CENTRAL WESTERN BANKER

Omaha

MARCH 1932

OMAHA'S DIAMOND JUBILEE

1857 · 1932

Although Nebraska cannot boast of its diamond crop, it has produced two important diamond jubilees . . . the celebration of Omaha's seventy-fifth anniversary this week and the similar celebration held for the state two years ago.

The diamond is the popular sign of the jubilee which comes in the seventy-fifth year.

But the diamond is also the sign of plenty — and as such it is even more typical of Nebraska.

Nebraska products have been bringing annually more than half a billion dollars into the state in return for the state's agricultural, live stock, poultry, horticulture and other food products. And, of course, many more millions come from manufactured products such as butter, meat, flour and other food products.

Nebraska may not have a diamond crop, but it does have a steady income from its food products, more precious than diamonds.

THE FIRST

You are always welcome at this bank regardless of whether or not you are a depositor.

First National Bank of Omaha

CENTRAL WESTERN BANKER
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OMAHA
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The Teller Tells the World

By C. W. FISHBAUGH

FOR SIMPLE, sound reasoning the old slave in Atlanta quoted by the Associated Press certainly has it all over a lot of high paid officials. He says:

"Us sho' wish de white folks would stop dis talk about hard times, 'caws dere's coons in de swamps, 'possums on de ridges, 'taters in the ground, and I'se got a mess o' side meat and a jug of so'ghum 'lasses fo' Chris'mus."

ONE FELLOW calls last year, nineteen dirty-one. I think that describes it very well. But I do hope that this year isn't "nineteen dirty-too."

WHEN OLD DAME RUMOR starts a bank run we read in the paper that Idle rumor started the run. It seems to me that there "ain't" no such word as "idle rumor." I've never yet seen the rumor that stayed idle. Perhaps it would be better to call it "idol rumor."

ONLY TWO OTHER states besides Iowa have radio stations for the use in apprehending bank robbers. Michigan and Massachusetts are the others. The unique plan of the Iowa station is that it is now a state law that each county purchase a receiver for the sheriff's office and car and that each city purchase one for the local police. This gives a complete network all over the state. The Bankers' Association officials and the members of the legislature are to be complimented on the work they did together on this project.

SOMEONE has said that there are three kinds of liars — plain, statistical and damned. In these times bankers find a slow decreasing of the first two, but an overwhelming increase in the latter.

THE HOLDUP INSURANCE in Nebraska has doubled. In towns of less than 5,000, insurance that formerly cost $5 a thousand now costs $10. But bankers all feel alike—even if it triples it's the cheapest investment they can make.

MANY STATES are now requiring that every person operating a car have a driver's license — a good idea. Now for a better idea — every person having a checking account have a checking license. Every time they write an "Insf." check they get a black mark. When they get five marks take their checking license away from them.

After reading that I can't figure out whether that's a good plan or not. So better not get all in a panic about it.

I CAN REMEMBER way back when the only person who watered stock was the farmer. Now it has become a common practice from Main Street to Wall Street.

MOST BANKERS think that those advocating a dual money system of gold and silver are advocating an entirely new idea. But by one of the first acts of congress the double standard was adopted at 15-1. Later in 1834 it was changed to 16-1. Silver was demonetized in 1873. Since then we have only the gold standard, which I truly believe is the best.

OSCAR'S ACCOUNT is mostly O. D. The other day one of his checks got in the remittances. Clarence brought it back and said: "Say, this check doesn't belong in the rems." Oscar looked at it, and seen it was one of his checks, then said: "Let it go — we'll get returns that way just as quickly."

THE WORD "bank" originally meant a tradesman's stall. In other words: "The First Tradesman's Stall of Hoopville." How's that for a classy title?

If we wanted to pun, we could say that we still have plenty of tradesmen that stall.

The Duties of a Bank Director

By F. G. AWALT
Deputy Comptroller of the Currency

THE EXPERIENCE of the comptroller's office has shown conclusively that many bank directors have little or no conception of their duties and responsibilities and that some directors ignore their duties even when called to their attention. It is for this reason that the comptroller's office feels that the subject under discussion is of great importance and that the active officers of banks should make available to their directors such information as will enable them to better understand their duties and responsibilities. Such a course will not only make for better banks but is one to which the directors are entitled.

The Economic Policy Commission of the American Bankers Association in a report recognizes the importance of the subject, and much has been written in regard thereto but the lack of knowledge of their responsibilities still remains the cause of many bank failures. I believe that the American Bankers Association could do no better thing to promote sound bank management than to carry out a plan of education of bank directors in their duties and responsibilities.

The final and inescapable responsibility of and for each bank rests upon its board of directors. In most cases where banks have come through the rigors of the depression each has had the benefit of the combined wisdom of a strong board.

The experience of the past shows that the weakness of the individual are overcome by the strength of the group; that impulses may be checked by the steady scrutiny of several; that invaluable information may be brought into use and a detached viewpoint be brought to bear upon the problems of banking through the united co-operative action of a board of directors.

Many directors do not really comprehend the significance nor the importance of their positions. Management tends to drift and become centralized in the hands of either officers only or a close group of directors, so that action by the board as a whole becomes more and more perfunctory.

Nature of Trustees

Why do we place such emphasis on the duties and responsibilities of bank directors as compared with other corporations? Directors of private corporations, as a rule, have as their principal object the interest and protection of what may be termed their partners in business, stockholders, and also the bondholders. The directors of the banks, quasi public corporations, have their first duty to the depositors of these institutions and this duty comes above their duty to the stockholders. They are in the nature of trustees.

When the depositor places his money in the bank he in effect says: "In consideration of receiving my money and any interest paid, you can have its use but only on the condition that its use conforms to the safeguards provided by law." Such safeguards are not merely the mechanical safeguards surrounding the proper custody of funds but cover all the many phases of banking, provided by statutory enactment or court decision. On whom does the responsibility of this contract fall?—the directors.

In most banking laws, and particularly the national law, the whole structure is built around the directors. It is upon the directors that the national bank law places the management of national banks in specific language, when it provides:

> "The affairs of each association shall be *managed* by not less than five directors . . ."

It is the director who is held responsible for any violation of the National Bank Act when it provides:

> "Every director . . . shall be held liable in his personal and individual capacity for all damages which the association, its shareholders, or any other person shall have sustained in consequence of such violation."

It is the director of the member bank who is held responsible for violations of the Federal Reserve Act by the provisions of that Act.

The director is required by the National Bank Act when elected or appointed to take an oath that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of such association and will not knowingly violate, or willingly permit to be violated any of the provisions of the Act.

I might say in this connection that there has been a recent decision, comparatively recent, by the Circuit Court of Appeals of the Tenth Circuit, United States Court, holding that a director's oath is a contract.

Not Figureheads

Obviously the law did not contemplate that a director should be a figurehead; that he should attend meetings merely to get his director's fee and in this connection I was told recently by a president of a bank that it was necessary to increase the directors' fee in order to get some of the directors of that particular bank to attend meetings—a procedure that certainly should be unnecessary.

Since the duties and liabilities of directors are interwoven, the definition of their duties has in some measure been given in suits to enforce liability, and while the courts have used different language in defining the general duties of directors, a clear idea of their scope may be gained from the following excerpts of decisions:

"The duty of the board of directors is not discharged by merely selecting officers of good reputation for ability and integrity, and then leaving the affairs of the bank in their hands without any other supervision or examination than mere inquiry of such officers, and relying upon their statement until some cause for suspicion attracts their attention. The board is bound to maintain a supervision of the bank's affairs, to have a general knowledge of the character of the business and the manner in which it is conducted, and to know at least on what security its large lines of credit are given.

"Directors of a national bank must exercise ordinary care and prudence in the administration of the affairs of a bank, and this includes something more than officiating as figureheads. They are entitled under the law to commit the banking business, as defined, to their duly authorized officers; but this does not absolve them from the duty of reasonable supervision, nor ought they to be permitted to be shielded from liability because of want of knowledge of wrong-doing, if that ignorance is the result of gross inattention.

"It is the duty of directors of a national bank to exercise reasonable con-

(Continued on Page 12)

"Let the farmer get a better price for what he has to sell and new credit will be advanced and he will then be able to help himself out of the present difficulties."

The Farm Borrower and the Country Bank

By H. KOPPERUD

Vice President, Community State Bank
Lake Preston, South Dakota

THE SUBJECT assigned to me, "Farm Production Credit," has probably been cussed and discussed as much during the last few years as any other subject.

Someone has said that "To be a successful banker, one must be composed of one-fifth accountant, two-thirds lawyer, three-fifths political economist, four-fifths gentleman and scholar, and ten-fifths double size." Anything short of these requirements would qualify him as pawnbroker or salesman.

When it comes to farm production credit I would rather loan to farmers than to any other class of borrowers. This, I believe, is partly due to the fact that I was born and reared on the farm and secondly, the farmer as a class of borrowers is more honest and more dependable than any other class of borrowers. The hardest job I know is to turn down a fellow who asks for credit and make him feel that I have done him a favor.

These abnormal conditions have put most of my ideas on the above subject rather out of gear. Ten years ago I had some rather well-defined ideas as to the relationship existing — or which should have existed — between the local banker and the agricultural producer in his community. I still have the same ideas but an attempt to apply them, in view of the actual conditions existing in so many parts of our state, and due to lack of feed and extremely low market conditions makes the credit problem a difficult one to handle at this time.

"Debt Paying Power"

Without doubt, the most important point for the bank to consider in advancing credit is the close relationship that should prevail between the amount loaned to the individual farmer and his earning power, which of course is his debt paying power. If Mr. Farmer does not have the earning power he is not entitled to borrow other people's money from the local bank.

The essence of banking is in the depositors' faith in the banker and the banker's faith in his borrower. A depositor relies on the banker's ability to lend his money wisely, and this requires on the part of the banker that he has experience and good judgment, and a wisdom which is so rare as to be called common sense. You hear of losses due to misappropriation of funds, but I believe there has been greater losses due to misapplication of credit.

Farm production credit from a local banker's standpoint must be made on a "statement of the farmers' ability to pay," as any other business man. The productivity of his farm over a term of years, whether or not he is involved with numerous other creditors, and trying to make money more by speculation rather than by strictly livestock and grain production — these are the questions to carefully analyze. Many people appear to think that it is their right to be their own judge of their own credit as a borrower from a bank. Credit is determined by strictly individual considerations and upon a principle of the sharpest kind of differentiation. Too many people think they have a right to borrow other people's money when and as they please, because the money is deposited in a bank.

Credit always seeks those channels which seem to offer most for its services, and will continue to do so, despite all attempts of law to make it go elsewhere.

Farm production credit is obtained from the following sources:

1. Local bank
2. Finance companies
3. Federal land banks and insurance companies
4. U. S. government feed and seed loans

Our government loaned this last fall in South Dakota about $180,000 for feed only. For your information federal feed loans have been reopened for 30 days.

Although banks are organized and operated for profit, their first obligation is to their depositors. Many people think a bank is under obligation to promote the progress and prosperity of his community, but if this has to be done and the bank assumes any risk the loan should not be made. The bank has to be operated from the standpoint and the benefit of the depositor rather than for the benefit of the borrower.

We are badly in need of stabilized money values in order to make farm production credit safe.

I do not believe in encouraging farmers to obtain credit from local banks except for temporary purposes where they know definitely and positively that they can pay it back in a reasonably short time. Long-time credit to farmers is more or less dangerous on account of great liklihood of fluctuation in prices.

Law of Averages

The bank is the only business which borrows money on demand and lends it out on time. Therefore, it depends upon the law of averages and the orderly conduct of business in a community. Whenever the community reaches a point where it is not willing to go fifty-fifty with the bank it is "tough sledding" for the community.

Undoubtedly manv of you read the last comparative abstract from the banking department and have noticed that although deposits in banks are down, the average reserve is up 5½ per cent. This means that banks have increased their liquidity but are not lending because of crop failures and present extremely low market prices for livestock.

Credit should not be advanced without knowing the following facts:

First—When will the loan be paid?

Secondly—How? From the proceeds of what will the loan be paid?

It is not enough to guess that it may be paid or that the borrower has ample resources with which to pay it, but the time of payment should be fixed and the resources from which it is to be paid should be defined.

The price of farm products has gone down 50 per cent in the last two years, or to be exact it has gone from index ratio of 135 January 1, 1930 to 66 January 1, 1932. Let the farmer get a better price for what he has to sell and new credit will be advanced and the farmer will then be able to help himself out of the present difficulties.

Three major phases of farm credit are:

1. Short term credit
   a. Credit for harvesting expense
   b. Livestock feeding loans
   c. Borrowers with clear land
2. Medium term credit
   a. Dairy cattle
   b. Horses and machinery
   (Above are capital loans.)
3. Long-term credit or farm mortgage loans arising from:
   a. Purchase of land
   b. Building operations
   c. Refunding of other debts

Feeder loans are by far the most satisfactory loans for banks for the reason they are self-liquidating. Feeder loans run from 2 to 9 months and if the farmer has plenty of feed, water, shelter and is a good caretaker, credit can always be found and this has always been found to be desirable and liquid loans.

A farmer is in a way a merchant — unless he has something to sell, he should not be granted a loan. He is not going to sell his farm or machinery. If he has grain to sell — cattle, hogs or sheep — he should be and is entitled to credit. If the farmer has a very heavy debt on his farm he has too much of a drag in the way of interest and taxes to make a good borrower who can reply when due.

Production loans for the maintenance of breeding herds are capital loans and financing to a stockgrower

(Continued on Page 18)

Lessons of the Past

By CRAIG B. HAZLEWOOD

Vice President, First National Bank, Chicago

WE MIGHT review those more recent events of the last ten years leading up to the fall of 1929. We would find many of the actual physical factors common to each period of inflation, and I venture to say that many of the underlying causes would be found to be identical.

I know that, today, when men's minds are freighted with a thousand immediate worries, it may appear out of place to condemn complacently and unqualifiedly those unsound personal financial habits into which so many millions of men and women fell in the last period of inflation. But it is useless to whitewash the facts. Furthermore, it is imperative that we master thoroughly the lesson of the past decade if we are not to repeat the present economic disaster.

We simply proceeded to violate sound principles of personal and business finance with complete indifference to the consequences. Old-fashioned thrift and the steady accumulation of a competence through saving were badly discounted virtues. Ready cash in a savings account was out of date and the return was far too low. Only a piker would go along at a mere three per cent. It takes money at three per cent over twenty years to double and a school boy, so it was thought, could easily make eight or ten or fifteen per cent in other ways. So we began to draw down our reserves and to mortgage our personal incomes. The first thing we knew, a very large percentage of the buying power, both active and prospective, was frozen, or tied up in badly depreciated and unpaid for assets. And then, like a man out of breath, there was nothing to do but stop and regain a reserve.

Lessons of the Past

In the midst of an inflation we are so surrounded by the evidences of mounting prosperity that we tend to lose our perspective. Facts are confused with desire; emotions rule the intellect. The lessons of past depressions are as far from our minds as the horse and buggy days. And then, to confirm the erroneous viewpoint of the masses, we hear such expressions as these by the recognized leaders of business. May I quote some of the January, 1929, statements:

—An eminent cabinet member said: "I look forward with confidence to continued progress in the year ahead."

—The president of a great manufacturing company: "There is nothing to indicate a lessening of our industrial and commerical growth."

—The president of an eastern bank: "I see no reason for a decline in business activity during 1929."

—The head of a well-known investment house: "Is it not fair to assume that the coming five years will bring to the United States a degree of increased prosperity proportionately as great, amazing as it has been, as that which took place from 1923 to 1928?"

—The principal official of a national merchandising organization: "All of our plans for 1929 are laid for an expansion program equal to or greater than that of 1928."

And even in January, 1930, after the structure had commenced to topple over, the prophets said, to quote:

—One of America's leading merchants: "The attainment of a far higher plane of general prosperity is indicated."

—The president of a large bank: "No major recession in business is probable, as conditions usually accompanying a stock market panic are not present."

—A famous economist: "The continuity of consumer purchasing power will prevent business stoppage and consequent danger of depression."

—The president of a transporation company: "There will not be throughout the country as a whole the kind of trade recession that so frequently follows a financial collapse like that of 1929."

So much for the optimists. I have taken these statements from the morgue of forgotten things, not in criticism so much as in good humor, and primarily to illustrate the necessity for all of us to attain a more far-reaching perspective. I shall not embarrass America's 1931 pessimists by quoting also from their statements. To the positive optimists of 1929 and the gloomy prophet of 1931, I commend an earnest study of the history of American business, particularly its periods of inflation and depression.

An Accurate View

George Roberts, vice-president of the National City Bank of New York, described business depressions very accurately when he said: "A review of the crises of 1893, 1873, 1857, 1837, and earlier ones in this and other countries shows that all have marked the culmination of periods in which an exuberant spirit of optimism had led to excessive spending and debt-making in anticipation of continuing and increasing prosperity. In boom times the imaginations of men can easily outrun any possible development, and this is what had happened in each instance. Every such period affords an exhibition of crowd psychology.

"The worst result of every such period is not that numerous individuals lose paper fortunes or previous accumulations of actual wealth, but that the industrial and business organization is thrown out of what may be called its normal stride, first by an abnormal stimulus and then by a disastrous reaction.

"The theorizing which follows every crisis is of a uniform kind. For the most part it amounts to some such generality as that 'there must be something wrong with the social and industrial system,' with an inference or proposal that a new control of some kind — by a new set of somebodies — should be established. Most of this talk does not actually contemplate political control, but that is the logical outcome of it."

No impartial student of history can make even the most casual study of the development of this country without coming to the conclusion that those political theories and practices, arising frequently in depression, and under which a government assumes the role of a guardian or policeman to industry, agriculture and commerce, not only retard progress, but frequently bring certain disaster. Beset on every side by economic difficulties, we are prone to listen to catch phrases and half-thought-out legislative solutions for our problems.

May I suggest, in conclusion, that we study carefully the economic development of this country in the past. For out of such a study would grow better judgment and a better understanding of our economic order. It would help to restrain men's economic excesses in times of prosperity; it would give them a more constructive viewpoint in periods of depression; and, lastly, it would demonstrate conclusively the folly of unwise legislative tinkering with our economic machinery.

BONDS AND INVESTMENTS

The Future of Utility Bonds

THE GROWTH of the electric power and light business in the United States during the last 25 years has been one of the outstanding economic phenomena. In 1907 the value of plant and equipment in central stations was estimated at about $1,000,000,000. By 1927 it had grown to more than $9,000,000,000. Since then it has increased by almost $1,000,000,000 a year, to about $14,000,000,000. The investment in public utilities begins to approximate that in the railroads.

The business requires the investment of large sums in plant and equipment. Bonds secured by mortgages on this plant and equipment have available for the payment of principal and interest the large earning power of these corporations. They merit high investment rating.

Public utility bonds have promise of fulfilling the place in our investment structure formerly occupied by first class mortgage bonds of our best railroads. The industry seems to have the characteristics desirable in a safe corporate investment, namely, high earning power, stability of return, progressiveness, and indispensability. Should we not face the future with confidence in the bonds of these operating companies?

Five Points

The preceding, of course, has no reference to holding companies. Confining ourselves to operating companies, however, there are five aspects of the situation which deserve attention:

The first has to do with calculation of earnings.

The second has to do with valuation of property, that is, the rate basis upon which earnings are predicated.

The third has to do with the open ended character of trust indentures under which most mortgage bonds of these companies are issued.

The fourth has to do with control of rates through politically appointed commissions.

The New York statute, which may be taken as typical, governing the in-

By JAY MORRISON

President, Savings Division, American Bankers Association

"We, as bondholders, should not buy bonds unless an adequate margin is set aside for our protection. If it tends to diminish we should sell the bonds before it disappears. An unfortunate feature of public utility financing is that it has come late in our financial history. The early mortgages of our railroads and public utility plants were similar to real estate mortgages. Some could be printed on a single page. Today the ordinary open ended public utility trust indenture is a fair sized volume!"

vestment of funds of mutual savings banks in public utility bonds, requires that interest shall be earned twice over. No definition of earnings is given other than the requirement that expenses shall include charges for reasonable depreciation of property. Even this requirement is more stringent than that of Massachusetts which does not even require that a depreciation charge shall be set up as an operating expense.

There is argument as to what constitutes proper retirement reserves for utility companies. The utility companies themselves have different theories. The American Telephone and Telegraph Company treats depreciation as an operating charge to be deducted from gross revenues. Some electric power and light companies follow them in that practice. Other companies adopt the reservoir theory of depreciation accounting, that is, depreciation reserves are set aside in large amounts in good years after payment of ordinary dividends to depositors. Still other managements adhere to the "safe operating condition" theory of depreciation. They tell us that so long as their plant is in condition to render efficient service, no special reserves for depreciation need be set aside. Each of these theories of depreciation has the backing of common usage.

As savings bankers I think we may assume that depreciation is an operating charge; that it comes ahead of interest and dividends. It may be deferred but cannot be avoided.

Based on Earnings

Now, on what should this charge be based? In my opinion, it should be based not on earnings of the company, but on the cost of the plant to which it applies. We see electric companies calculating depreciation reserves at say 10 or 12 per cent of gross earnings, but suppose the plant doesn't earn, or earns little? Depreciation is not a function of earnings; it depends upon cost and value. If depreciation is to be treated as an operating charge, then net earnings must be calculated after deduction of an allowance for depreciation. Many companies report fixed charges earned twice over. Some report earnings after depreciation but without stating the exact amount of depreciation allowed.

When savings banks in the state of Washington set up criteria for public utility bonds for investment, we had to decide what was a reasonable allowance for depreciation. We came to the conclusion that the minimum reasonable annual charge for depreciation, obsolescence, retirement—call it what you will—was about two and a half per cent of plant value. We set up the requirement that public utility companies, if they didn't set aside two and a half per cent for depreciation, should at least carry the difference to surplus account or undivided profits. If the reserve is held in the company, it is there for protection of bondholders. Once paid to stockholders, the creditor has lost that security forever. I caution you, therefore, to check public utility bond investments against the accounting procedure of the company.

A second factor is the method by which public utility rates are determined. Public utility corporations are supposed to receive rates which enable them to pay operating expenses and earn a fair return. The leading case on this subject is Smyth versus Ames. At the time that case came before the courts, we had been faced for years with a declining price level. The value of money was rising, general prices were falling. Railroads and other public utilities attempted to have the courts rule that they were entitled to a return on their actual investment. The so-called radicals maintained that the railroads and utilities were entitled to a rate which would give them a fair return on the then depressed value of their property regardless of the investment in it. The radicals won.

When Costs Rose

Soon after, the cost of plants went up. Contending parties at once changed sides. Public utility companies urged the soundness of decisions they formerly had opposed. The radicals, with no more regard for consistency than their opponents, became advocates of the "prudent investment" theory. As prices mounted, public utility corporations received a return on something analagous to unearned increment. Through no foresight on their part, their properties became worth more dollars. They could charge higher rates on that account. This came at a time when unprecedented technical improvements were being made in operating departments so that a real boom in public utility profits was experienced. The companies, reinforced by court decisions in the cost of reproduction theory of the rate base, now have it firmly established.

Fate has played another trick. Prices have started downward with headlong rapidity. The cost of reproducing plants today is not more than 75 per cent of the cost three years ago, and the rate of decline is not decreasing. It may well be that within a few years modern and efficient plants can be built at less than pre-war cost.

This seems for away from the investor. But let us remember that bonds which we now are asked to buy were issued against plants and generally were issued for the greater portion of the cost of those plants at prices far above those now prevailing. If plant values are to be cut to cost of reproduction new as the courts now hold, we may see the margin of protection which we now have wiped out entirely. Earnings may be so reduced that even underlying bonds will be imperiled.

We, as bondholders, should not buy bonds unless an adequate margin is set aside for our protection. If it tends to diminish we should sell the bonds before it disappears. An unfortunate feature of public utility financing is that it has come late in our financial history. The early mortgages of our railroads and public utility plants were similar to real estate mortgages. Some could be printed on a single page. Today the ordinary open ended public utility trust indenture is a fair sized volume.

I shall confine myself to one phase of these mortgages. Almost uniformly they provide for issuance of bonds in series. These series are on a parity as to security but may vary in coupon rates, maturities, and amounts. Sometimes issuance of these bonds is limited by conditions imposed in the indenture such as that bonds shall be issued for additions, acquisitions, or betterments for not more than 80 per cent of actual cost of additions or acquisitions. Some especially conservative indentures permit the issuance of bonds only up to 75 per cent and there are some which limit it to two-thirds of the cost. Anyone familiar with the method by which new plants are constructed or purchased through intermediary subsidiary companies know that cost of plants is increased through charges for supervisory services furnished by subsidiaries of the parent holding company.

This intermediary purchasing corporation purchases at one price and sells at another. The value of the plant is written up before it reaches the books of the operating company. The right of the operating company to issue bonds up to 80 per cent of costs of acquisition may really give it

the right to issue bonds for 120 per cent of the value of the acquired property. Some trust indentures prevent the issuance of bonds unless interest shall have been earned by a margin of 100 per cent or more. Whether or not this limitation is of value depends on the way earnings are calculated upon the books. We have seen that depreciation charges admit of considerable elasticity in determination. There is no more reason to suppose that the open ended mortgage will prove satisfactory to investors in public utility bonds than it has to investors in railroad bonds. So-called restrictions are not safeguards at all.

Closed Mortgages Favored

I caution you, therefore, to confine your investments in public utility bonds to closed mortgages.

There is one other menace to the public utility bondholder. Public utility companies heretofore have been treated as state corporations. Powerful influences are at work to have the interstate transmission of power made a matter of Federal concern. If that is done, we may expect an interstate power commission analagous to the Interstate Commerce Commission. There is no reason to suppose that Federal regulation of public utility companies will be less disastrous to holders of securities of those companies than has been the regulation of railroads by the Interstate Commerce Commission to holders of railroad securities.

At present, public utility bonds stand at the top of the list of corporate bonds as regards investment quality. Whether or not they will retain that pre-eminence depends, among other things, upon:

Whether corporations set aside adequate reserves for retirement of their physical property as it becomes worn out or obsolete;

Whether or not the decline in general prices has the effect of depressing the rate basis upon which earnings are predicated;

Whether or not the companies abuse the privileges which they have through the issuance of bonds under open ended trust indentures, and whether their operations come under politically appointed commissions.

New Agency

The Administrative and Research Corporation and Ross Beason and Company, Inc., of New York; Smith Burris and Company of Chicago, Omaha, New Orleans and Detroit; and Ross Beason and Company of Salt Lake City and Los Angeles, sponsors and syndicate managers of Corporate Trust Shares, have appointed Edwin Bird Wilson, Inc., New York, as their advertising agency.

The campaign will be carried on through a nationwide list of newspapers, banking and financial journals and general magazines.

THE DUTIES OF A BANK DIRECTOR

(Continued from Page 4)

trol and supervision over its affairs, and to use ordinary care and diligence in ascertaining the conditions of its business, which is such care as an ordinary prudent and diligent man would exercise in view of all the circumstances.

"A board of directors of a banking corporation is elected primarily for the management of the corporate affairs; and when the board delegates its authority to the executive officers and through their carelessness and mismanagement disaster and loss to the stockholders and creditors ensue, the individual members of the board cannot escape liability by showing that they did not know of the unfortunate transactions and were ignorant of the business of the corporation."

Liability of Directors

There are two main divisions of directors' liability — statutory and common law. Under the statutory may be listed such liabilities as loans in excess of the limit as fixed by law; injury or damage to persons relying on false reports of condition of a bank; dividends paid out of other than net profits, after deducting therefrom all losses and bad debts; payment of dividends or making of loans when reserves with the Federal reserve bank are deficient; unlawful, prohibited, or ultra vires transactions and operations.

Under common law liability may be listed the making of loans when the security taken is insufficient, certifying or permitting to be certified checks on insufficient or overdrawn accounts; failure to appoint a discount and loan committee, or an examining committee of the directors when required by the by-laws and/or the volume of the bank's business, or a failure to see that such committees function if appointed; failure to audit or examine the affairs and condition of the bank periodically, or to cause same to be audited or examined; failure to use reasonable efforts to collect slow or doubtful assets. The directors may also be liable for allowing over-drafts; for damages resulting from a failure to charge off assets at the direction of the examiner, or representing such assets to be good after such notice; for losses resulting from failure to require proper bond from officers and employees of the bank.

The directors can not discharge the duties incident to their office by holding meetings at rare intervals and limiting the business of such meeting to such perfunctory matters as electing officers; and for failure to attend meetings, even though residing at a distance, the directors may be held liable, and they can not shield themselves from liability by pleading ignorance of transactions in which they did not participate, when their ignorance is a result of their negligent attention.

The defense offered of not attending meetings is a common one. One example of this character is very vividly impressed on my mind — that of a distinguished United States Senator and the director of a failed national bank, now dead, whom I admired and liked. When told by the comptroller that he was to be sued on account of director's liability, he was astounded and took the position that since he was attending to his duties in Washington he could not attend meetings of the directors, that he had had implicit confidence in those who were running the bank and it was not his fault. He was sincere in his contention but by his own admissions made out a case against himself. We ventured the opinion that unquestionably many people had deposited in the bank because he was on the board and the had confidence in him, and he had violated that confidence by paying no attention to the business. He left the office with the remark that he would not pay a cent. He never did, for he died after the suit was filed, but his estate paid.

It is the duty of the comptroller's office, when a national bank has failed and there is sufficient cause, to collect for the depositors on the directors' liability. Often failure of the bank means the financial failure of the directors and there is nothing to collect but it may be noted in the last three years we have recovered for the depositors of failed banks from this source over two million four hundred thousand dollars.

INSURANCE
Its Application to the Banking Fraternity

Investment Trends In Life Insurance

By WILLIAM A. LAW

President, Penn Mutual Life Ins. Co.

THE LEGAL reserve life insurance companies of the United States have total assets exceeding $20,200,000,000 in value, representing the equities of more than 68,000,000 policyholders — in excess of one-half of our population. This amounts to an average of only $297 for each policyholder, thus indicating the widespread participation of the American people in the institution of life insurance. We are more heavily insured than any other nation on earth, having $109,000,000,000 in force, which is estimated to be 70 per cent of the world's total.

Back of this $109,000,000,000 in force is a self-reliance reserve of invested assets set up against the one great hazard of life which no man can avoid. This reserve shows the self-reliance of our people, who thus relieve the state or charitable organizations of the necessity of supporting these policyholders and their dependents. This fund has grown from $461,000,000 in 1881 to $2,900,000,000 in 1906 and to $20,200,000,000 in 1931.

At the present time when everybody is scrutinizing and analyzing investments it is interesting to note the methods followed in caring for this colossal trust fund, and the safeguards which are thrown around it by charter provisions, by the legislative restrictions of the various states, by the ruling of the insurance commissioners, and by the conservative traditions of company management. This is a fund dedicated to such sacred purposes that it must be invested in accordance with every principle of caution and safety.

To illustrate the sub-division of life insurance investments, assume that the entire fund is divided into 20 equal parts:

Approximately—

6 parts have been loaned on first mortgages upon homes, office buildings located in the best sections of our growing cities.

2 parts have been loaned to the United States Government, counties, cities, and to similar Canadian jurisdictions by purchasing their bonds.

2 parts have been loaned to farmers in the most successful agricultural districts, through mortgages upon their productive farms.

3 parts have been loaned to our best managed railroad systems, through mortgages upon their property or rolling stock.

2 parts have been loaned to what we now call "public utilities," that is gas, electric light and power companies, and telephone companies, through mortgages upon their plants.

Somewhat less than

1 part has been loaned upon other miscellaneous bonds secured by mortgages upon industrial plants of established earning capacity.

3 parts have been loaned to old policyholders upon pledge of their policies to supply them with cash, or to secure premiums due.

Somewhat more than

1 part has been retained in the form of cash, home office buildings, other real estate in the conduct of business, and other assets not already included.

Therefore, as Calvin Coolidge has well said "The Stability of life insurance rests upon America."

Distribution of Life Insurance Investments

By Classes (52 Leading Companies)

	1906	1921	1930	1931
Railroad Bonds and Stocks	34.8%	22.9%	17.0%	16.2%
Public Utilities Bonds and Stocks	4.7	3.0	9.7	10.0
Other Bonds and Stocks	3.7	1.4	3.1	3.3
Farm Mortgages	9.3	17.7	10.9	10.0
Other Mortgages	19.2	16.7	29.6	28.4
Real Estate	5.4	2.0	2.4	2.8
Total Government Bonds	6.8	18.9	7.7	8.6
Policy Loans and Premium Notes	8.9	13.0	14.6	15.9
Other Assets	7.2	4.4	5.0	4.8

THE CHANGING trends in insurance investments brought about by the development of automobile transportation, the increase in urban population, the expansion of the electric light and power industry, are indicated by the above condensed table.

Four outstanding principles of selection have been woven into the entire fabric of life insurance investments of United States companies: 1. To buy fixed return obligations, secured by first liens; 2. To confine foreign investments almost wholly to certain holdings of premier Canadian securities; 3. To select investments responsive to the needs of the day; 4. To diversify holdings and thus distribute the risk. This is a fundamentally wise program.

A comprehensive analysis of investment practices of 52 leading life insurance companies holding from 91 per cent to 98 per cent of the assets of the United States legal reserve companies during the past twenty-five years shows that during this period, which included the greatest war in history, epidemics and extreme swings in business cycles, life insurance assets in relation to national wealth increased from 2.3 per cent to 5.6 per cent. The total assets of legal reserve companies increased 590 per cent. The 1931 increase exceeds the average annual increase for the eight-year period of 1923 to 1930 and is only $284,854,000 less than for the record year of 1928.

Preston New President

Several changes in the officiary of the Bankers Reserve Life Company of Omaha were made at the February meeting of the board of directors. Walter G. Preston, former first vice president and treasurer, was named president; James R. Farney was elected vice president and R. R. Wagner, formerly assistant secretary, was named secretary.

Mr. Preston, the new president, has been associated with the Bankers Reserve Life for the past twenty-eight years. He was educated in the Omaha schools, and at Bellevue College, and began his business career in a bank. He later entered Andover Phillips Academy, then went to Yale University, having the distinction of graduating from that institution at the age of twenty years.

Following his graduation from Yale, Mr. Preston went into the real estate and abstract business. A short time later he launched into a business venture of his own, which took him into the Klondike region, in the wholesale mercantile and shipping business. He was there for six years, then returned to Omaha in 1903 to become connected with the Bankers Reserve Life of Omaha.

He was soon made agency manager, and a year later was named vice president and treasurer. When he went with the company in 1903, the home office staff consisted of twelve employes. Today, more than one hundred fifty employes are connected with the home office.

Royal Union Life

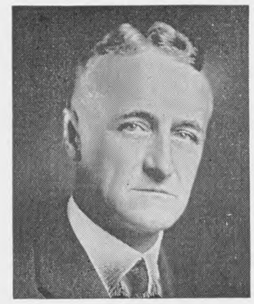
In its statement as of December 31, 1931, the Royal Union Life of Des Moines shows insurance in force of $177,518,007, with net admitted assets of $39,527,721. During the year the company paid to policyholders and beneficiaries the sum of $4,239,970.

Total income for the year was $7,336,541. Total disbursements were $6,361,764. The company has approximately one hundred thousand policies in force at the present time.

The outstanding 1931 historical event in the record of the Royal Union Life was the merger of the Des Moines Life and Annuity Company with the Royal Union, bringing with it a number of capable executives and agents, J. J. Shambaugh, president of the Des Moines Life and Annuity Company, being elected president of the Royal Union Life.

Nebraska News

E. N. VAN HORNE, President
Nebraska Bankers Association



WM. B. HUGHES, Secretary,
Nebraska Bankers Association

Banks Plan Appeal

Nebraska state banks which tried to enjoin Governor Bryan and other officials from collecting assessments under the old bank guaranty law and under the present final settlement statute, have lost their case in district court.

Judge E. B. Chappell denied the injunction and entered against the 525 banks a total judgment of $2,918,550 to cover the assessments.

Robert Devoe, attorney for the banks, announced they will appeal to the supreme court.

The judgment was granted on a cross-petition of Attorney General C. A. Sorensen. Recently the judge sustained the state's demurrer to the banks' petition.

This suit, filed a year ago in March, attacked the constitutionality of the final settlement fund law and the validity of assessments made under the old law in 1928, 1929 and 1930.

The banks asserted the final settlement fund law was enacted for the benefit of an exclusive class of private individuals, private persons who had claims against state banks which failed prior to March 18, 1930. They asserted it deprived going banks of property without due process of law and was arbitrary, unreasonable, confiscatory and that it served no public purpose.

On the other hand, the attorney general answered that the Abie State Bank case, decided some time ago, disposed of the whole matter.

The final settlement fund calls for annual assessments for 10 years against going banks to make up some of the deficit in the guaranty fund. The money thus accumulated will be used to pay off all claimants as nearly as possible in equal fashion.

Nebraska Bank News

THE ARAPAHOE State Bank was reopened last month at Arapahoe, Nebraska. All of the $25,000 in capital stock was resubscribed and unsatisfactory assets have been removed. The bank closed last November 12.

By agreement with its patrons, restrictions will be in force as to withdrawal of depositors' funds in any one month.

C. A. Paterson is president, M. R. Williams, vice president, and S. M. Paterson, cashier of the reorganized institution.

Approval of the state banking bureau was given to the reorganization.

WILLIAM J. COAD, chairman of the board of the Packers' National Bank of Omaha and of the Omaha Flour Mills Company, recently addressed the Omaha Advertising Club at the Paxton hotel on "The Buyer's Side of Advertising."

DEFERRING routine work to receive congratulations of friends, Fred H. Davis, president of First National Bank of Omaha, completed his sixtieth year of service with this Omaha institution recently.

HENRY POHLMAN, 72, president of the Farmers & Merchants Bank and for years prominently identified with the business interests of DeWitt, Nebraska, died last month.

CARL A. PEDERSEN of Hartington was elected president of the Farmers State Bank of Obert, Nebraska, at a recent meeting with Mrs. Mildred Haggart of Omaha being named vice president. Ludwig Nedergaard will be cashier for the ensuing year and Harold Bengston, assistant cashier. O. O. Gilbertson of Obert and E. F. Robinson of Los Angeles are directors.

THE BANK OF CREIGHTON, Nebraska, has entered the field of banking under a new title — The American National Bank, having received Charter No. 13591 from the Comptroller of the Currency and will be identified with the Omaha Branch of the Federal Reserve Bank of Kansas City.

THE FARMERS and Merchants Bank building of Elm Creek, Nebraska, was destroyed by fire last month. Loss was estimated at nine thousand dollars. The building was valued at $7,500. Bank records were not damaged.

T. L. DAVIS, vice president of the First National Bank, and W. B. Roberts, president of the First National Company, of Omaha, went to California last month, accompanied by their wives for a two weeks' visit in southern California.

STOCKHOLDERS of the Oak Creek Valley Bank, Valparaiso, Nebraska, elected officers at their annual meeting last month .The former officers were with one exception, reelected. The officers are: J. W. Pokorney, president; B. G. Gerdes, vice-president; R. E. Novak, cashier. B. E. Hendricks, Wahoo, was selected as a director replacing E. E. Placek, who had resigned.

I. F. GAEBLER has accepted a position as assistant bank examiner with the Nebraska state department of trade and commerce. He will continue to make his residence at Winside, Nebraska.

THE BLOOMINGTON STATE Bank, re-organized, re-capitalized and made solvent by stockholders, was reopened for business last month.

The bank suspended business October 20, 1931. As re-opened it has a capitalization of $25,000 and is reorganized to provide for payment of all depositors in full, but with the amount to be withdrawn each month restricted.

The new officers of the bank are A. H. Byrum, president; and C. H. Moffett, cashier.

PREMIUMS for robbery insurance on banks, in towns of less than 5,000 population in Nebraska, have been increased from $5 to $10 per $1,000 per year.

Notice of the raise was received by the association from the Towner Rating bureau which supplies information to the surety companies holding the bank insurance.

OMAHA will have one of the larger Morris Plan banks as soon as conditions in the middlewest again become normal, Walter W. Head, president of the Morris Plan Corporation of America and former president of the Omaha National Bank, announced recently. He was in Omaha for a short time and left for St. Joseph for the annual meeting of the American Union Life Insurance Company, of which he is a heavy stockholder.

L. H. EARHART, manager of the Omaha branch of the Kansas City Federal Reserve Bank, has been appointed head of the Omaha branch of President Hoover's Finance Reconstruction corporation.

The following advisory board also was named by Charles G. Dawes, national director of the corporation:

W. Dale Clark, Fred Thomas, James B. Owen and Alvin Johnson, Omaha; P. R. Easterday, Lincoln; A. H. Marble, Cheyenne, Wyoming; and B. B. Brooks, Casper, Wyoming.

GURDON W. WATTLES, 76, until ten years ago one of the outstanding figures in the industrial life of Omaha died last month at Hollywood, California.

Wattles for years was the head of the Omaha and Council Bluffs Street Railway company and its principal stockholder. He was chairman of the board of the U. S. National Bank of Omaha when he retired from active business in 1922.

The financier was manager of the trans-Mississippi Exposition in 1898 and 1899 and was one of the founders of the Omaha Grain Exchange. During the world war he was federal food administrator for Nebraska.

A COUNTY TREASURER is responsible for requiring that securities posted by a bank to guaranty county deposits be at least equal in value to the amount of the deposit, in the opinion of Attorney General C. A. Sorensen of Nebraska.

In a letter to John E. Turner, county treasurer of Cass county, the attorney general expresses the view the market value of such securities must at all times equal the amount of the county deposit. If there is a loss through decreased value of such securities at the time of a bank closing, the attorney general said, the treasurer can be held liable if proved negligent.

Turner, in a letter to Sorensen, had asked concerning the responsibility of the treasurer in such matters.

"In the event a bank closes and the market value of securities approved by the county board to protect the deposits of county funds is insufficient for that purpose, I am of the opinion that the county treasurer may in some cases be held financially responsible for any loss the county may suffer because of the insufficiency of the security," Sorensen wrote.

"The burden of proving negligence would be upon the county," Sorensen continued. "The county treasurer could not be charged with more than ordinary prudence in the matter."

Heads North Platte Bank

Keith Neville, former governor of Nebraska, has been elected president of the First National Bank of North Platte, Nebraska.

E. F. Seeberger was named vice president and W. H. Munger, cashier. Neville had been acting president since the death of Frank L. Mooney.

THE FARM BORROWER AND THE COUNTRY BANK

(Continued from Page 6)

must be planned over a long period with a definite program for renewal. In making loans on livestock it is necessary to make an inspection and ascertain for certain such facts as sufficient feed, water and shelter, and if applicant knows how to handle livestock. It is also important to have a financial statement to know the borrower's other debts and obligations.

It is desirable to have each loan paid and out of the bank within one year to insure liquidity. Depositors expect their money on short notice making liquidity essential.

Changing economic conditions have altered the aspects of the farmers' loan problem materially. The farmer is not as safe a credit risk as he was 20 years ago — with expenses rising and income shrinking. This, of course, is no fault of his. The burden of the farm mortgage is heavier with commodity prices declining, so today tenants are often better risks than heavily mortgaged landowners. Ability to pay from operations as evidenced by the borrower's past record is a leading consideration.

Not a Sound Loan

Many of our banks have had borrowers come in and ask for a loan to run indefinitely. In other words, they promise to renew this loan but this is not a safe loan and credit cannot be advanced.

Real estate loans must consider the following facts:

1. Ability or earning capacity of the farmer
2. Quality of soil and subsoil
3. Use of funds
4. Other debts
5. Age
6. Nature of improvements
7. Water supply
8. Equity of borrower in land to be mortgaged
9. Chattel mortgages
10. Is the farmer, wife and family interested in farm life or are they dissatisfied
11. Borrower's experience in farming
12. Taxes

The Tax Burden

Taxes are a lien ahead of any mortgage securing a loan which may be given to the bank. If the taxes on a farm are $220 a year that is equal to 5½ per cent of $4,000. The net effect is the same as if there were a first mortgage against the land for $4,000 and the loan made by the bank is subject to it. To keep the bank's mortgage good, payments of $220 a year must be made to the county treasurer.

Taxes paid on all farm property in 1929, according to the United States Department of Agriculture, were 167 per cent more than in 1914. With taxes at $100 a year on a farm worth $10,000 a farm loan of $4,166.50 is on the same basis as a loan of $2,775 would be if taxes on the same farm were $267 a year.

During the last five years taxes have taken about one-third of the net rent on rented farms. This fact gives some idea of the tax burden on all farm property.

It cost the country $140,000,000 to teach 12,000,000 school children in 1890; while in 1925 it cost $2,000,000,000 to teach approximately twice as many children.

It isn't necessary to be a "calamity howler" to appreciate the fact that the situation is unsound. The greater part of your taxes consist of school, county and township taxes. Taxation, therefore, is largely a local problem. We urge you to get on the "firing line" and see that real tax reform is brought about. While methods of taxation in many ways are wrong, one of the best remedies is to spend less money.

Federal land bank loans were designed first to give long-time credit on real estate up to 35 years. Secondly, to make it easier for tenants to buy land and third, to provide safe and long-term investments for thrifty borrowers by purchasing land bank bonds. The federal land banks have one-eighth of the farm mortgage business in the U. S.

The expression "government loans" is all wrong. There is over a billion dollars in federal land bank bonds—so it should be clear that land banks do not get their money from the government. The government is not in the farm loan business. The Federal Farm Loan Board supervises the operation of the farm loan business in practically the same capacity as Federal Reserve System supervises national banks.

On June 20th the Federal Land Bank had a net investment in farm lands to which title has been acquired amounting to only nine-tenths of 1 per cent of their total resources. In spite of this, last year — having been one of national depression — you will be interested to know that the federal land banks and joint stock land banks have reduced their net mortgage loans by 30 million dollars. In this same year, 1931, bank loans have been reduced by 5 billion dollars. Brokers' loans have been reduced by 1 billion, 325 million dollars. The pay-off on installment contracts is estimated as more than 2 billion dollars.

Individual and corporate indebtedness has been reduced in 1931 by 5 billion dollars, so all in all there has been a big liquidation of all kinds of credit.

Contrasted with this reduction of individual indebtedness we find an increase in federal debt of nearly 2 billion, accompanied by an increase in debt of states and municipalities about 2 billion. Public debt for 1931 shows an increase of nearly 4 billion, while private debt shows a net pay-off of 6 billion.

One and a half years ago I had the privilege of seeing the new office building for the Department of Commerce which cost our government 17½ million. This new building was not occupied for over a year after it was completed. You talk about government waste — the interest on 17½ million at even 3 per cent is over a half million, still at the same time our government paid over a quarter million for rent. Who profited? Nobody. Who pays? Everybody.

Banking ought to be a profession in America. The world's resources are concentrated here. Its buying power is enormous. The U. S. operates 60 per cent of the world's telegraph and telephone; 30 per cent of world's railroads. U. S. produces and consumes more than 35 per cent of world's electric power. With only 7 per cent of the world's population we consume 48 per cent of the world's coffee, 50 per cent of its tin, 56 per cent of its rubber, 21 per cent of its sugar, 72 per cent of its silk, 36 per cent of its coal, 42 per cent of its iron, 47 per cent of its copper, 69 per cent of its crude petroleum, and use 23 million of the 30 million automobiles running in the world.

With only 6 per cent of the world's area the U. S. produces 60 per cent of the world's wheat and cotton, holds one-half of the world's gold supply and two-thirds of its total banking resources, and still little new credit can be advanced today because of extremely low markets for agricultural products.

News of the Omaha Stock Yards

Holds Meat Cutting School

Returning from Chicago where he attended a meat cutting school held under the auspices of the National Live Stock and Meat Board, Prof. W. J. Loeffel of the University of Nebraska reported that packers, retailers and other are interested in improving the meat situation over the country.

Representatives from agricultural colleges in North Dakota, South Dakota, Kansas, Minnesota, Iowa, Missouri, Illinois, Ohio, Louisiana and Nebraska attended the school. Improved cutting methods were emphasized throughout the session. The utilization of pork, beef and lamb carcasses was also stressed.

Every man present at the meeting was given an opportunity to cut up several carcasses of the various meat animals. The work was carefully supervised by Max O. Cullen, the cutting expert of the live stock and meat board. The work continued throughout each day and sometimes into the evening for a week.

Prof. Loeffel is one of the most widely known authorities in the middle-west on meat cutting and has been giving numerous demonstrations before farmers and dealers over the state during the past few months. He has also given similar demonstrations at further western states.

Pig Refuses to Eat Corn

"Pedro" is the latest addition to the College of Agriculture campus. He is none other than an Ozark razorback pig which was donated to the college by a prominent Lincoln florist.

Unlike other pigs on the College of Agriculture campus, Pedro dislikes corn and absolutely refuses to eat it. Prof. Gramlich, head of the animal husbandry department, says the pig was probably raised on nuts and earthworms.

Now the college has two off-type animals to show students in the various judging classes. Ramona is a Brahama heifer bought at Denver several weeks ago.

Colorado Feeding Tests

Results of feeding experiments in which various feeds were tested for their comparative fattening value at the Colorado Agricultural College show that:

1—Barley fed as the only grain concentrate in a grain, cottonseed cake and hay ration is not a safe feed for calves because of the tendency to bloat.

2—The standard beet by-product ration of wet beet pulp, barley, cottonseed cake and alfalfa is again shown to be the cheapest and most efficient for fattening calves.

3—Corn silage ranks next to wet pulp as a bulky carbonaceous feed in the calf-fattening rations used.

4—Potato-corn fodder silage is a palatable and good roughage for calves and offers an ideal way for saving potatoes which otherwise would be thrown out.

5—Sliced potatoes may be used to good advantage in supplementing a limited amount of pulp.

Sixty choice quality grade Hereford steer calves were used in the feeding experiment, after they had been divided into six as nearly uniform lots as possible by balancing the factors of weight, origin, type, breeding, condition and color.

Cow Testing Pays

As the Minnesota statewide cow testing association completed its first year of operation in December, 75 dairymen whose herds were on test throughout the year were mailed herd books summarizing the record of each cow and of the entire herd for the 12 months. The average butterfat production per cow in these 75 herds was 273 pounds, the highest herd averaging 402 pounds and the lowest 167 pounds, H. R. Searles, extension dairyman who is in charge of the statewide association, says one of the outstanding features of the herd summaries is the large number of cows culled out. A total of 142 unprofitable cows, or an average of about two to the herd, have been culled during the year. Some herds have culled as high as eight cows. Because they have had testing records, the statewide members have been in position to "spot" the unprofitable cows and get them out of the herds.

Colorado News

Resigns at Monte Vista

The resignation of Ralph L. Stitt as cashier of the Wallace State Bank of Monte Vista, Colorado, was announced recently. Mr. Stitt's duties as cashier will be temporarily assumed by Charles Edman, vice-president. Although he has not announced further plans at this time, Stitt will continue a connection with the Wallace bank for the time, doing outside work for the institution in the matter of their livestock and farm loans.

R. L. Stitt has been connected with the Wallace bank since 1897, filling successively the positions of bookkeeper, teller, assistant cashier and cashier.

He has been cashier since 1922, and in 1927 was president of the Colorado Bankers Association.

Mr. Edman, who will act as cashier, has had a number of years of active work with the bank. Following the war he devoted his entire time to the management of the institution for several years.

New Banking Offices

Officers and directors of the Colorado State Bank of Denver opened the institution's new banking offices at the 16th street corner of the Majestic building last month.

The Colorado State Bank, established in 1908, has the following officers and directors: B. F. Clark, president; F. L. Barkley, vice president; E. M. Clark, cashier; E. H. Dahl, assistant cashier; F. R. Lilyard, director; C. M. McCutchen, director.

Increases Capital Stock

At the regular annual meeting of the stockholders of the American State Bank of Brighton, Colorado, an increase of 40 per cent in the capital of the bank was approved.

This makes the new figures on the capital $35,000 and the surplus $4,000, a total capital fund of $39,000.

A New Record

When C. G. Buckingham was re-elected president of the National State Bank of Boulder, Colorado, for the 56th time, he hung up a record. So far as is known, Buckingham is the oldest bank president in point of service in the United States. He was first elected to the post in 1876. In addition he is a director of the Loveland, Colorado, State Bank.

Earnings Hold Steady

Net earnings for 1931 of the Denver Joint Stock Land Bank were approximately the same as for 1930 despite the hard year for agriculture in Colorado, Wyoming and Montana, the financial statement of the bank disclosed at a meeting of the stockholders in Denver.

After charging off depreciation of $123,455.94 for real estate, total net earnings from operations during the year were $119,424.99.

Increased cash receipts and the strengthening of the bank's cash position has caused a substantial reduction in funds available for the purchase of bonds of the bank, the report set forth, with the result that profits this year from that source were $74,196.25 as against $189,905 in 1930.

Despite the fact that reserves for delinquents, contingencies and other special reserves are reaching substantial proportions, it is necessary, in view of the present economic conditions, to continue the present policy of conserving the bank's assets so that at this time the payment of dividends cannot be resumed, the report stated.

It was necessary to take over 27,335 acres in which the bank has invested $426,485.26 during 1931, President T. E. McClintock reported.

Clearing House Meeting

The regular quarterly meeting of the First Colorado Regional Clearing House Association was held recently at Loveland.

About one hundred bankers were present for the regular routine of business and discussions following. A fine banquet preceded the business session.

Officers of the association are: C. L. Stout, vice president Poudre Valley National Bank, Fort Collins, president; T. C. Phillips, president Greeley Union National Bank, vice president; W. M. Ward, vice president and cashier of the First National Bank, Loveland, secretary-treasurer.

Kansas News

Twenty-Fifth Anniversary

This month marks the twenty-fifth anniversary of the founding of the Hesston State Bank of Hesston, Kansas. For a quarter of a century the bank has ministered to the financial needs of its community. The president is P. E. Ruth. Jose Yost is vice president, and G. F. Toews, cashier. The first president was William Rapp.

Elects Officers

The First National Bank of Topeka, Kansas, has elected the following officers: W. H. Feather, president; T. J. Blakemore, vice-president; C. W. Law, cashier, F. E. Imel, assistant cashier. The directors are W. H. Feather, W. H. Vickers, L. A. Etzold, A. F. Gorman, T. J. Blakemore, C. W. Law and Mrs. J. E. George. The only change occurring is Mrs. George was elected to fill the place of her husband, the late J. E. George.

Becomes Cashier

W. J. Coyle, of Anthony, Kansas, has resigned as cashier of the First National Bank, and is succeeded by Roy Griesinger.

Coyle's resignation was formally announced by President G. W. Halbower.

Mr. Coyle came to Anthony March 15, 1927, from Hutchinson, and during his residence of almost five years in Anthony has taken an active part in the city's civic and social affairs.

Mr. Griesinger has been connected with the First National Bank in various capacities for the past ten years, for most of that time as assistant cashier.

Is New Cashier

At a meeting of the directors of the Citizens State Bank of Longford, Kansas, Miss Isabella Marty was promoted from cashier to acting vice-president and O. Marty was promoted from assistant cashier to cashier.

There was no other change in the personnel of officers and directors of the bank. S. Marty remains president; Eric H. Swenson, vice-president; Miss Isabella Marty, acting vice-president; O. Marty, cashier; and F. O. Oberg, F. D. Balliet and Otis D. Swenson, directors.

Roy Bone Accepts

Roy Bone has accepted the position as loan agent for the Reconstruction Finance Corporation for the Kansas City district and will take a leave of absence from his position with the Central National Bank of Topeka, Kansas, while serving in his new capacity.

Becomes Vice President

C. W. McKeen, president of the National Bank of Topeka, Kansas, announces the election of M. A. Ross as vice president of the bank. To accept this position Mr. Ross will resign as national bank examiner in the Tenth federal reserve district with headquarters at Kansas City, an assignment which he has held since 1926.

Mr. Ross is well known to Topeka bankers, the national banks there having been examined by him for several years, as well as the banks in the larger cities throughout the Tenth district.

New Mexico News

New Credit Organization

Local businessmen have organized the Las Vegas Credit Association which is now in operation in Las Vegas, New Mexico, the new organization to be affiliated with the National Retail Credit Association.

Detail work of the association is in charge of Ray F. Palmer, who is well known to Las Vegas people. Mr. Palmer was formerly associated with the First National Bank for several years. The association will have the advice and cooperation of local credit authorities and already has the assurance of a large membership.

Offices of the association will, for the present, be located in the Las Vegas Savings Bank building, where space is being donated until such time as the organization gets well under way.

Hatch Bank Head

J. M. Patton has been elected to the board of directors of the First National Bank of Hatch, New Mexico. Other officers are B. T. Hall, president; W. B. Hall, vice president; C. F. Knight, vice president; Coke Johnson, cashier; J. E. Brazeal and J. M. Patton, directors.

A Woman President

All officers and directors of the First National Bank of Farmington, New Mexico, have been reelected. Mrs. H. B. Sammons, president, is New Mexico's only woman bank president.

Dumb—We're going to give the bride a shower.

Dumber—Count me in. I'll bring the soap.—Staley Journal.

Drive thy business, let not that drive thee.—Franklin.

Wyoming News

Talks on Federal Reserve

Stability of the nation's financial bulwark and the huge credits available sound industries were stressed in an informative address on the federal reserve banking system by R. C. Cather, president of the Wyoming Trust Company, of Casper, Wyoming, before a recent noonday luncheon meeting at the Kiwanis club of that city.

Despite extraordinary periods which have been responsible for the greatest stress, the highly developed reserve bank system has weathered all storms and has never experienced failure, the speaker said. Engaging in what he termed as "the wholesale banking business," the nation's system of 12 reserve banks, guided by a central board convening regularly in Washington, the federal reserve system introduced, for the first time in history, "elastic money." Deflation or overinflation are offset by the elasticity of currency, due to federal reserve, said Mr. Cather.

At Basin, Wyoming

The board of directors of the Security State Bank of Basin, Wyoming, recently re-elected C. J. Williams president for the coming year. G. A. Hinman is vice president and A. C. Meloney, cashier.

Directors of the bank recently elected by the stockholders include C. J. Williams of Billings, G. A. Hinman and E. K. Parks of Greybull; A. C. Meloney and Oliver Irwin of Basin.

Pinedale State Bank

John W. Hay has been elected president of the State Bank of Pinedale, Wyoming, to succeed Abner Luman, who died last May. Mr. Hay has been an extensive stockholder and director of the bank since its organization 20 years ago.

Other officers elected are Mrs. Susan Quealy, vice president; and P. C. Hagenstein, cashier.

Crook County Consolidation

A second consolidation in Crook County, Wyoming, banking circles was effected recently when the American State Bank of Moorcroft was merged with the Sundance State Bank.

During November the bank at Hulett was consolidated with the local Sundance bank in accordance with the policy of the state banking department of advocating fewer and stronger banks. The latest merger leaves the Sundance State Bank as the only banking institution in Crook County.

At Greybull

C. J. Williams was reelected president of the First National Bank of Greybull, Wyoming, at a meeting of the board of directors held recently. A. A. Kershner was named vice president; G. A. Hinman, cashier, and E. K. Parks assistant cahier. Parks was made a member of the board of directors.