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The Teller Tells the World

By C. W. FISHBAUGH

ON MAY 25TH a tornado killed John Newport when it struck at Trenton. A check he issued prior to his death was found at Elm Creek on June 17th, a distance of 160 miles the check had to drift. That's what I call getting a real float on checks.

A LIVE STOCK POWDER company in Shenandoah received a letter from "the honest man" the other day. This man sent an order for some stock powder and enclosed a check. But he had heard there was a tax on checks so he pasted a two-cent postage stamp on the face of the check! The way this check tax bill was handled, the slowness of the government to send out information on it and the slipshod way it is to be collected, gives some insight as to what is wrong with our government. The man who sent the check to the stock powder Company knew there was a tax but had never found out how it was to be paid, and even yet customers will ask if they can't use the old stamp tax instead of this new system.

USE OF SLUGS in pay telephones cost the Bell Telephone Co. in the U. S. $1,000,000 last year. The use of slugs in the phone has increased 150 per cent since 1929. Pennies were sometimes flattened out and used for slugs. Buttons were also given similar treatment. Some people tried to beat the company by attaching a string to a nickel, making their call and then pulling the nickel out. When I get a roll of coins that has a number of flattened and nickel pieces in it, I know how Mr. Bell and Co. feel.

ACCORDING TO A GREAT MANY people, now is the time to repeal the 18th amendment. One reason is offered: When prohibition came all the corner saloon sites were made into banks . . . now the saloons can have these corners back.

I'VE READ SO MUCH about the "earmarking" of gold in New York that I finally became curious enough to look it up. It's very simple, it merely means that other nations, notably France, have notified the Federal Reserve bank in New York that they may call for the shipment of the gold they have on deposit here. It looks like this country has a "black eye" and Europe is trying to "earmark" it. What a mess!

A FEW YEARS AGO the mayor of Toledo, Ohio, was presiding in police court. A man was brought before him, charged with stealing a loaf of bread. The victim had no defense, merely stating that he was out of work and his family was hungry. The mayor, "Golden Rule Jones," said: "I must punish you, so I'll fine you $10.00." He reached in his pocket and pulled out ten dollars. "Here is the money to pay your fine. And I remit the fine." He threw the ten dollars in his hat and added, "Furthermore, I'm going to fine every person in this room as much as they can give for living in a town where a man has to steal bread in order to eat. Bailiff, collect the fines."

ONE MAN SAYS: "The bond and stock market is more influenced by the capitol than by capital."

NOW IS THE TIME to buy bonds, while the price is right. A short time ago you could buy a share of Warner Bros., R.K.O., Fox and a share of Pathe for $5.00; and have money for a lunch left over.

THE ANTI-HOARDING COMMITTEE could still find work to do. There is at present about $538,000,000 worth of old large-sized money still outstanding. It must be hoarded or it would be out of circulation, as all banks turn it in when they get any of it. If this half a billion could be put back into circulation it would do a lot toward bringing back prosperity. One way

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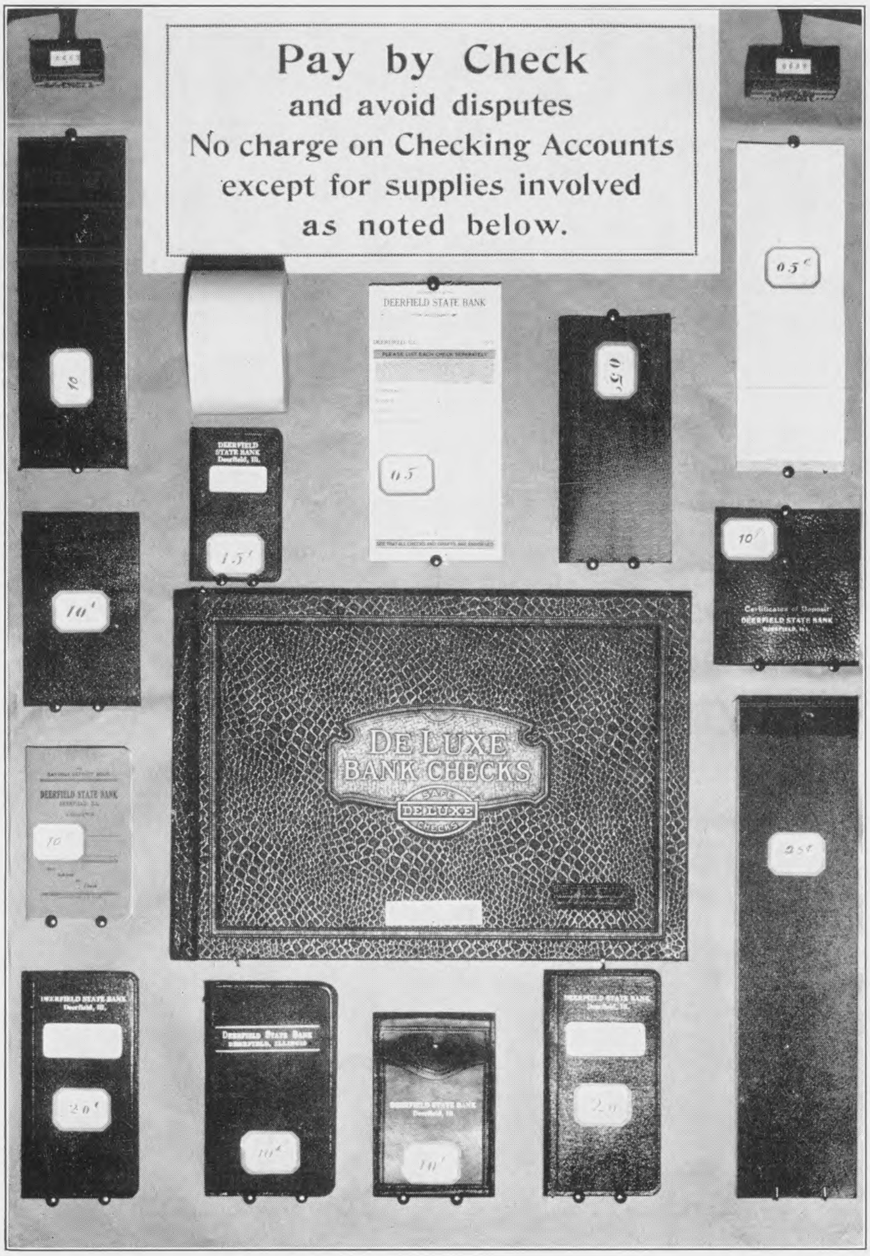
Don't Kill the Goose that Lays the GOLDEN EGG!



By J. W. McGINNIS
Cashier, Deerfield State Bank, Deerfield, Ill.

I DON'T WANT to close old accounts; I don't want to bar new ones, and I don't want my bank to lose money on either of them. I am a strong believer in miscellaneous service charges made by a bank, but I wonder if it is not wise to bear in mind that there is a limit to setting fees for the other fellow to pay.

My bank sticks pretty closely to a schedule of miscellaneous service charges.

We charge for issuing drafts, cashier checks, and traveler checks.

We charge for collecting notes, trade acceptances, drafts and bond coupons.

We charge for overdraft notices, checks returned unpaid and notary acknowledgments.

We charge for money telegrams, credit reports and don't give away calendars.

We charge for a lot of service, but when it comes to the *account service charge*, I draw the line and welcome all who desire to be depositors just as we did in the good old days that saw banks grow to a proud position without any thought given to the *account service charge*.

Our banks were boosted to their highest standing by the depositing public. Nothing else could have done the job then, and nothing else can do the job now. The depositing public is not responsible for the start of the present tumbled down condition of our banks and I just can't feel any inclination to blame depositors for wrecking them; but I am very much inclined to give them credit for building banks to a very high standard.

Loans to Blame

To express my honest sentiments on the cause of our bank trouble I rest the blame entirely on *nonsensical loans*—funds of the depositing public invested without security. Now, I am not inclined to accuse ourselves, as bankers, of doing this very thing intentionally. No! I feel that very few bankers have ever made loans that they did not feel were reasonably safe at the time of the transaction. Many loans were made, however, with *profit* influence instead of *security* influence. Commissions and interest should never be considered in loaning money. Safety of principal is the one and only consideration to be recognized in loaning money. When the principal is safe, you won't have to waste any time, paper, or stamps collecting interest; but banks made nonsensical loans just the same and to such an extent that many of them crumbled to the grave and set the whole system to fear and trembling.

The dark clouds hanging over the present banking situation will turn fleecy when more energy is spent in forestalling chargeoffs and less in trying to counterbalance overheads.

Must Regain Confidence?

Now, our flag is down. How are we going to raise it? With the *account service charge?* No, positively no! That high standard flag will never be replanted until the depositing public makes it possible.

Industry to provide food, shelter and clothing for millions of people will never be financed until the funds of the depositing public are pooled in the banks, the only agency we have or ever did have to finance industry. A whole Nation of people will be unrestful and clamoring for better opportunities just as long as the business of the public is transacted by currency in lieu of the bank check; and if you care to estimate just how long this will last, you may be sure that it will exist just so long as the depositing public is penalized monthly for carrying bank accounts. This condition is threatened with further aggravation by the imposition of a two-cent Federal Tax on bank checks, and which every banker recognizes as the most discriminatory measure yet cooked up for the destruction of the banks of our country.

In these trying times, when *restoration of public confidence* in banks is our Nation's only hope of prosperity, it is you who are influential and highly regarded in your community that we would have frequent our banks, not because of the size of your deposit. Then why? Because you are followed.

Yes, restoring public confidence in banks is the first big question. Will the *account service charge* do the job! No, positively no! People follow. We are all followers. I am inclined to follow the neighbor for whom I have admiration, and in whom I have confidence. So are you, fellow bankers, and so is every human in our land.

Something You Can't Collect

It seems to me that under industrial conditions as they exist today, it is not wise to place a value on a bank depositor by analyzing his account. Would we judge the fertility of soil by looking at its crop in harvest time when it had not been supplied with water since it was seeded? I wonder if it is not wise in these trying times to analyze our depositors before analyzing their accounts. It is a pretty easy job these days to cull out some leaders by analyzing accounts, and we all know that just won't work. There are thousands of old time bank depositors who have been loyal bank builders and stood by their bank with all the money they had and two years ago their balances were profitable and they were followed; but today their balances are subject to the *account service charge,* and you can't collect it. It has been tried on them enough that many of them have closed their accounts, and the rest of them will in due time if the penalty is continuously imposed. Don't forget that they are yet being followed, and don't forget that you have no way of placing a value on your new prospect by the size of his deposit. You had better keep the old and take all the new ones you can get. Our banks need patronage and they need deposits. Deposits are cheaper than Bills Payable.

Oh! Did I hear you say: Ask those leaders whose balances are now subject to the *account service charge* to close out their checking account and put the same amounts in a savings account to avoid the penalty? Yes, I did. I've heard you say that more than once and I thought it was a pretty wise crack. The intelligent depositor feels the same way about such business. Take the penalty off of the depositor for having a small amount and put it on your bank at the rate of 3 per cent to be paid semi-annually. If such accounts are unprofitable under the name of checking account, how in Heaven's name can you be justified in paying 3 per cent on the same accounts just because they are carried under the label of savings account? Yes, it is true, all banks have accounts that are unprofitable and I know of no business in existence that doesn't have unprofitable accounts and so long as this world stands, unprofitable accounts will exist.

"On the opposite page is a reproduction of our bank lobby Merchandise Display. On this board is a sample of all supplies involved in the cost of carrying Checking Accounts. You will note the cost price of each, which covers a reasonable profit to us.

"All depositors pay us the marked price for any of these supplies needed by them in opening or carrying their Checking Accounts. Any depositor can look at this display and see that such supplies cost money, and he makes the purchase cheerfully, without any explanation."

I surely agree with you that banks have always been too liberal. In fact, they were more liberal than the public demanded. Nearly all banks have wasted enough money on depositors' supplies, calendars, and foolish advertising to create a depreciation fund in excess of their capital when the public did not really demand it, yet banks prospered in spite of this practice and not because of it.

Oh, yes, anyone can criticize, but, a solution to the *account service charge* question is what we want to hear just as soon as possible 'cause the blame thing just won't work. If it would, I should have regained my possessions immediately every time I ever hit the rock by setting a certain fee on all of my friends, and some that were not, and collecting it to get me going again.

The Substitute

I take some pleasure in submitting for your approval a substitute for the *account service charge.* I call it the supply charge.

On opposite page appears a photograph of our bank lobby merchandise display. On this board is a sample of all supplies involved in the cost of carrying checking accounts.

You will note the cost price of each. I would advise, however, a price that would show a reasonable profit instead of cost.

All depositors pay us the market price for any of these supplies needed by them in opening or carrying their checking accounts. Any depositor can look at this display and readily see that such supplies cost money and he makes the purchase cheerfully without any explanation.

Oh, you say, this will not bring enough revenue. Nothing collected for service. Maybe not. I spent several years on a farm and I never sold a horse, cow or a load of lambs but that I was sorry I did not ask for more money.

My bank can handle two or three hundred more accounts in the same building and with the same force. So can yours, and when we all get so many new accounts that we are compelled to employ additional help we will be sailing on our way to prosperity again. Out of a few hundred new accounts we will find some good ones.

Just try the sale of supplies instead of that monthly penalty and see how easy it is to keep old accounts and get new ones.

Just try it once and if you don't think it will save you some money and notice how happy it makes your depositor feel. Just try it and see how many little 3 per cent savings accounts will go into interest-free checking accounts and be no more active than they were when labeled *savings.*

Just Common Sense

The *supply charge* will not close old accounts. It will not bar new ones. Our customers regard it as commonsense fairness. The display of such supplies in bulk enables the customer to appreciate their cost and any customer knows that the user should pay for what he uses in any line of merchandise. Consequently, we have had no occasion to make one explanation since we started the sale of supplies in December, 1931.

People as a class are not moochers. They prefer to pay for what they get and you would be greatly surprised to know that many of our customers are buying a good grade of imprinted checks instead of using the ordinary plain check that was formerly given to them at the expense of the bank.

Fellow bankers, I submit for your consideration the *supply charge* in lieu of the account service charge. It might be the longest way 'round but the sweetest way home.

The account service charge is not making the depositing public bankminded very rapidly, and if we are not down to stay until the public returns to its old time patronage I have missed my guess.

How the Omaha Livestock Exchange Is Operated

By E. H. SPETMAN

Assistant Cashier, Council Bluffs Savings Bank, Council Bluffs, Iowa

(FROM ADDRESS AT IOWA BANKERS ASSOCIATION CONVENTION)

MOST OF US have heard of the Drovers of the early days who were the founders of the live stock marketing business as it exists today, and without modern refrigeration, they would still be with us.

More years ago than most of us care to remember, there existed in the East a greater demand for beef for food than eastern producers could supply. In the West there existed great herds of cattle. Between these were wide open spaces. No towns, no railroads, but only wide expanses of waving prairie grass over which roamed the fighting Indians and herds of bison. Through this unpromising country of the West came the drovers, men who went West, bought vast numbers of cattle, and patiently herded them eastward, taking chances on losing both their cattle and their scalps to the Indians, and exposed to the dangers of being caught with their charges in a buffalo stampede and wiped out completely.

They trailed their cattle across the country to the nearest railroad that would get them in Chicago they had no stock yards or packing plants so the drovers would unload their cattle on the outskirts of town, pasture them here and hoping eventually that some one would buy them. When they were sold it was always a few at a time to the meat merchants as the only way meat could be kept was to keep it alive. It was weeks, sometimes months before the drovers were repaid for the cattle purchased.

Some of them were more successful in selling than others and these men would sell the cattle for those holding over. Thus, from individual bargaining by drovers, collective bargaining by a few of their number came into being, and created the first live stock market. Then as now the fundamental law of supply and demand governed prices.

Next Came Refrigeration

From the combination of these two factors came the modern live stock market as represented by the many stock yards throughout the country, but the one I am most familiar with is the one at Omaha. Here in the South Omaha district is a large, magnificent ten-story building towering high above all the pens, runways and viaducts far above everything except the smell. This building houses all the offices of the exchange and many of its members. These buildings, pens and this real estate are owned by the Union Stock Yards Company who control all of the physical property and in turn lease this to the Live Stock Exchange who handle all the moral and clerical operations, consisting of commission men, order buyers, and yard traders who handle transactions in live stock.

All these associated in the form of the Omaha Live Stock Exchange, these commission men provide a constant and dependable market place for live stock. The rates charged for handling the live stock are approved by the Department of Agriculture and the Omaha rates are second to low as St. Joseph, Missouri, has the lowest rates at the present time.

The Omaha Live Stock Exchange is a voluntary association of individuals primarily banded together for the protection of the shippers to the Omaha market. The value of memberships in this organization is fixed by the rules at $7,500. In order to become a member it is necessary to be identified with the live stock interests at South Omaha and have a good moral and financial standing and receive a majority of the votes of the members of the Exchange.

Each party participating in the profits or losses of a commission firm recognized by the Omaha Live Stock Exchange must have a membership in the Exchange. At present there are 206 memberships issued, representing 77 firms.

Each firm operating under the Omaha Live Stock Exchange is bonded to insure the shipper of the live stock to the market getting his returns promptly. This bond is a surety bond and the sum of the bond represents an average two days' business of the firm so bonded.

In addition to this bond the Exchange requires that their firms have their books and records ready for inspection at any time, and the value of the memberships held by the member firms are a part of the assets of such firms.

On Open Market

Omaha has an open, competitive cash market. Practically all their live stock is received, yarded, fed and watered, sold, weighed, billed to the buyer, and the proceeds remitted to the owner on the same day of the arrival of stock to market. When one considers that on this market they handle the actual product, the speed with which the remittance is made to the country is remarkable. The commission firm, as a member of the Omaha Live Stock Exchange, on this market will guarantee the title of any stock sold to the buyer, and due to the bond and other securities required by the Exchange, guarantees the return of any proceeds for stock sold for a customer. In fact, in the forty-three years

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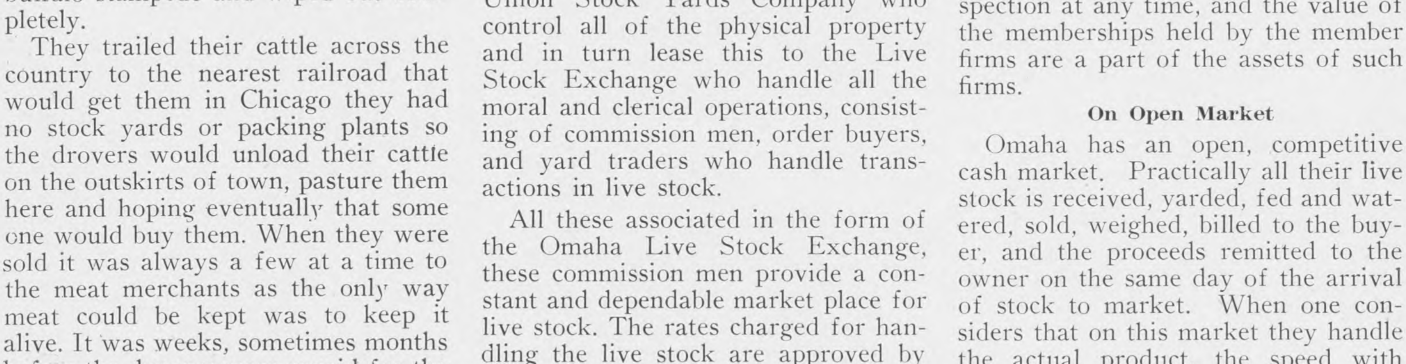

Above, a panoramic view of the Omaha stockyards.

Let's Preserve Our Dual Bank System!

By R. S. HECHT
Chairman, Economic Policy Commission, American Bankers Association

RECENT OFFICIAL expressions in Washington have indicated a strong leaning to the idea that all commercial banking should be forced into a single system under stringent federal government control. This is a subject of prime importance to bankers and business men alike. It involves far more serious questions than mere banking technique. Even if it could be shown to be 100 per cent desirable on purely banking grounds, the main question would remain as to how heavy a price would be paid for it in terms of further encroachments of central domination over private business and of a further surrender of local financial independence.

Senator Norbeck of South Dakota, chairman of the Senate Banking and Currency Committee, in his minority report against the Glass Banking Bill, said on this point, referring to our dual system:

"All things considered, the American system has held up wonderfully well . . . There is a movement on foot to control the banking industry of the United States by centralization . . . Of late years this movement has been becoming more evident . . . Our dual system of banking has been one of the greatest motivating factors in making the United States the outstanding country that it is today. Our country is too large, too widely diversified, to expect one banking system to be so versatile as to deal with so complex a situation efficiently. The American people are individualistic and so should be our banking structure. . . . The placing of our banking structure with the now over-burdened bureaucracy in Washington is direct violation of the principle of State rights."

Critical periods always teem with "remedies" intended to correct particular faults but which may do incalculable violence to far more important general principles. This plan of complete banking unification would constitute an abandonment of our traditional defenses against over-centralized government.

A Serious Threat

The United States has some 20,000 banks upon which our people are dependent for financial assistance in the production and distribution of the commodities which are essential to the nation's life. Effectively centralized control over the banking credit sources required by these activities would mean potential dominance over the very lives and liberties of the people. It could become a serious threat to the economic freedom of the people, which guarantees the right of the individual citizen to conduct his business affairs in fields of fair and open competition, circumscribed only by general laws and regulations for his own and the public protection.

Our multiplicity of political jurisdictions serves as an impregnable protection against over-centralization of government in any direction. The main line of defense is the dual system of major governmental authorities under which the nation is organized, namely, the federal government and the state governments. This duality of governmental administration is inseparably a part of all American political thought and sense of political security.

"Within banking itself must be developed an increasing sense of responsibility toward its depositors and the public at large, who have a right to demand that no matter under what form or charter the bank may be operating, its first thought must ever and anon be the continued safety of the institution."

This is especially clear in respect to commercial activities. As to business related to the economic life of more than one state, unquestionably such governmental coordination or intervention as is desirable, should emanate from the federal government. As to strictly local business within a state, it is and should remain wholly outside the scope of the national government's jurisdiction. This double view of the nation's economic functions and control is given in the financial field a special form of protection in the dual banking system — that is, the banks chartered by the national government on one hand and the banks chartered by the state governments on the other.

The basis of this double grouping is, however, different in essence from the distinctions that obtain in respect to commerce. It does not mean that federally chartered banks are those engaged in financial transactions connected with interstate business, and state banks are confined to operations completed within a single state. Many of each class engage extensively in both intra- and inter-state business, while many of each have little or almost nothing to do with anything but purely local business.

Distinct Factors

The distinction between state and national banks is based on factors wholly distinct from the detail of whether their transactions move across state lines, and the creation of the national bank system was based on far deeper considerations.

These considerations had to do with the need of the federal government for a body of banking institutions conformable to its own currency, fiscal and financial purposes. There was pressing need for a sound, uniformly acceptable national currency.

The National Bank System was created to meet these national purposes. Their fulfillment did not then, nor does it now, require that all banking be brought under federal jurisdiction. The development of the national bank system of itself had salutary effects on state banking, which was led to higher general standards by the competitive influence of the national banks, without sacrificing the local independence of the state banks, under their respective forty-eight state governments. Thus, the protective principle of the broad dispersion of political power remained unimpaired in respect to banking. Banking was not put entirely under the control of centralized government. Economic freedom was maintained and strengthened.

Subsequently the extent and effectiveness of federal government influence in the nation's finance was increased by the creation of the Federal Reserve System, in which the national banks are compulsory members, and state banks complying with certain requirements can be voluntary members in full standing with the national banks. This added great and valuable contributions to sound national economics over the previously existing situation, especially in respect to the use of the gold reserves and control of the currency in coordination with commercial an industrial needs, but it still left state banking free from undue central government domination. It increased financial efficiency without decreasing the people's financial freedom.

Thus these two organizations, that is, the national banks licensed under federal charters, organized in accordance with federal statute and operated under the supervision of a federal officer, and the Federal Reserve System, likewise organized under Federal Statute and administered under the general direction of a federally appointed board, give the central government a position of very great influence in the country's banking finance. This measure of influence is fully sufficient as it is now established. To consolidate it further would be to carry it too far. In the financial, as well as in the political sense, the multiplicity of jurisdictions is the safeguard of freedom. As to banking, this multiplicity is secured by the continuation of the forty-eight state banking systems under which business may, if it chooses, conduct its financial affairs in entire independence of federal influence.

Would Destroy Safeguards

The proposal to bring all commercial banking under federal control would destroy this safeguard. It would very materially increase the hazards of over-centralized government to the individual because of the great part commercial banking credit plays in the affairs of everyone. Control of the whole stream of banking credit on which the nation's business life depends, would mean undue control over the lives and liberties of the people. It would create opportunities for lines of political thought that do not now exist; and opportunity inevitably becomes temptation, and temptation, long enough continued, seldom fails to become action sooner or later.

The traditional sancitity that surrounds the Presidency and its zone of administrative influence forbids picturing the possibility of a national political regime using the power made possible by unified control over all commercial banking for base purposes or political manipulation. But it does not forbid the general observations that the government has a long time to live, that generations come and go, that even honest statesmanship may unconsciously fall under evil influence, that human nature swings through wide extremes, and there is no telling what changes in the state of political morals the future may witness.

Ours is a government of checks and balances, and it may well be true that the fact that banking has free choice as to whether it shall render its services to the people under federal charter or state charter is one of the most important of these. It is obvious that to force all commercial banking under federal control by abolishing the power of the states to charter banks of this type would be to shut off the avenue of escape for banking from any bureaucratic tyranny or political coercion that might conceivably arise.

The fact that almost without exception, and particularly in recent years, federal bank officials have been characterized by the highest ideals of public service under the dual banking system in the past, does not guarantee that others would not display a different attitude under a single unescapable system in the future. *Frankly, it is unfortunately true that we have no assurance that we shall always have in their respective places men of the same high character and unquestionable honesty of purpose as Governor Meyer and Comptroller Pole.* Furthermore, we have right now ample evidence of how easily organized minorities, propagandists and bureaucrats can exert undue control in our government and nullify its true representative character on the basis of the greatest good of the greatest number.

The proposal to bring all commercial banking under federal control is plausibly based in part on the proposition that commerce is largely inter-state, that its free flow should not be hampered by a multiplicity of local banking laws and jurisdictions and that therefore commercial banking is fundamentally a national question. But like many plausible statements, it has less practical application to actual facts than it seems to have to theoretical conditions.

In the first place, the free flow of commerce is not actually hampered by the multiplicity of state banking jurisdictions in any essential way that has not been largely or cannot be further remedied by growing uniformities in banking standards, practices and codes. At any rate, there is no national crisis in this respect demanding the abolition of state commercial banking and the substitution of uniform federal control. All the financial cooperation required by the free movement of inter-state trade is now readily available, whether from national banks or state banks.

In the second place, inter-state commerce neither requires nor utilizes credit essentially different from that employed by local trade. The essential act in the creation of credit, even when it is connected with goods that move on inter-state lines, remains local, since basically it involves the question of the credit risk at stake as between the borrower and his banker at one end of the transaction or the other. Credit is ultimately repaid at the point where it is created. The basic human relationship, the judgments and the ultimate obligations which compose the essence of the actual credit entity do not move with the goods which it finances. Inter-state commerce, therefore, does not bring into existence an inter-state credit situation in the sense that it represents the function of a different kind of banking that should be subject to federal government jurisdiction as distinguished from intra-state credit.

Real Facts Obscured

Probably a part of the view that all commercial banking should be under federal control arises from statistics and discussions that treat commercial bank credit in terms of national totals as though it were one coherent mass like the currency. This treatment obscures the real fact that the actual substance of all such credit is and must be created piecemeal on the basis of local business needs and conditions, and that therefore the practical operating control and sympathies of the agencies that create this credit must of necessity be primarily local in spirit, whether they are chartered by state or national authority.

If we visualize the economic activities back of the loans to customers and the investment securities in the portfolios of the banks throughout the nation, it will at once become vividly apparent how large a part of them have to do with local transactions, enterprises and public improvements, how complete a fund of knowledge regarding local circumstances and requirements is essential to the creation of this credit on a secure basis and how extensively a sympathetic, first hand understanding of the human elements involved is demanded to build a sound structure. The vast theoretical national credit structure conjured up by the aggregate figures is sound only as all these basic local requirements are sound, and by the same token it is from widespread violations of sound principles in local credit granting that unsatisfactory conditions or weaknesses in the general situation are brought about.

The operation of a large proportion of the banks under federal auspices by means of the National Bank and Federal Reserve System fully serves the

(Continued on Page 13)

A *Supervised* UNIT TRUST

Companies and industries represented in the NORTH AMERICAN TRUST SHARES *portfolio are continually being subjected to the acid tests of long-term investment value.*

NORTH AMERICAN TRUST SHARES 1955 and 1956, are *Supervised* Unit Type Trusts. Like the older-style "fixed" trust, they provide the investor with an interest in a diversified group of high grade common stocks bought at day-to-day price levels and deposited *in trust* with a great bank acting as trustee. No substitutions are permitted so that the shareholder always knows in what securities his money is invested.

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Other features of the Supervised Unit Trust, as exemplified by NORTH AMERICAN TRUST SHARES 1955 and 1956, are concisely set forth in a booklet we have prepared for bank executives. This booklet, entitled "Building a Portfolio", will be sent to you free upon request.

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Maximum Cumulation Type

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Eastman Kodak Company	100
The Procter & Gamble Company	100
Union Carbide & Carbon Corporation	300
General Electric Company	400
Westinghouse Electric & Mfg. Company	100
United States Steel Corporation	100
The Borden Company	200
Corn Products Refining Company	100
General Foods Corporation	100
National Biscuit Company	200
Standard Brands Incorporated	200
Drug Incorporated	100
Sears, Roebuck & Company	200
F. W. Woolworth Company	200
American Can Company	100
American Rad. & Stand. Sanitary Corp.	300
Otis Elevator Company	200
International Harvester Company	100
The American Tobacco Company "B"	100
R. J. Reynolds Tobacco Company "B"	200
General Motors Corporation	200
Standard Oil Company (New Jersey)	300
Atchison, Topeka & Santa Fe Ry. Co.	100
The New York Central Railroad Company	100
The Pennsylvania Railroad Company	100
Union Pacific Railroad Company	100
American Telephone & Telegraph Company	100
Columbia Gas & Electric Corporation	400
Consolidated Gas Company of New York	200
The North American Company	200
Pacific Gas & Electric Company	200
Public Service Corporation of New Jersey	100
The United Gas Improvement Company	300

As of October 17, 1931, the date of execution of the Trust Agreement, a stock unit consisted of the shares listed above. • The deposited stocks in each unit of 4,000 NORTH AMERICAN TRUST SHARES, 1956 (Maximum Distribution Type) consisted on October 17, 1931, of 1/25th of the number of shares of the common stocks listed above.

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The Security Owner--and Railroad BONDS

By ALFRED HURRELL

Vice President and General Counsel
The Prudential Insurance Company of America

THE SUBJECT of relief for the railroads, or measures designed to remedy or partially remedy the present deplorable state of affairs, naturally divides itself into two parts, namely, what can be done by government to aid the industry and what can the industry do for itself? As to the first, it would seem that the security owners, shippers of long vision, and thoughtful citizens throughout the country who realize the national necessity of maintaining the railroads "in full vigor" can and should cooperate with them in securing a sympathetic and helpful attitude on the part of the federal and state governments. What may be done by the railroads themselves is more peculiarly their own problem and, of course, will be affected by the degree of success which attends the effort to excite a real and intelligent interest in Congress and state legislatures in respect to the railroad situation.

The pressing need of the moment is to prevent receiverships. The move made by the national government in establishing the Reconstruction Finance Corporation was timely and the aid it has rendered has been substantial and essential. The figures available point unmistakably to the fact that if a large percentage of the railroads are to remain solvent throughout this emergency, further and increased financial assistance from this agency is imperative.

Preliminary Figures

The preliminary figures for 1931, viewing all Class I roads as a system, indicate that there remained a net income, after meeting interest charges and rentals, of but $141,160,000, while forecasts for 1932 point to a deficit after charges of from eighty to one hundred million dollars.

The Railroad Credit Corporation (organized as the custodian and administrator of the earnings caused by the increased rates allowed in Ex Parte 103, 1931) now estimates its funds available for loans to roads to meet deficits will be from fifty to sixty million dollars, instead of from one hundred to the one hundred and twenty-five million which the Interstate Commerce Commission predicted in its opinion in the 15 per cent case. In addition, the Credit Corporation has announced its intention to limit its loans to those lines the continued solvency of which is highly desirable but which lack the collateral necessary to secure loans from the Reconstruction Finance Corporation.

The maturities of equipment trust certificates and bonds during the current year amount to something over one hundred eighty-one million dollars and the bank loans are in excess of three hundred millions. Unless there is very definite and sustained revival of general business during the current year, provision must also be made for maturities of 1933, amounting to almost three hundred million dollars.

The picture thus presented emphasizes the bald truth of the statement General Dawes made to the Senate Committee when he referred to the necessity for loans to the railroads. As he suggested, the reason for them is not alone to protect railroad corporations, as the backbone of our transportation system and as employers of over a million men, but "for the protection, as well, of the trustee institutions of this country." With the life insurance companies and savings banks together holding four billion seven hundred million dollars of par value of these bonds and with an estimated additional billion owned by other trustees and educational institutions, the situation at once is seen to be so grave as to warrant and justify the most solicitous measures by the government to compose it.

A Great Emergency

In this great emergency, therefore, the fifty million American policyholders and thirteen million depositors in American savings banks earnestly recommend that the policy which the government has adopted of extending its credit to the railroads be continued and extended. In urging this, fortunately they may call attention to the very favorable experience the government has had within the memory of all of us in making similar loans, in other times of stress, to prevent railroad collapse. Under Section 210 of the Transportation Act, in and following the year 1920, two hundred and ninety million dollars were so loaned. Of this amount all but $33,900,000 has been repaid, but as the interest rate charged on all loans was 6 per cent and the amount of interested collected was eighty-eight million dollars, the amount of loans unpaid can be written off and still the government has a profit when the low rate it pays for money is considered.

Likewise, under Section 207 of the same Act, indebtedness incurred to the government aggregating two hundred fifty-four million dollars has been reduced to five million dollars, and again the interest collected over the cost of its money produced a handsome profit to the government. The same is true in respect to advances of nine hundred eighty-five million dollars made by the government under the Federal Control Act of 1918, of which nine hundred thirty-five millions have been repaid with interest.

The foregoing is stated with a full realization of the fact that competitive conditions are very different now from from what they were during the period when these loans were repaid. My faith, however, in the underlying virility of the country is such that I believe recovery from the present depression is inevitable. Assuming normal times, with the nation's consuming power revived, one does not have to use the imagination much to see the enormous tonnage of all kinds of materials which can only be handled in freight car-loads again waiting for transportation by the rail carriers. We must not conclude in despair, either, that the competitive conditions of the present are to remain forever unchecked. The present outlook, therefore, does not present any serious reason why the railroads cannot again prove that they are worthy of government support. Now, as before, if they can receive it in their time of trial the government may be sure of reimbursement, and from the difference in the interest rate charged by the government and the cost of money to it set up a reserve to absorb unpreventable losses. The amounts involved are so vast and the interests dependent upon the support of railroad credit so interwoven into the very fibre of the national life that adequate government support in the present crisis is the only solution.

Why Difficulties Arose

While we may feel confident that emergency measures will be continued to prevent the evils of general railroad deficit, there should be an awakening to some of the known reasons why the railroads were prevented from enjoying the unprecedented prosperity with which the country was favored from 1923 up to the fall of 1929.

The first and foremost has been the loss of traffic due to the unregulated and in effect subsidized competition from motor trucks and busses. These rubber-tired freight cars and passenger coaches have been permitted and encouraged to haul freight and passengers for private profit over the public highways of the country, with no regulation as to the rates charged or services rendered and without being required to contribute equitably to the cost of the construction or maintenance of those highways. The modest license fees and the gasoline taxes which are charged in the majority of the states are not adequate remuneration to the taxpayers for the constant wear and tear which these modern juggernauts administer to the highways as they pound their menacing way on their regular or their free lance schedules. No wonder that the railroads, which through taxation actually contribute towards remedying that wear and tear, object.

In some few states efforts have been partially successful to secure an adequate return for the privileges enjoyed, and in other states the contest is now on to remove the inequities of the present situation.

That the commercial motor carrier should pay its fair share of the cost and maintenance of the road-bed it uses in its business, and be under similar regulation as to rates and other conditions of service as that to which the railroad is subjected, suggests itself as a fair proposition. It is almost tiresome repetition to remind those who are weary wrestling with the problem that the railroad has to pay the entire cost of its right-of-way, pay for the construction of its own roadbed, pay for its maintenance, and, above all, pay taxes for the privilege of owning it—and, it might be added, pay the major portion of the expense of eliminating grade crossings so that the increasing numbers of its unregulated competitors will not have to "stop or even hesitate" at these points, as was once the primitive custom of highway travelers.

"Unless steps are taken to correct the hopeless tangle railroad affairs are now in, we must make up our minds to face the worst. The forces which now beset us will not easily be denied. The semaphore is at this moment definitely set against the investor and he sees its signal plainly. If the line ahead is not cleared, then it is plain that other forms of investment must claim his attention, and his interest in the railroads will be limited to salvaging as much as he can from present holdings."

Admitting that the invention of the internal combustion engine has revolutionized the life of the people, that the motor car, truck and bus are here to stay and will continue to give a desired and a needed service, unless we are to turn our backs on the principle of equal opportunity for all and special privileges to none we must insist upon equality of regulation.

It is heartening to know how strongly the Interstate Commerce Commission stands for this principle, and it is to be hoped that the recommendation contained in its report (Docket No. 23400) "Coordination of Motor Transportation," handed down last month (April 6, 1932), will be adopted by Congress. Certainly the amount and classification of information therein show conclusively the manner in which these unregulated carriers have injured the business of the railroads and demonstrate the wisdom of the conclusions there expressed.

Meanwhile and until relief is obtained, the trucking and forwarding companies will continue to destroy the business of the railroads by doing the things which the rail carriers are prohibited from doing by the Commission's orders. Those enterprising concerns may refuse to handle unprofitable shipments, they have no fixed tariffs, quote different rates to different shippers, extend credit, consolidate merchandise shipments in order that the shippers may have the benefit of the car-load rate for what otherwise would be the much higher less-than-car-load rate, and are not required to operate over fixed routes or on fixed schedules. They thus enjoy many valuable privileges which are now denied to the railroads by the rule against discriminating rates and service. It would seem that while a code of general applicability is being worked out, the railroads should be permitted to complete in kind with these trucking and forwarding companies through the Railway Express Agency. If this were done, I am told that some questions would arise between the roads controlling that agency similar to those which have arisen to prevent the adoption of various proposals of the Commission and others for pooling freight and passenger service to eliminate wasteful competition. One can hardly believe that if the Railway Express Agency were allowed to take over this business that government management would be invited by the obstinacy or fears of the different executives as to whether the road of each would get its share. If it would, then the need in the premises for another super-authority after the style of Judge Landis would be plainly indicated.

In weighing the problem of motor carrier competition, however, the railroads and those identified in interest with them will do well to emphasize that their insistence for equality of regulation is in no wise an ill-considered cry for such regulatory restrictions as will seriously hamper or tend to suffocate the motor carrier industry. The demand is that the shackles be removed from the railroads so that they may develop and coordinate this type of service with their other facilities in order to serve the public more efficiently.

The comment is attributed to Elihu Root, that while the people occasionally turn over in their sleep, they seldom wake up. In my judgment they will awaken finally to the necessity of preserving the railroads "in full vigor" both in the interests of the general welfare and for a continuance of an adequate national defense.

Take Over Lincoln Agency

The general insurance agency operated by the Lincoln Safe Deposit company, a subsidiary of the Lincoln Trust company, has been sold to the First Trust company of Lincoln for $10,000. The safe deposit company and the Lincoln Trust company filed voluntary bankruptcy petitions in federal court July 9 and the first order issued by the court to Receiver Herbert S. Daniel, Omaha, was to sell this agency because of the possibility of companies cancelling out under the circumstances. Under the management of George E. Snuffin, the agency had developed into one of the best paying departments of the company, netting $11,000 last year, according to trust company officers.

LET'S PRESERVE OUR DUAL BANK SYSTEM!

(Contined from Page 9)

national interest and central government fiscal requirements as already brought out. But equally important is the maintenance in banking of the varied local characteristics, sympathies, and policies independent of central government control that is insured by state charters. Aside from the more ominous political possibilities that have been discussed, these plain everyday banking considerations just described repel the obvious dangers of subordinating the entire machinery of local commercial finance to national viewpoints and motives.

Finally, it has been argued that since a higher ratio of banks in state systems have failed than in the national system, this is prima facie evidence that banking is better under national than state supervision and therefore all banks should be brought under national auspices. There is much that is specious in this argument.

In the first place, we have already clearly pointed out, the bank failure history of the last decade has been in large measure a chapter of the troubles of small banks in rural districts. These banks, it was shown, have been especially subject to economic scourges arising from droughts, agricultural difficulties and the shift of population and business activities away from small towns. Far more banks of this class have been under state charter than under national charter and naturally figures comparing the failure records of the two kinds of banks reflect these circumstances, and are not wholly indicative of their relative virtues.

It is to be admitted that the national bank law, requiring, for instance, minimum capital of $25,000, sets higher standards in this and certain other respects, than do some of the state codes and likewise that national bank supervision has been of a higher order than in some states, But this is not to admit that the only solution is to scrap all state commercial banking and substitute a single federally controlled system, with all the political and financial hazards which that involves. An equally effective solution would be to bring all banking codes and supervisions up to a level with the best that can be found in the nation, whether that means the national bank standard or the equally high standards that may be found in many of the state systems.

Experience of recent years is evidence, not that the nation should have a single, federally controlled banking system, but rather that, for reasons both of economic expediency and of even more deeply significant political security, it should render truly impregnable its present dual system in both its branches.

The Statistical Record

Nor does the statistical record of the past decade offer conclusive evidence that to put all banking under national control would insure satisfactory results or even enable us to make very favorable comparisons with other nations. The record of banks as to failures under both the National Bank and Federal Reserve Systems is far from satisfactory. In the eleven years 1921 to 1931, 1333 national banks failed. This means that a number equivalent to 17 per cent of the national banks in operation at the outset of the period closed their doors during these eleven years. The deposits of these closed national banks aggregated $968,000,000. During 1930, 161 national banks closed, with deposits of $173,400,000. In 1931, 406 national banks, with deposits of $409,200,000, closed.

As to the Federal Reserve System a total of 187 national and state members suspended in 1930, with deposits of $380,000,000. In 1931, 517 members in the system closed, with deposits of $730,000,000.

It is beside the present point that the above record is better than that of the non-member state banks. The points is that the operations of banks under either direct or indirect federal auspices was so far from satisfactory, regardless of what happened elsewhere, as to fail to show that the mere transfer of our banking from state to central government jurisdiction into a single unified system, would supply a remedy for our banking troubles.

From many points of view, therefore, it does not seem desirable that state banks should be forced into a single national bank system. It is possible to conduct as good banking for the public under the state as under the national charter. But I do believe that a bank's ability to render safer, more efficient banking services to the public is greatly enhanced by membership in the Federal Reserve System and am in sympathy with vigorous efforts to promote entrance of greater numbers of state banks into that system. But that is as far as I am willing to go in advocating an extension of direct Federal governmental control over all types of banking. I do not believe that our dual system of independently chartered banks should be destroyed and I base this belief on considerations of fundamental public welfare, both eocial and financial.

THE TELLER TELLS THE WORLD

(Continued from Page 3)

to get it back into circulation would be to announce that after a certain date it would be redeemable at only ninety cents. Boy! and wouldn't that bring the money out!

"LONE WOLF" LOFTUS, recently arrested bank stick-up man, tells an interesting story about some of his bank "jobs." One of them can be compared to the sheep herder who was credited with shouting: "Wolf, wolf" too often. It seems Loftus stuck up the Citizens' State Bank of Delaven, Wisconsin, last February. An alarm sounded when he was robbing the bank. This alarm was in the habit of acting up and going off with false alarms, so scant attention was paid to it. Instead one of the vigilantes in a store across the street sent a small lad over to tell the officers the alarm was acting up again. The boy said: "That darn alarm is ringing again, and they're getting sore about it," then added, "of course, there ain't no robbery, is there?" The Lone Wolf assured the boy there was none, walked back and completed his withdrawal.

A LADY WITH HER FIRST CHECKING ACCOUNT received her monthly bank statement through the mail, opened it and exclaimed: "Oh, John, look; the bank sent back all the checks I wrote. That must mean I haven't spent anything."

I NOTE THAT forty per cent of the wealth of this country is in the hands of the women.

That leaves sixty per cent for the men. Wait till the women read this. There'll be a big change made.

ALL SORTS OF PLANS are being used for the collection of the Federal Check Tax. Some wait until the end of the month and then take the best part of the night figuring it out how and why to charge. This way is very unsatisfactory as many closed accounts during the month escape the tax. One system in use by one bank is to use a large blotter sheet, each person's name is listed on it and when he has a check come in it is marked on the sheet. But this requires a lot of work, and with open and closed accounts changing like they do, the list is hard to keep alphabetically. The best way, it seems to me, is to charge each person with the number of checks he writes each day and credit to a special account in the regular ledger. This avoids much book work and keeps everything up-to-date.

ON SOME BANK STATEMENTS of June 30th I notice a large number list: "Interest earned but not collected." This has always seemed to me a bit unfair. If the bank has a right to list this, why shouldn't the public demand that it list "interest due but not paid on time deposits." The public is beginning to understand bank statements, and now is no time to befuddle them with such as this. The motto of every banker should be: "BETTER and simpler bank statements."

THE GOVERNMENT GOES ahead and prints bonds and the people are eager to buy them. But what would happen if the government instead of issuing so many million dollars' worth of bonds should issue paper currency instead? What really is the difference between bonds and money printed by the government? Each one is backed by the same thing, the government's promise to pay. The public pays the interest on the bonds and the country is safe, but if the country printed what money it needed, the country would go "haywire."

After all, the only thing a government is backed by is Faith, and that is a funny thing—very hard to get and easy to lose.

WHEN I THINK of how much people lost by values going down I always think of how much some poor person lost in the first place when they were going up. For example, picture the poor Hottentot Negro, back in 1868, who found a diamond weighing 83½ karats and sold it for the grand sum of $2,000. Since then it has been valued at $125,000. Now, if the stone does drop in value there's still been a lot of money made. Perhaps it would be a good idea for bankers to go into the big stone game, but on the other hand it's better to keep off the rocks.

INSURANCE

Its Application to the Banking Fraternity

Bank Burglary and Robbery Insurance

By R. A. ALGIRE
Vice President, National Surety Company

BEFORE THE ADVENT of liberty bonds, hard roads and the automobile, bank robbery losses were negligible both in number and amount. The fact is that for many years there was no charge made for the bank robbery hazard. It was given free with the burglary insurance.

By 1914, however, robbery losses had become so frequent that it was found necessary to make a charge for the insurance. A flat rate of $1.00 per thousand country-wide was originally made. By 1916 this rate averaged $2.00 per thousand. Since that time various rate changes have occurred and the rate on bank robbery insurance today in the middle western states averages about $8.00 per thousand.

Rates Have Advanced

In the meantime burglary losses have steadily decreased and the rates on burglary insurance have remained practically unchanged. However, for rate-making purposes the insurance companies have always used the combined burglary and robbery figures and robbery that the results as hereinafter indicated are based.

For the ten-year period beginning January 1, 1921, that part of the earned premiums available for losses and profit to the insurance companies of all bureau companies nation-wide was $10,713,831. The losses paid were $11,173,986, showing an underwriting loss countrywide, all companies for the ten-year period of $460,155.

The substantial underwriting loss indicated in the foregoing figures in connection with bank burglary and robbery insurance is aggravated by an even worse experience nation-wide on bank fidelity bonds.

The premium income available for losses and profit to the insurance companies on bank fidelity bonds for the eight-year period beginning 1923 amounted to $8,734,277. The losses paid during that period on bank fidelity bonds were $12,041,420, showing an underwriting loss to the insurance companies of $3,307,143.

It is therefore apparent that the insurance companies have not been able to make up the loss sustained on bank burlary and robbery by profits on other classes of business but rather the other classes of business have proven more unprofitable than the bank burglary and robbery.

Considering the above experience on the combined bank burglary, robbery and fidelity business in connection with the terrific loss on depository bonds, you can readily appreciate that the bank insurance situation is an extremely important one to the insurance companies and that remedial measures of some character are of the utmost importance.

"Burglary and Robbery and Fidelity Bond protection carried by the banks must be kept absolutely sound. This requires that the rates must be adequate. The rate must keep step with the losses. The load should be spread over a large area based on a large premium volume in order to avoid undue burden on any one state!"

With the above picture of premiums and losses on bank burglary and robbery before us the question arises, "What are we going to do about it?"

Must Carry the Load

Bank burglary and robbery insurance presents certain characteristics that are not present in connection with any other form of insurance. The fact that there are some 10,000 fewer banks in the country today than there were ten or fifteen years ago does not alter the fact that there still remain hundreds of banks of every type so that a bank burglar or a robber does not have to go out of business. Notwithstanding the large decrease in the number of banks, the number of bank robberies have been on the increase steadily and the amount stolen has increased by leaps and bounds. This inevitably means that the remaining banks have to carry the load.

Another important element with which the insurance companies have to contend is the reduction in the amount of insurance carried. When rates increase there is a strong tendency among banks to reduce the amount of insurance in order to hold down the cost. This has an unfavorable effect on the experience because the anticipated increase in total revenue is not realized by the insurance companies and at the same time the reduction in the amount of losses due to the reduced amount of insurance carried amounts to very little.

Still another characteristic peculiar to bank burglary and robbery insurance is the fact that if a limited number of banks install special protective devices the effect is merely to divert the losses to banks that have not installed such devices. The insurance companies who carry the insurance on all of the banks still get the losses. This means that their revenue is reduced on one hand on account of special discounts and the losses are not reduced in the aggregate which means that the experience over all is worse. This does not mean that banks should not avail themselves of protective devices. As a matter of individual management a bank should make itself just as safe from loss as it can, having, of course, due regard for the expense involved. On the other hand, special protective devices by a limited number of banks is not a solution to our mutual problem viewed in its entirety. The only form of protective work which is really effective in reducing the number of losses and the amount of property stolen is that form of protection which automatically applies to *all* banks in a wide area.

A very striking example of this kind of protection is the state-wide vigilante plan; likewise the state trooper plan.

A list of bank robbers and bank burglars who have been killed, captured and convicted since January 1, 1931, shows that in six states, namely, Illinois, Iowa, Kansas, Minnesota, Missouri, and Wisconsin 303 bank burglars and robbers were either killed or captured and convicted in seventeen months beginning January 1,

1931. Heavy penalties were inflicted upon these bandits.

In my opinion this is the most marvelous piece of work which has even been accomplished in the way of law enforcement anywhere in this nation.

This great work must go on. If it had not been for this activity I firmly believe that there would not be an insurance company in America today that could afford to write one dollar's worth of insurance against robbery and burglary on banks.

One feature we must not overlook and that is the number of bank robbers and burglars who are released from the penitentiary every day. It would be interested to have some figures on what percentage of these bank robbers who have been caught and convicted during the past 17 months are "repeaters." That is, how many of them have served time for bank burglary or robbery prior to their present conviction.

While this work must go on it seems to me that in the last analysis the real last fundamental answer to our problem rests with the state. Nothing is more elementary or more fundamental than the fact that the duty of government is to protect the life and property of its citizens.

It seems to me that the time must come when the bankers of this country will turn to the various states for that protection. It is inconceivable that any line of business so important to a community and with such tremendous values in cash and securities exposed must continue to be left largely to its own devices for protection to the lives and property of those so engaged.

Have we not about reached the point when every state should have a system of state police or state troopers? I am informed that it has been the experience of states that have this system that it pays its own way by way of contraband property captured and fines imposed for violations of the traffic laws.

I wish to submit at this point certain figures compiled by the American Bankers Association showing the comparative losses by bank burglary and robbery in certain states having the state police system and in certain states which do not have such a system.

Ten states having state police, and in which are located 3,699 banks, during the two and one-half year period beginning September 1, 1929, had total bank burglary and robbery losses of $837,274.

Six states *not* having state police, and in which are located 6,264 banks, for the same period had total bank burlary and robbery losses amounting to $2,641,879.

In my opinion, and I think it is well borne out by the figures submitted, the banks and insurance companies of this country and particularly the middle west, are confronted with a very serious problem and the following plan is herewith submitted:

First. Burglary and robbery insurance and fidelity bond protection carried by the banks must be kept absolutely sound. This requires that the rates must be adequate. The rate must keep step with the losses. The load should be spread over a large area based on a large premium volume in order to avoid undue burden on any one state.

Second. The vigilante and county unit systems of protection and similar organizations should be maintained to the highest degree of effectiveness possible and some such plan should be adopted by the banks in all states not already so organized.

Third. Immediate steps should be taken by the bankers of each state to permanently organize for securing necessary legislation providing for the establishment of state police with which existing law enforcing organizations including the vigilante and county unit systems and similar organizations can cooperate.

Crime on Increase

Crimes of burglary, robbery and theft have increased 157 per cent in the past 15 years, according to available burglary insurance statistics covering the period of 1917 to 1931, inclusive.

By five-year periods the increases are as follows: 12 per cent increase from 1922 to 1926 inclusive over 1917 to 1921 inclusive; 18 per cent increase from 1927 to 1931 over 1922 to 1926; and 32 per cent increase from 1927 to 1931 over 1917 to 1921.

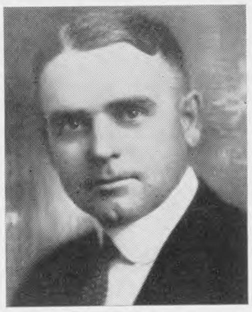
In the first five months of this year there was an increase of 22 per cent in the number of burglary losses over the corresponding period of last year, a 50 per cent increase over the first five months of 1930 and an increase of 73 per cent over the same period of 1929.

These figures are announced by James H. Coburn, vice president of the Travelers Indemnity Company, which is sending out notices to all holders of burglary policies asking them to take unusual precautions. It is asking householders to see that all windows and doors are locked securely, even when the premises are left unoccupied for a few hours, and it is asking business concerns whose paymasters and messengers transport sums of money to adopt various methods which might avoid holdups. The records of the insurance company show that during the past year there has been an increase of 20 per cent in the number of burglaries, robberies, thefts and holdups over the preceding year and a 55 per cent increase over the average of the preceding fourteen years.

The Modern Way

Salesgirl: And what kind of stepins would you like to buy, sir?

Customer: Like those the girl sitting there is wearing.—Exchange.



Nebraska News

E. N. VAN HORNE, President
Nebraska Bankers Association

WM. B. HUGHES, Secretary,
Nebraska Bankers Association

Consolidation Committee

The Executive Council of the Nebraska Bankers Association at a recent meeting acted upon the suggestion of President E. N. Van Horne and authorized the appointment of a special Committee on Reorganizations and Consolidations. The following have been appointed on this committee: Stanley Maly, vice president First National bank, Lincoln, chairman; R. F. Clarke, cashier Banking House of A. W. Clarke, Papillion; J. E. Conklin, president Hubbell bank; J. G. Lowe, president Farmers State bank, Kearney; P. B. Hendricks, vice president United States National bank, Omaha.

Concerning the objectives of this committee, and its duties, President Van Horne says:

"The reorganization and consolidation of banks in Nebraska is paramount at this time in supporting and maintaining the economic stability of our great agricultural state.

"In order to properly function, the committee appointed will be requested to make a thorough analysis of the banking situation in each county with a view of determining the number of banks necessary to adequately serve the financial needs of each town and rural community. Either before or after completing the study of our economic structure, it is hoped the committee will meet in an advisory capacity with the present officials of our State Banking department and the chief of our national banks for this Federal Reserve district, with a view of strengthening our banking structure in order that we can better meet present day demands and cope with economic changes over which we have no control. Particular attention will be directed to small towns having more than one bank but where all the financial transactions and total deposits are insufficient to justify and profitably support more than one financial institution. In the past, we as an association of bankers have been reluctant to offer constructive suggestions that might tend to reduce the number of member banks and curtail dues and other necessary revenues that support our organization."

At McCook

Roland Larmon, former assistant cashier of the First National Bank of McCook, Nebraska, has been elected by the board of directors to become cashier of the institution.

Mr. Larmon will fill the position left vacant by the recent death of W. G. Springer, pioneer banker who had served in that capacity since 1921. Mr. Springer died at Rochester, Minnesota, while serving as head of the First National bank.

The new cashier had served under Mr. Springer in the McCook bank since 1923. He took his training in finance under the late cashier while both were at the bank at Oxford.

Wants Highway Patrol

If Nebraska had had a state highway patrol such as is proposed in the initiative measure before the voters this fall, the Auburn bank robbers would not have succeeded in making their escape, Attorney General C. A. Sorensen declared last month.

"If the state had twenty-five or thirty men on such a patrol and its own radio, the call could have gone out to those men a few minutes after the robbery and to every constable police chief and county sheriff.

"Within a few minutes these forces could all have been converging on the scene of the crime, covering all routes. It is not likely that the Auburn robbers would have gotten away."

The attorney general says that is why the banks favor the proposed system. They believe it is the cheapest kind of bank robbery insurance.

Reopens at Bristow

The Nebraska State Bank has reopened its doors at Bristow, Nebraska. The bank has been reorganized with J. E. Olson, president; Geo. E. Anderson, vice president; Launce Gibson, cashier. The directors are Dr. G. B. Ira, Frank Talich, and Launce Gibson.

Will Liquidate

The Banner County bank at Harrisburg, Nebraska, will liquidate and surrender the charter to the state banking department, Lars Olsen, president, announced recently.

Stockholders have voted to waive their deposits until individuals have been paid in full. Mr. Olsen said if deposits of the stockholders were not equal to payment of 100 cents on the dollar, he would mortgage his extensive land holdings to pay the balance.

The reason for the voluntary liquidation, Oslen added, was due to the limited amount of business being transacted.

Resigns at Arlington

H. W. Schoettger, prominent Washington county resident, who had been associated for more than 40 years with the Arlington State bank at Arlington, Nebraska, resigned last month.

Mr. Schoettger was formerly cashier of the bank and has been a director for many years. He will retain his interests in the institution and will continue in charge of its insurance department for the time being.

W. T. Waldron, president of the bank, plans to move his family to Arlington from Omaha in the near future. L. D. Spaulding, of Omaha, who has been employed on a part time basis, will devote his full time to the bank in the future.

Trade Dollars as Souvenirs

W. C. Sutherland and Harold Livingston of the First National bank and James Winslow of Fairbury, Nebraska, are possessors of souvenir "Trade Dollars," issued during the depression of 1873. These are of especial interest now in the face of world wide consideration of silver and gold standards of value.

These "Trade Dollars" are similar in design to the standard dollar, but have the words ''Trade Dollar'' stamped under the spread eagle design. Authorized by congress in 1873, they were coined for five years to stimulate trade with the Orient in competition with Mexican dollars. Of the 36,000,000 coined, only a few remain in the hands of coin collectors. The rest were called in by congress in 1887, in exchange for standard dollars.

E. A. Wurster Estate

The estate of Emanuel A. Wurster, former director of the United States National bank of Omaha, was fixed at $316,053 in an inventory filed last month. This figure did not include real estate and consisted largely of industrial and governmental bonds.

To New York City

Raymond A. Baur, son-in-law of Walter W. Head, has resigned as president of the American Union Life Insurance company of St. Joseph, Missouri, in which Mr. Head has controlling interest, and the Baurs expect to make their home in New York City, where Mr. Head is president of the Morris Plan banks.

Mr. Baur's plans have not been announced. The Baurs will remain on the Head farm near St. Joseph this summer, going to New York in the fall.

Banker's Son Killed

Walter Abegg, 14-year-old son of Frank Abegg, Alliance banker, Alliance, Nebraska, was killed instantly last month when an automobile in which he was riding turned over into a ditch.

Sophia Lyle, 14, daughter of I. C. Lyle, Alliance hardware dealer, was injured seriously, and Mack Kennedy, 15, son of L. G. Kennedy, Denver banker, escaped with minor bruises and cuts.

Rolland Larmon Elected Cashier

At a meeting of the board of directors of the First National bank of McCook last month, Rolland Larmon was elected cashier to fill the office made vacant by the death of W. G. Springer, who ably served in that capacity for the past ten years.

Mr. Larmon has been with the institution for several years.

New Bank at Deshler

Organization of new state bank at Deshler, the Nebraska Security bank, which opened its doors for business last month, was announced by State Bank Commissioner Woods. The town has been without a bank for several months, since the Farmers' & Merchants' bank closed.

The new institution, capitalized at $25,000 with $5,000 surplus paid in, is not a reorganization of the old one but has an entirely new personnel of officers and directors. It is, in fact, virtually an expansion of the Farmers' State bank at Stoddard, in the same county, and the removal of that bank to the larger town of Deshler.

Ernest Pohlmann is president of the Nebraska Security bank; H. G. Schmidt, vice president, and A. C. Thornburg, cashier. These are the same officers who have been managing Farmers' State bank at Stoddard. Additional directors in the new Deshler bank are George E. Werner and W. J. Caughey.

The Farmers' State bank of Stoddard is liquidating it business and paying off all depositors through the new bank at Deshler. It had capital stock of $15,000 and surplus of $3,300.

Fiftieth Anniversary

The First National bank of Wahoo, Nebraska, celebrated its fiftieth anniversary last month. The bank is one of Nebraska's pioneer banks. Emil Placek is president.

CONVENTION DATES

The 1932 convention of the Nebraska Bankers Association is to be held in Omaha, November 3 and 4. The Stock Show, Horse Show and Rodeo will be in session at that time, and Omaha bankers are planning to use that feature as a part of the convention entertainment.

Dressler Honored

W. H. Dressler, cashier of the Stockyards National bank of Omaha was elected a director for three years of the National Association of Credit Men at the convention in Detroit.

On Vacation

F. H. Davis, president of the First National bank of Omaha, left last month with Mrs. Davis for Atlantic City where they will spend a month or six weeks.

Nebraska Discount Corporation

A plan to launch a state-wide credit association under the direction of the Nebraska Bankers association was worked out last month at Lincoln, Nebraska, when a group of representative Nebraska bankers met with President E. N. Van Horne and other association officers.

The organization, to be known as the Nebraska Discount corporation, will have an authorized capital of $1,000,000. This will make available under regulations of the Federal Reconstruction corporation, a total credit of $10,000,000 when the full amount of the capital stock is supplied.

Credit facilities offered by the corporation will be limited to the farming, agricultural and live stock interests of the state. Mr. Van Horne states that the corporation will be directly under control of the Nebraska Bankers association. Present plans call for the establishment of headquarters at Omaha, under the direction of William B. Hughes, secretary of the association.

Fifteen Nebraska bankers took part in the preliminary meeting held in Lincoln. These men named as an organization committee: Mr. Van Horne, president of the Continental National bank, Lincoln; Ford E. Hovey, Omaha, president of the Stock Yards National bank; Carl Weil, vice president of the National Bank of Commerce, Lincoln. Wade R. Martin, president of the Commercial Banking company, Stratton; and J. G. Lowe, president of the Farmers' State bank at Kearney.

News of the Omaha Stock Yards

Holding the Gains

Recent betterment of live stock prices, reflected in sales of nearly all well finished classes of stock on this and other markets this month at prices considerably higher than at any time for weeks if not months past, have been satisfying and gratifying to producers, packers and everybody with an appreciation of what they mean to the live stock and industry as a whole and to the general welfare and prosperity of the country. But the gains which have been recorded will not create any false optimism if the lessons have been as well learned as they should have been by all concerned.

Rather than anticipating uninterrupted continuation of the high swing, those engaged in the various phases of the industry will concern themselves more with stabilizing price schedules at somewhere near present levels until such time as it is apparent that the general industrial, commercial and economic conditions of the country have hit an equal pace and confident stride. Then if the gains made are further extended there will be all the more reason for satisfaction and rejoicing, while if setbacks and reverses due to increasing runs at market centers or other causes are experienced, as may prove the case, they will occasion less disappointment and uneasiness than if producers had keyed themselves up to expectations not warranted by underlying facts and conditions.

One of the things which lies within the power of stock growers and shippers to do to help stabilize prices at or near current improved levels is to check the "direct" buyer off their list and to sell their stock exclusively on the open, competitive public market. Only by such a policy it is possible for producers at any time to keep the general market at its highest possible levels.—*S. St. Paul Reporter.*

Hogs Advancing

The biggest step toward a return of better conditions thus far noted in 1932 is the rise in the price of hogs the past few weeks. The price of cattle has been pretty well maintained on a decent level, too. If that upward trend continues another month without any backward step thereafter, then politicians and platform makers can "resolute" all they want to about the cause and cure of depression; the question will be practically solved through the rise in the live stock market.—*Sac City (Ia.) Sun.*

Live Stock the Leader

The current rise in live stock prices may eventually turn out to be one of the most important bits of news of the whole summer.

No really healthy national prosperity is possible without sound agricultural prosperity. The one glaring defect of the boom days of 1928 and 1929 was the fact that the farmer was not getting his due share of profits. If, at last, agriculture is going to return to a decent level of financial health, the effects throughout the nation should be profound.

It is perhaps too early to hail the upward movement in live stock prices as the beginning of a lasting, nationwide revival. But if it endures throughout the summer, there is little doubt that it will mark the beginning of the end of the depression.—*Fremont (Neb.) Tribune.*

Better Dairy Methods

How good management methods affect income from the dairy herd is shown by comparisons of two Clayton county herds compiled for the dairy extension service at Iowa State college by Ray Lange, cow tester.

One herd of 11 cows at the County Asylum produced 3,649.8 pounds butterfat valued at $960.49 during the past year. The total feed cost was $673.57, leaving an income above feed cost of $287.92. Average butterfat production per cow was 331.8 pounds. Another herd of 20 cows at the Clayton County Home produced 4,667.3 pounds butterfat valued at $1,217.09. The feed cost was $929.35, making an income above feed cost of $287.74. The average butterfat production per cow was 229.9 pounds.

The smaller herd, with nine fewer cows, produced an income above feed cost of 18 cents more than the larger herd, because of its lower feed cost per pound of butterfat produced. It put 1,000 pounds less butterfat on the market but made practically the same income as the larger herd. The larger herd consumed 10 tons more hay, 20 tons more silage and requiring about 10 more acres of pasture in addition to above twice the labor of the smaller herd.

These two herds, according to extension dairymen, illustrate the value of "fewer but better cows."

Bumper Corn Crop

Nebraska's corn acreage is the largest on record, according to a report released last month by the state and federal division of agricultural statistics.

Indications of one of the largest corn crops in the state's history were shown in the July crop report. The same report indicated one of the state's smallest yields of winter wheat.

Nebraska's present corn acreage is placed at 10,845,000 acres as against 10,042,000 a year ago and a five years' average of 9,356,000 acres. The forecast for corn production in the state this year is 281,970,000 bushels, as compared to 170,714,000 bushels produced last year and a five-year average of 224,658,000 bushels.

Condition of corn is reported generally good throughout the state, although additional moisture is needed in the panhandle. There is said to be more late corn than usual, due to the late planting made necessary by heavy rains. The record high acreage of corn is believed accounted for largely by the heavy abandonment of wheat.

Federal Land Banks

The federal government now owns the major part of the stock of the 12 Federal Land banks, according to figures released recently by the Federal Farm Loan board at Washington, D. C. At the close of 1931 these banks had practically repaid the government subscription to stock of approximately $9,000,000, made when the banks were originally established, for it held only $204,698 and this was limited to stock in two banks. In January, this year, Congress appropriated $125,000,000 to be used by the United States Treasury to invest in the stock of the 12 Federal Land banks.

In February, $63,243,740 of stock in the 12 banks was subscribed by the Secretary of the Treasury from the appropriation made for this purpose. This was followed in April by another subscription amounting to $11,000,000. The last subscription, aggregating $50,756,260 and made at the end of June, brought the Government's investment up to approximately 65 per cent of the total stock outstanding. Although this stock is owned by the Government, it has no voting privileges. It changes the ratio of capital to bonds outstanding from 1 to 18 (as of December 21, 1931) to 1 to 6, thus greatly improving the position of the banks and the bondholders as well as making funds available to loan to farmers on long-term amortized first farm mortgages.

Complete data regarding the ratio

between total stock and total bonds outstanding subsequent to this last subscription made by the Treasury are not yet available for the individual banks. The effect upon this ratio may be indicated, however, for the different institutions, by adding the stock subscribed in June to the stock outstanding May 31 and comparing this total with the bonds outstanding on May 31. On this basis the ratios for the 12 banks are as follows: Columbia, 1 to 3-5; Spokane, 1 to 4.7; Berkeley, 1 to 4.8; St. Paul, 1 to 4.9; Springfield, 1 to 5.1; New Orleans, 1 to 5.7; Baltimore, 1 to 6.2; St. Louis, 1 to 6.7; Wichita, 1 to 7.1; Louisville, 1 to 7.7; Houston, 1 to 8, and Omaha, 1 to 8.4.

Central Hanover Statement

The Central Hanover Bank & Trust company, in its statement of condition as of June 30, 1932, reported total assets of $660,658,741. Cash on hand, in Federal Reserve bank and due from banks and bankers, $116,432,011; U. S. Government securities, $216,432,-884, and loans and bills purchased, $222,736,225.

Capital funds totaled $91,119,468, including $21,000,000 capital stock; $60,000,000 surplus, and $10,119,468 undivided profits. Deposits aggregated $530,773,953. The bank paid a quarterly dividend of $1,575,000 on July 1.

Dividend Changes

Unfavorable dividend changes in June, totaling 476, were the highest of any month of the depression, according to the Standard Statistics company, New York. Total for May, 1932, was 235 and for June, 1931, 307.

Dividends reduced in June were 257, against reductions of 149 in June, 1931, while dividends passed totaled 219, against 158 in June, 1931. For the first six months of 1932 the total of unfavorable dividend changes was 1,843 against 1,144 in the first half of 1931. Reduced dividends were 822 against 457, and passed dividends were 1,021 against 687.

Total favorable dividend changes in June amounted to 48 against 110 in June, 1931. Increased dividends totaled 3 against 7; resumptions were 4 against 8; extras, 24 against 74, and initial dividends, 17 against 21. For the first six months of 1932 total favorable changes were 285 against 565. Increases were 19 against 62; resumptions, 55 against 28; extras, 152 against 359, and initials, 59 against 116.

Nature is religious only as it manifests God.—Hopkins.

Colorado News

New Bank at Loveland

A deal has been consummated whereby a new banking organization chartered as First National bank in Loveland has acquired the First Naitonal bank of Loveland, Colorado, and the new bank is now serving the public in the quarters occupied by the old bank.

A. D. Calkins has been elected executive vice president of the new institution and had the cooperation, in effecting the new organization of W. E. Letford, well known banker of Johnstown and Longmont, now president of the Poudre Valley National bank, of Fort Collins, an experienced bank examiner.

J. B. Byars, of Denver, director in the J. C. Penney company, and former chain store owner, is a prominent stockholder in the new bank.

The new bank will have a capital stock of $50,000 and surplus of $50,-000 fully paid up with cash. Its officers are D. T. Pulliam, president; A. D. Calkins, executive vice president; Don Foote, vice president; Ramon Handy, cashier, and W. L. Tharp, assistant cashier. Directors are D. T. Pulliam, Hugh Scilley, F. M. Waggener, D. F. Foote, A. D. Calkins, Ralph Little and Ramon B. Handy.

The new institution takes over only the liquid assets of the old one, the sum put in by the stockholders of the old bank and new capital subscribed in cash approximates $225,000 and gives the community an institution with 100 per cent liquid assets. The old stockholders will also retain ownership of the bank building, the new bank leasing the bank quarters for a period of years, and owning only the furniture and fixtures.

Agricultural Loan Co.

Arrangements are practically complete for the organization of the new Center Agricultural Loan Co., at Center, Colorado, which will take over the assets and liabilities of the People's State bank, which was recently closed and placed in the hands of the state banking examiner.

A committee of bank officials and citizens of Center has been interviewing depositors of the closed bank, and the large majority have signed an agreement. According to the terms of the agreement, depositors will receive stock in the new credit company for one-half the amount of their deposits, the remaining half to be represented by debentures.

R. A. Allison, cashier of the People's bank, will be in full control. The bank building will be occupied as quarters.

Over Three Million in Banks

Bank deposits totaling $3,000,882.25 are in the three banks of Fort Collins, Colorado, according to reports as of June 30th. Of the total, $1,602,253 are in time deposits, and $1,398,692.11 in demand deposits.

Deposits compare with a total of $3,358,986.63 six months previously. Traditionally, summer deposits are lighter in Fort Collins banks because in the winter crops have been marketed and money deposited until needed for summer production.

Goes With R. F. C.

George A. Gribble, formerly associated with the State bank of Sterling, Colorado, before its consolidation with the Security State bank left recently for Denver, where he will be associated with the Reconstruction Finance Corporation of the federal government for several months. Mr. Gribble has been associated with the State Bank of Sterling since its organization.

How the Omaha Livestock Exchange Is Operated

(Continued from page 6)

of existence of the Exchange no shipper to a member firm has ever lost a dollar through the failure of a firm to remit the proceeds. This in itself is a wonderful record.

When one thinks of the experience necessary to sort and sell live stock on this market, the fact that these salesmen are out in all kinds of weather matching their wits with the best talent the packers and other buyers can produce, it is really remarkable to think of the small remuneration which the commission firm receives for their services. Many of the salesmen on this market have spent their entire lifetimes in the trade, and as you no doubt know, salesmen are born and it is not a matter of selecting one individual and making a salesman out of him. They must have the knack of trading and be wonderful judges of human nature in order to say "yes" and "no" at the proper time.

Omaha is justly proud of this market, of the class of people associated with the Omaha Live Stock Exchange, and when you consider that they have no written contracts in our sales; and that a nod of the head or a wave of the hand means the consummation of a trade to the extent of a million dollars or more each working day, and in addition to this, that there were only two disputes to arbitrate in the year 1931, you will realize the class of people they have associated with the Exchange on that market.

Kansas News

Announce Bank Officers

Directors of the Lyons Exchange bank, at Lyons, Kansas, recently consolidated with the Peoples State bank, announced last month the following new officers:

J. H. Eble, president; C. T. Grizzell, vice president; H. G. Doddridge, active vice president and secretary; C. W. Shenkel, cashier; W. S. Strickler, assistant cashier; Sam Plank, bookkeeper; Stanley Wiggins, assistant bookkeeper. Mr. Doddridge is on leave of absence for the present. Messrs. Eble, Doddridge and Plank are of the old Exchange bank force, and Messrs. Grizzell, Shenkel, Strickler and Wiggins are of the Peoples bank.

32 Millions in Wichita Banks

Deposits in the five national banks of Wichita at the close of business June 30th, as shown in their statements to the controller of the currency, was $32,070,921.38.

The following items are taken from the statements made by the five banks:

First National	
Loans and discounts	$ 2,612,936.35
Cash and sight exch'ge	17,072,496.61
Deposits	18,320,803.72
Fourth National	
Loans and discounts	$ 4,927,828.46
Cash and sight exch'ge	4,056,758.65
Deposits	10,885,856.49
Southwest National	
Loans and discounts	$ 295,936.96
Cash and sight exchange	1,161,446.68
Deposits	1,204,252.68
Union National	
Loans and discounts	$ 535,599.95
Cash and sight exchange	797,851.85
Deposits	1,127,988.52
Union Stockyards National	
Loans and discounts	$410,970.41
Cash and sight exchange	146,953.81
Deposits	532,019.97

Move Weskan Bank

The Weskan State bank in Wallace County, Kansas, has been moved to Sharon Springs, county seat, and opened with the capital raised from $10,000 to $20,000. F. J. Dechant will be cashier of the new institution, to be called the Peoples State bank.

Is New Director

James V. Leydig was unanimously elected director on the Kansas State Bank Board at Newton, Kansas, to fill the vacancy caused by the death of the late J. G. Regier. The election took place at the regular semi-annual meeting of the directors.

Elected Director

Charles E. Phillips has become a member of the board of directors of the Greensburg State bank, at Greensburg, Kansas. He takes the place made vacant by the recent resignation of R. F. Brock, who went to Sharon Springs to become president of the bank there.

Mr. Phillips is well known in business circles, having been in the hardware business in Greensburg for many years.

Merger at Hill City

A bank merger at Hill City, Kansas, became effective in Graham County when the Graham County bank and the American State bank, both of Hill City and the Penokee State bank at Penokee formed a new organization known as the Consolidated State bank of Hill City with a capital and surplus of $35,000. The new board of directors are L. Messick, Dr. I. B. Parker, C. L. Kobler, I. R. Mort and Charles Sperry. Messick was chosen president; I. R. Mort, vice president, and J. C. Herman, cashier.

With R. F. C.

J. N. McMichael, well known Chetopa, Kansas, man, and cashier of the Frist National bank there, has been appointed to the position of field representative of the loan agency of the Reconstruction Finance Corporation. The appointment of Mr. McMichael came from Roy L. Bone, former state bank commissioner of Kansas, and who was recently named as the manager of the organization in the Tenth Federal Reserve district. Mr. McMichael's work will be with closed banks. He will have all of Kansas and the western tier of counties in Missouri, where the loan agency has been functioning.

New Fixtures

The fixtures from the Elmo bank were moved to Hopes, Kansas, recently and are being installed in the First National bank.

Receive Gold Passbooks

George Jerome and Margaret L. Caplis have received gold passbooks from the Detroit (Mich.) Savings bank "in appreciation of more than fifty consecutive years of banking relations" as the bank's two oldest active depositors. Mr. Jerome is a nephew of George Jerome, one of the early directors of the bank.

Gold Exports

Gold exports from the United States in June totaled $222,285,600, against imports of $17,398,000. Earmarked holdings showed a net increase during the month of $28,638,500, causing a loss of $233,526,100.

Duquesne Light Company

Net earnings of the Duquesne Light company for the twelve months ended May 31, 1932, totaled $17,596,898, compared with $18,472,313 in the corresponding period a year ago. Preferred dividends amounted to $1,375,000; cash common dividends to $8,549,297; common stock dividends to $1,063,120, leaving a surplus of $2,211,010 on May 31, 1932, compared with 3,773,750 on the corresponding date a year ago.

The Omaha National Bank

ALWAYS
AT YOUR SERVICE