ye.'"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