

# CENTRAL WESTERN BANKER

*Omaha*

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*July*

*1933*

# CONFIDENCE

## BUILT ON PROTECTION OF DEPOSITORS



Seventy years ago, 1863, this bank was nationalized. Since that time Omaha has grown from a frontier town to a leading city of the nation.

The First National Bank prizes its close association with the growth of Omaha and its trade area. This association has been testimony to the confidence which our many customers have in this bank. The measure of their confidence is apparent in the fact that many individuals and banks have been our customers for twenty, thirty, forty years—and some for fifty years.

When you are in Omaha, please  
make our bank your Omaha  
headquarters.

# FIRST NATIONAL BANK OF OMAHA



# CENTRAL WESTERN BANKER

410 ARTHUR BUILDING  
OMAHA

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## The Teller Tells the World

By C. W. FISHBAUGH

ON LOOKING back it is interesting to note the increase in hoarding during the fall of '32. There was an increase in hoarding of \$20 bills of nearly 25 per cent. The increase of \$50 bills by 70 per cent. \$500 bills nearly 3½ times. \$1,000 bills three times and \$5,000 bills nearly 1½ times. Thus it seems clear that it was not the small hoarder that was causing the panic, but the rich hoarder. For why should there be an increase in \$500, \$1,000, and \$5,000 bills when there is little practical use for bills of this size. Bootleggers and crooks use them, but surely there was not that big an increase in crime last fall. It means only one thing—that the rich gentry were hoarding money, not because it was currency, but because it was the quickest asset in the world.



HERE'S the kind of news I've wanted to break for a long time. The fourth assistant postmaster general ordered a fresh supply of pens to be made available at all postoffices. The department normally uses 4,557,600 points per year. And that's a lot of pen points. Ask the man who scratches with one. The above goes to show that the postoffices are in competition with banks for the roughest writing pen in their lobbies.



ALTHOUGH different from the book, this incident might have been called "A Great American Tragedy." In 1795 James Swan, a millionaire of Boston, paid the entire American National debt to France out of his own fortune. Later he was jailed by the French for debt and spent the last 22 years of his life in prison. Let any Frenchman do the same with the money they owe us, and we'll guarantee to keep him out of prison.



FROM our own mail bag (letter from a city firm regarding the charge on their local account):

"Oh, Mr. Banker, what a charge you are putting through on the collection of those checks. If you have been getting away with that kind of charge against the Blank Co. you are just good, that is all. We certainly would never stand for that sort of thing. In these days, you know, one cannot afford that kind of extravagance, but it's your baby and you can handle it as you care to, and we will make our decisions according to your own viewpoint."

Well, the baby was a foundling, but he's growing up with us. The charge we asked for—the collection of the firm's transit items—was declared by our city correspondent to be fair. Yet, because the country banker is supposed to be a "Big Hearted Charlie" and furnish 100 per cent free service, when a reasonable charge is made they think it's treason.



BUGS BAER, speaking of the floppification of the master minds of finance: "There was Ezra Karoot, who ran a shoestring into a national chain of volcanic banks. Where is Ezra now? He is in a cool spot waiting for the evening mail and hoping it doesn't arrive." To me, that's a good description of some of our famous men. They left everything behind to hide in some far off place. Nothing to look forward to, not even the "evening mail."



I REMEMBER when we had a new clerk in the bank. He opened a letter from the Federal Reserve Bank which had in it a card saying that because of Washington's birthday the bank would not be open on Monday. The clerk let out a shout of joy: "Looka, boys," he yelled, "an order from the Federal Reserve Bank saying we have to close on Monday."



WE'VE all heard of the richest country in the world, the richest man in the world, etc. But now comes the richest spot in the world. It's located right in our own depressed country. In the United States Treasury there is 40,000 gold certificates stacked up, their total value is only \$400,000,000. Wouldn't that be a nice spot to spend a vacation?



BANK bandits should learn more about handling explosives. A bank in Missouri was looted, but what a job! The bandits used too much "soup" and the explosion demolished the bank building and several adjoining buildings. So, now's the time to join the B.B.B. (Bigger and Better Bandits).



AT A BANKER'S bridge party recently the prizes were according to the times. High score was a 49c shirt, low score was a pair of shoe strings. (I came very close to having new shoe laces.) There was almost trouble; someone stole the shirt from the car where it was left, and the host thought he was going to have to give the shirt off his back. Now that would be a real prize.

**T**HE EASY money boys pulled a new stunt in our town. It may not exactly be a new stunt, but it was new enough to work here. A gentleman entered a store, bought some goods, and offered a five dollar bill to the clerk. The clerk accepted it and made the change. A little later, reaching in the cash register, he picked up the bill again, and to his surprise noted it had turned into a one dollar bill. That wasn't the way any self respecting bill should act, so he examined it closer. To his grief he found that what he had was the face of a five

dollar bill and the back of a one dollar bill very neatly glued together. On two such transactions the crook would make four dollars. He evidently believed in small returns and quick get-aways as only one bill was passed in our town.



**T**HE LINCOLN ELECTRIC CO. of Cleveland forged a check, and it was legal. The check was made with an electric arc on a 24 inch steel plate; it weighed about 12 pounds (think of filing a bunch of checks like that). The

check was for \$7,500 and was written this year. As the check was a little too big for the cancelling machine it had to be marked paid in a different manner, so they used a sub-machine gun!



**H**OW TO make easy money has always been the topic of much discussion. The best way is now offered by a friend: "The only way to make easy money," he says, "is to convince another fellow that he's going to." In a case like that, I'll stick to making hard money.

# United Investors Corporation Makes Successful Record

**O**NE OF the most interesting and substantial records of the latter depression months and early inflation months, of any of the prominent investment groups, has been that made by the United Investors Corporation, under the sponsorship of McMurray, Hill & Company, well known investment banking house of Des Moines.

This corporation, founded about a year ago, made a surprising performance by earning and paying steady 8 per cent dividends during the last six months of 1932, and the record of that period has now been further enhanced by continued dividends of 8 per cent during 1933, plus extra dividends. Directors of the corporation on June 16, besides the regular quarterly dividend, voted an additional disbursement of one cent per share to all stockholders. In addition, the corporation decided to issue rights to stockholders to subscribe for additional shares of the company's capital stock on a preferential basis. These rights were issued on July 1 to stockholders of record on June 24.

During the recent inflation months, the holdings of the corporation have had a very substantial appreciation, both in realized cash and in market values of securities in the portfolio. Directors hold that the major secret of the group's success has been the flexibility of its portfolio and the careful management exercised in the placing of its funds. All assets are kept as liquid as possible at all times, and shifted rapidly to meet chang-

**Investment Corporation,  
sponsored by McMurray,  
Hill & Co., Des Moines, con-  
tinues usual dividend, plus  
extras, during past twelve  
months**

ing conditions. During the bank holiday more than 85 per cent of all its funds were in United States government bonds and cash. Today this has been shifted until a majority of all assets are stocks of basic corporations. Officers feel that with the changing picture in business and government, such flexibility is essential to investment success. The plan is almost diametrically opposed to the old idea of the fixed-type trust which was popular several years ago.

McMurray, Hill & Company, who have sponsored United Investors Corporation since its inception, are well known in the investment field in the midwest.

Luther L. Hill, president of the corporation, is temporarily connected with the self-liquidating division of the Reconstruction Finance Corporation, at Washington, D. C., having been given a leave of absence from his company to fill that position.

Mr. Hill is a native of Alabama, a graduate of the state university of Ala-

bama, and a graduate of the United States Military Academy, in 1921. He entered the investment business soon after graduation from the military academy, and left a position as sales manager and secretary of the Harry H. Polk Investment company of Des Moines to become associated with Mr. McMurray in McMurray, Hill and Co., in 1928.

Mr. McMurray, secretary of the firm, has been active in investment and banking circles in the middle west for several years. He is a native of Iowa, a graduate of Grinnell College, and was with the bond department of the Des Moines National Bank for several years after leaving college. He left a position as vice president of the Des Moines National Company and manager of the bank's bond department, to enter the firm of McMurray, Hill and Company, at its inception.

Few if any investment houses in the middle west can present a better record of successful financing than McMurray, Hill and Company. During the past five years the firm has sponsored several highly successful flotations, including that of the Viking Pump Company, Knapp Monarch Company, and Katz Drug.

The sponsorship of United Investors Corporation will profit from the valuable financial experience that McMurray, Hill and Company have acquired from previous financing, and will require the same type of conservatism that has featured all the preceding management of this firm.



# WHAT THE PEOPLE EXPECT OF THE BANKERS

**Y**OU BANKERS, city and rural, are the men who have been and are now out on the firing line, making the fight to protect the business of your communities—the savings of your people. You are the men who have taken much of the losses. You have been the community shock absorbers, and while a good many of you have been crushed because you have not been able to absorb the entire shock for your communities of this unprecedented nationwide business disaster, the battle that has been made, that you have made, has been heroic. In many cases it has been self-sacrificing to the point of tragedy. I believe that when this depression is over and the people have a chance to look back upon it in the reflection of better understanding of what happened, the part taken by the city and rural bankers in carrying the load and assuming the losses will be more and more appreciated.

## Banks on the Spot

I am not a banker myself, and have no interest in the banking business, but I know considerable about it from observation. I know when times are good, loans are made on security that at the time was ample. Banks furnished new capital for those who could use it, taking as security the kind of property common in the community. If it was a rural community, the security was land and chattels. If it was in a village or city, the security was merchandise or collateral related to the business life of the community. The system was natural and had its origin in community life and activity. In normal times, the system worked well. The banks gathered up the surplus money of the neighborhood, paid for it and diverted it to those who could use it advantageously. It is the system that built the business life of the country. But depression changed this. Security values were undermined, and in many cases destroyed. Good notes turned to poor, and in many cases to worthless notes and in any event became uncollectible. So the situation that rapidly confronted the banker was this—his as-

sets were frozen but his deposits, when due, were payable in cash on demand. The bankers were called upon to pay promptly what they owed, but few if any note makers were able or expected to pay what they owed to the banks. It was a situation that put the banks on the spot. It presented a problem harder to solve than the problem presented to any other business men in the depression. It was the problem that faced you men. I want to pay the tribute of my respect not alone to those of you who were able to successfully meet the situation, but to those, who in spite of sacrifice, had to give up the struggle.

## The Future?

However, the important thing now is, "What is the future of banking?"

Perhaps an outsider, a man not in the banking profession, but a man whose business it is to observe, can offer some suggestions of value.

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**Mr. Jones gave this address last month at the annual convention of the South Dakota Bankers Association. He points out two things that people expect of their bankers--First, Safety and Second, A Loan Agency.**

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First of all, I think that bankers should be putting in some time planning the future of banking—what it is to be. Certainly there is going to be a great change in banking, perhaps a greater change than that affecting any other business. Deposit losses have turned the attention of the people to banks and banking. We might say the people are bank-minded as they have never been before. Whether or not the changes are wise and constructive is going to depend largely on what you bankers do—what changes you yourselves make or assist in making.

## Safety

What is it that the people want above all things in a banking system?

1. They want safety.

There must be a place in every reasonably sized community where the people can safely leave their savings, where they can get them when they want them. Few people know how to invest what they save. They know how to earn money, but they do not know how to protect it in an investment way. The easy and natural investment for the average man or woman is a Certificate of Deposit in the neighborhood bank. That bank must be safe.

Preferably the bank of the future should continue a private business institution and not be a department of the government. What can bankers themselves do to maintain such a banking system?

Work for fewer and better banks.

Insist that banks have larger capital.

Insist that only better trained men be permitted to enter the banking business.

Insist on better banking methods.

You yourselves demand that banks be prohibited from making capital loans. That there be more amortization of loans, that is, that people be taught or encouraged to make regular payments on loans as a prerequisite to making the original loan.

## Loan Agency

2. The second thing the people want in a bank is that it function at all times as a community loaning agency, a place where a man entitled to credit can go and get it.

Through no particular fault of banks, but because they have not been organized for such an emergency, the depression put practically all banks out of the loaning business. Inability to get loans has paralyzed all business. But the banking system of the future has got to be so built and organized that even depression cannot strangle legitimate and safe borrowing.

Those are the two things the people are demanding in a banking system. If

you bankers do not solve the problems yourselves, the politicians are going to try and solve them—and you know what that means.

There are some great and far reaching changes now under way that are going to profoundly affect the whole business of banking—whether for good or bad, I am not prepared to say.

It is going to be harder for banks to make money than it has been in the past. This means that safe banking is more than ever to be essential to profits and banking strength.

#### Many Changes

What are to be the changes in the Federal Reserve system?

What new relationship, if any, is there to be between the government and the banks resulting from monetary system changes?

What business is going to be left for the banks with the government in the postal savings business and taking over the bulk of the chattel, real estate and big security loans of the country?

Are all the banks of the country to be forced into the Federal Reserve system

by the new bank bill just passed by Congress, and what is to be the effect upon state banks that do not or can not join the system?

The day of the \$10,000 bank is over. The people are going to forbid the establishment of a bank with less capital than it takes to buy a good farm.

Banking is a profession calling for trained ability and experience. The time is past when a retired farmer or a defeated county treasurer can get a few neighbors and friends together and start a bank.

# The Small-Town Bank Cashier— WHAT A MAN!!

#### Banker:

No side whiskers or side burns, but probably a young fellow in his thirties trying his best to get along. He makes the loans and tries to collect them when they come due, he stands at the window and smiles whether they bore him to death with their gossip and small town stuff or not.

#### Lawyer:

If Mr. Doe gets into a jam, he comes to his banker to ask the best way out, because he knows the advice is free and will save him an attorney fee.

#### Auditor:

If the country school district or the Ladies' Aid Society fail to balance the books at the end of the year, who could be a better fellow to come to than the village banker? Let him spend an hour poring over their mistakes. Why worry, he will find all the errors.

#### Public Bookkeeper:

Supposing Mrs. Smith, the newly elected Treasurer of the Parent Teacher's Ass'n, doesn't know the difference between a Debit or a Credit. The cashier will be glad to explain it in detail.

#### Janitor:

When he opens in the morning he sweeps out and dusts if he can find the time, opens and shuts the windows etc., etc.

#### By T. E. HATTEL

*Cashier, State Bank of Surprise, Nebraska*

#### Teller:

He writes the drafts, overcomes the objections of the customer to the charge of ten cents for this service in a tactful manner, makes change for the merchants who accept it as a matter of course thinking perhaps that change grows on a bush and all the banker has to do is pick it off.

#### Public Office Holder:

He goes faithfully to the meeting of the Village Board and the School Board when perhaps after a hard day at the bank he would rather stay at home with his family and read.

#### Adviser to Widows and Orphans:

When father dies, the first person to look to for sympathy is the Village banker, and if Daddy was so fortunate as to be able to keep up his insurance, why of course Mr. Cashier would be glad to make out the proofs of death without charge, even on a Sunday morning in the wintertime with no fire in the bank.

#### The Directors:

And in general, dealing with your board of directors, who are generally made up of retired farmers or Village business men, who the cashier knows have not been any too successful with their own investments. When he walks into a board meeting and says, "Gentlemen, I have here a list of notes that total perhaps three or four hundred dollars that I have made a mistake on, and it is the opinion of the examiner and myself that they should be charged off," then watch the eyebrows go up and hint that a bank cashier should be perfect and never make a bad loan. If a credit man could be found that would never make a mistake he could command any salary that he might name.

When you turn down a check on account of insufficient funds and have some good director come to you the next day and say, "Why, Mr. Jones is absolutely all right. What do you mean by refusing payment on his check?"

Then after they have laid the last straw upon the camel's back and the cashier says, "Gentlemen, I think that perhaps it would be better if you had a new cashier, as I do not seem to be able to please you." Then the good directors back down and make their excuses and the sun shines again. Everything is lovely until the next board meeting. They go further and say, "John, we think that you had better take a couple of weeks off and go fishing. Then perhaps you will not be so bitter."

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**Banker, lawyer, auditor, public bookkeeper, janitor, teller, public office holder, advisor to the widows and orphans, and what have you. Truly, what a man!**



# An Analysis of Commercial Accounts Absolutely Essential to Sound Banking

**A** BANK to be a safe place for the depositor's money must not only be liquid, but it must be operated at a fair profit.

Ten or fifteen years ago most banks thought their major profits came from their commercial deposits. Years of experience by those that have made an exhaustive study of the subject show that the commercial department in the average bank operates at a loss. The most valuable service that a bank has to offer the public is being furnished at a loss in many cases. Detailed and accurate departmental analysis in several hundred banks in the middle and northwestern states brought out the surprising fact that:

65 per cent of these banks showed a loss in their commercial department.

25 per cent showed a small profit, and 10 per cent show a satisfactory profit, ranging from 1½ per cent to 2 per cent net profit on the average daily balance of their commercial department.

## Monthly Service Charge

What measures have banks taken to correct this unsatisfactory condition?

First came the 50 cents monthly service charge on checking accounts, where the balance does not average \$50 for the month. This helped the situation some and was a step forward, but it left the bank with many unprofitable accounts. In many cases it also showed unfair treatment to depositors having nearly the same average balance. For example, you have a customer that has an average balance of \$49, who draws 3 checks, you charge him a service charge of 50 cents. This charge is O. K., and should be made for it costs any bank at least 50 cents a month to handle an account of this size and activity. You have another customer that has an average balance of \$51 and drew 150 checks under this plan but he does not have to pay any service charge. This surely is unprofitable business for the account with the average balance of \$51 and drawing 150 checks will, on analysis, show a monthly loss in excess of \$5.

## Measured Service Charge

Next was the measured service charge which provides for the same flat charge of 50 cents where the average balance is below \$50 and in addition to that cost a charge of 4 cents a check is made for every check drawn over one free check, allowed for each \$10 average balance shown on the account. This is the fairest service charge made by the bank, for the charge is as the name indicates "Measured" and the customer pays for the amount of service received.

Minneapolis banks operate under the following Service Charge schedule on checking accounts:

	Per Month
Average balances less than \$100....	\$1.00
Average balances between \$100 and \$200 .....	.75
Average balances between \$200 and \$300 .....	.50

In addition to these charges, a charge of 4 cents will be made for each check in excess of twenty-five paid in one

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**An address by R. W. Putnam, of the First Bank Stock Corporation of Minneapolis, before the recent convention of the American Institute of Banking in Chicago. We are giving Mr. Putnam's talk in full, and recommend its study by every banker who is seeking to make a fair profit for his institution.**

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month on all accounts with average balances less than \$300.

While the measured service charge will eliminate quite a percentage of the losses in commercial accounts there will still remain many accounts which an analysis will show are being operated at a considerable loss to the bank.

## Analysis of the Accounts

The first requisite for a bank that is to make a practice of analyzing its ac-

counts is to determine the costs to be used in the account analysis. It is through a departmental analysis that we obtain our cost figures. These give us the information on which to build our commercial account analysis. Only a short time ago it was thought that it was not feasible for banks to follow a standard form of analysis in analyzing checking accounts. The idea being that each bank or locality should work out a form of analysis particularly adaptable to its own needs. Now, I believe, the majority of bank auditors, comptrollers, and bank analysts believe we should work towards a standard form of analysis. At the present time the National organization of bank auditors have a special committee which is working out a standard form of analysis. Some one has said there are nearly as many forms of analysis as there are banks.

The forms we use in our affiliate banks are Analysis of Account, form Z 107-F B S, which is a card five by eight inches printed the same on both sides and provides for eight months of analysis, and Form Z 16, being a work sheet on which is kept a record of the float deposited during the month. These forms are being used by between 400 and 500 banks in the 9th Federal Reserve District, and they have been approved and recommended by the Minnesota and North Dakota Bankers Association.

When costs including overhead, loan cost, deposits, us checks, transit and clearings have been determined in the bank and the average earning rate from invested funds arrived at, we use the Analysis of Account card, Form Z-107, as follows:

1. Figure the average daily balance for the month of the account to be analyzed and place in first column.
2. Deduct from this (if a National Bank) the 7 per cent required Federal Bank reserve. If a State Bank, then use the reserves required under the State banking law.

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# You Will Want To Read About the NEW INCOME TAX PROVISIONS

THE INCOME tax law has just come in for some very important revisions. Individuals, partnerships, corporations—all have been affected. The purpose of the changes has been twofold. First, more revenue; second, plugging loopholes. Both these aims are readily understandable in the light of the increasing financial requirements of the Government and recent disclosures of tax avoidance or evasion, as you will. Let us march the newcomers before the reviewing stand and see what they look like.

## Tax on Dividends

Perhaps of outstanding importance is the new tax on dividends. In addition to the surtaxes otherwise payable on dividends, there is now imposed a 5 per cent tax on the amount of all dividends declared and received after the date of the enactment of the Industrial Recovery Bill (at this writing, awaiting the President's signature). Though the tax is imposed on the recipient of the dividend, it is to be deducted from the amount of the dividend by the corporation paying the dividend, and paid by the corporation to the Government. In this way, collection from stockholders abroad is automatically assured.

The tax is technically an excise tax rather than an income tax. It is imposed on the right to receive the dividend. The recipient of the dividend will therefore be able to take the amount of the tax as a deduction of his income return. Here is the way it will work: Suppose an individual is entitled to a dividend of \$100.00. The corporation will withhold 5 per cent, or \$5.00, and pay the \$5.00 to the Government. The remaining \$95.00 will be paid the stockholder. In the stockholder's income tax return, \$100.00 should be reported as income from dividends. This will be subject to surtax only. The \$5.00 should be entered as a deduction for taxes paid. This deduction will reduce not only the surtax otherwise payable but also the normal tax. The saving in

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normal tax will thus be something the stockholder can salvage from the 5 per cent payment.

The tax does not apply to dividends received by domestic corporation. This is going to create a practical problem because many corporations do not carry stock in their own name but carry it in the names of individual nominees or stock brokers so as to facilitate transfers. Undoubtedly, regulations will be issued by the Government outlining the procedure whereby the buying corporation will be advised when stock belongs to a corporation so that the 5 per cent does not apply to dividends paid by charitable or other corporations that are exempt from income tax.

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**THE TAX on dividends, capital stock and excess profits taxes, security losses and miscellaneous provisions, all of special interest to banks and bankers, are discussed here**

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## Capital Stock and Excess Profits Taxes

The old capital stock and excess profits taxes of bygone days, imposed on corporations, have been resurrected, blended, adorned with modern clothing, and infused with life again. On the capital stock phase, an annual tax is imposed of \$1.00 for each \$1,000.00 of "adjusted declared value" of the corporate capital stock. The tax is imposed with respect to "carrying on or doing business." It does not apply to dormant corporations, or to corporations that were dormant at the date of the enactment of the Industrial Recovery Bill and continue in that status regardless of their prior activity. Nor does it apply to corporations that are in a legal sense not doing

business. The legal interpretation differs somewhat from the popular meaning. For example, under the old capital stock tax law, it was not "doing business." Life insurance companies, other insurance companies (except mutuals), and charitable and other corporations exempt from income tax are all specifically exempted from the capital stock tax. There are also special provisions as regards foreign corporations, limiting the basis of the tax to the value of the capital employed in the United States.

The first return is due for filing with the Collector of Internal Revenue and the tax must be paid to him by July 30, 1933. The return is to cover the value of the capital stock for the year ended June 30, 1933. This is to be based on the figures as at the close of the last income tax year. In the ordinary case this will mean on the basis of the figures at December 31, 1932. Where a corporation got started during the past year and has not filed an income tax return by June 30, 1933, the figures at the date of organization will control.

The relationship between the capital stock and excess profits taxes gives a decided advantage to securities the income from which is not subject to income tax to corporations, such as stocks and tax exempt bonds. These securities are considered in arriving at the value of the capital stock and hence form part of the amount on which the 12½ per cent exemption is computed for excess profits tax purposes. On the other hand, the income from the securities is not subject to excess profits tax. The net effect, therefore, is that the 12½ per cent exemption applicable to these securities may be offset against income from other sources. In the old excess profits tax law this was not possible because the securities were not "admissible" in the computation of the capital value on which the exemption was based.

The dividend tax, the capital stock tax, and the excess profits tax will be automatically eliminated when the

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# CHARACTER— CAPACITY— and CAPITAL— The "Three C's" of Commercial Banking

By E. E. BARKER  
*Vice-President  
The Cleveland Trust Company*

THE TRYING times under which the banking business generally has been conducted during the past three and a half years have created situations applying to commercial banking which have required unusual diligence and study on the part of the banker. These situations have been brought about primarily by the tremendous decrease in the volume of business and by falling commodity prices, either one of which can bring about a decidedly unsatisfactory result for a mercantile or manufacturing establishment, but combination of the two (and they generally do occur simultaneously) makes the extension of commercial loans difficult and hazardous unless more than usual care and judgment accompany the handling of the credit.

All items of expense should be carefully reviewed to determine whether the utmost care is being exercised to preserve the assets of the business. What is the condition of the accounts receivable? The inventory? Are unwarranted dividends being paid? What is the status of funded debt sinking fund requirements, if any funded debt exists? These and countless other questions are among those that should constantly be uppermost in the mind of the loaning banker.

#### Credit

The recent upturn in business, which we hope will be continued, coupled with an increase in commodity prices, necessitates a change in the analysis of a commercial credit, but it does not bring about a condition which is new to the commercial banker. It does however create additional applications for credit on the part of merchants and manufacturers who find their sales increasing, their needs for inventory growing and a consequent requirement on the part of

the business for additional working capital. Increasing commodity prices very frequently develop a tendency toward an unwarranted accumulation of inventory and such a speculative tendency naturally increases the hazard.

We can all look back on the disastrous effects of heavy inventories in the depression of 1920 and 1921, at which time many merchants and manufacturers suffered tremendous inventory losses, and in frequent instances this resulted in financial embarrassment. Generally speaking, business men learned their lesson at that time for we have had comparatively few examples of excessive

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**"Without CHARACTER there can be no foundation for credit. Without CAPACITY no amount of honesty can insure that the business will survive indefinitely. Lack of CAPITAL is almost certain to end in financial disaster"**

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inventories since then. Nevertheless, the tendency is one which we must recognize and endeavor to curtail.

#### Commercial Loan

The theory of a commercial loan is an advance of money to a merchant or a manufacturer for some reasonable period of the year during which it is more profitable to employ borrowed money at current loaning rates than to maintain the entire capital required by the business the year-round without resorting to

temporary borrowing. As an example which can be readily understood, the flour milling industry might be mentioned. At certain seasons of the year millers require the use of a substantial amount of money for the purpose of acquiring wheat for the season's operations. These funds are needed in substantial amounts immediately after the harvesting of the wheat crop, commencing in June for mills located in the south and southwest, and running up until the late summer months for the northern mills. Beginning with the turn of the year these stocks of flour are liquidated steadily, so that as a rule the well-managed flour mill is entirely out of debt by early Spring.

It will thus be apparent that by borrowing money for a period running from four to nine months of the year, the miller will earn larger profits than if he has invested in the business sufficient capital to conduct his operations without commercial loan accommodation, which would accumulate in his treasury for a substantial part of each year a large amount of idle funds. True, there should be provided through permanent capital, sufficient net quick assets to insure the safety of the miller's obligations at the peak of the season, and it is an important duty of the banker to satisfy himself that such protection is afforded.

A commercial loan which is made for the purpose of investment in fixed assets, such as plant, machinery etc., is wrong in principle and invariably results in an unsatisfactory relationship between the banker and the borrower. Liquidation of a loan of this type is generally dependent upon the realization of profits, which at best are problematical, the introduction of new capital, which is not always possible, or the liquidation

of the business, which is generally the last thing either the borrower or the banker desires.

#### Liquidation

Too much emphasis cannot be placed on the periodical liquidation of commercial loans. They should be liquidated at least once in each year; sometimes oftener, depending upon the type of business. Statistics should be available to the banker showing the amount and duration of the loans of each customer, accompanied by average balances maintained. These figures present a picture

of past relations and performances and give a clear idea of the liquidity of the borrower's loans in previous years.

Space will not permit an attempt to indicate what line of investigation should be pursued by the banker at the time of loan applications for the reason that no two cases are exactly alike, and each request for a loan must be treated on its individual merits. It is impossible to set up a definite ratio of current liabilities on the basis of which the desirability of loans can be determined. It is perfectly apparent that accounts receivable of a wholesale grocer, which as a

rule average less than thirty days, are much more liquid than the receivables of a company selling its product on long time terms, such as agricultural implements, installment furniture, etc., and by the same token it can be appreciated that an inventory of flour, sugar or some similar commodity can be much more readily converted into cash than can an inventory consisting of complicated machines which may be useful only for a specific purpose. The character and liquidity of the current assets of a borrower are of paramount importance in determining the safety and liquidity of the loan under consideration. It can safely be said however that notwithstanding the many changes in the order of things which we have experienced, the old fundamentals of credit, commonly termed the "Three C's" and known as Character, Capacity and Capital, have not altered one iota. Each of the three requisites is important. Without Character, of course, there can be no foundation for any credit. Without Capacity, and by this is meant Ability, no amount of honesty and capital can insure that the business will survive indefinitely, and no matter how much Character and Ability may be available, a lack of Capital is almost certain to end in financial disaster.

#### Liquid Assets

Obligations created through properly made commercial loans are rightly considered to be one of the most liquid types of bank asset. They are readily discountable at the Federal Reserve Bank and perform an important function in the expansion of credit through the Federal Reserve system. At some time in the not far distant future it is to be hoped that the item "Bills Rediscounted with Federal Reserve Bank" appearing in published bank statements may be considered a badge of honor, as indicating an institution of foresight and courage and with the welfare of its community prominently in its mind.

The necessity for careful examination of applications for commercial loans is however no more important than the desirability of an equally careful choice of his banking connection on the part of the commercial borrower. He should assure himself that the institution has adequate resources for the accommodation of its customers, that its policies, its personnel and its history indicate its ability and willingness to accommodate the worthy industries of the community through sound commercial loans.—Reprint from Cleveland Trust Company Magazine.



SALMON P. CHASE - Secretary of the Treasury under LINCOLN

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# BONDS AND INVESTMENTS

"A period of probation lies ahead for the municipal bond before it returns to its former favor as a savings bank investment"

## Savings Bankers Put Municipal Bonds On Probation

**B**ECAUSE of events of the last year savings banks have been forced to revise their judgment of municipal securities to some extent. Changes developing since the beginning of deflation culminated quite suddenly in an unprecedented situation. A few years ago the average bondholder would have said that municipals "stood next to governments." It seemed to him that safety was assured, the market good and the yield satisfactory. Contrast this outlook with conditions of the last six months, when many cities have found it hard to meet bond and interest payments and some actually have been unable to do so.

Fortunately, in spite of recent troubles, municipal reforms have been set in motion, real economies made, and the tax burden is being readjusted. Both the citizens and the administration of the average city can be commended for the vigor with which they are attacking a difficult condition. The taxpayer is talking of and thinking about city affairs and generally accepting a responsibility which he should never have forgotten. A continuance of this favorable progress again will enable our cities and towns to find a market for their bonds.

### Debt Decreased

Probably as municipal and state debts mature the total burden of debt will be decreased. Almost automatically this should improve the market. Any increase in Federal income taxes also would have a marked effect. One great advantage to the holder of municipal bonds is tax exemption. Any pressure for tax exempts

By CARL M. SPENCER  
*President, Home Savings Bank, Boston*

upon a narrowing outstanding total would improve the market.

Our cities and towns have the matter of this improvement largely in their own control. If they faithfully and consistently continue to seek economies, enact wise legislation and curtail appropriations and borrowings, the interest of the bond buyer will be quickly awakened and municipal issues of the better grade will return to favor.

### Municipal Conduct

With broader investment in governments must come increased responsibility and an interest in public affair. Neither enthusiasm for a business recovery nor an unthinking patriotic impulse should blind us to the dangerous possibilities of uncontrolled inflation or unbalanced budgets. No thinking citizen can fail to recognize the unprecedented crisis facing those in control of government policies. During the emergency many cherished traditions of economic and fiscal philosophy may have to be thrown overboard. On the other hand we cannot shut our eyes to the even more tragic possibilities if we fail, after the crisis has passed, to return to sound principles of public finance. As citizens and as trustees of the billions entrusted to our care we should lose no opportunity to exert every influence to maintain unimpaired the integrity of the credit of the United States government.

A tremendous change for the municipal bond investor has taken place in the last five years. His sense of security has been undermined, his market has been

narrowed and his remedies for default, a contingency hitherto unsuspected, have become uncertain. Municipal bonds no longer are classified next to governments as secondary reserve for emergencies. This is true even of the short term municipal note, issued in anticipation of revenue, for which there formerly was a ready market.

### The Remedy

The remedy depends partly upon legislation, Federal and state, but more upon economy, efficient operation, wise accounting and fiscal planning by municipalities themselves. Aid to farmers, Federal relief, mortgage and home loan refinancing new bankruptcy laws, lending of state or Federal credit, legislation to regulate municipal operations and loans, the effect of inflation as a relief to debtors generally, and a genuine, even if slow, revival of business may be expected eventually to solve all but the most desperate cases.

The laxity of municipal accounting methods, the short-sightedness of fiscal practices, the lack of vital information, have made it difficult for the municipal investor to get a true picture of the values behind his bond. Carelessness and inefficiency have played their part even when downright dishonesty or evasiveness has not been present. Political influences have ruled and scientific appraisal, accountancy and fiscal methods have been conspicuous by their absence. Reforms are needed and will come in response to enlightened public opinion and the pressure which the cautious investor will inevitably exert.

The troubles of municipalities, however, lie not in figures and reports, but in the facts and causes behind them. The growth of expenditures and debt extravagances indulged in by heedless voters, wastes resulting from graft and political corruption, increasing demands for unemployment relief, finally have brought the average municipality to the point where the burden scarcely can be met by the taxpayer out of his diminished income and resources. In too many cases he is, indeed, faced with a bill entirely beyond his ability to pay. Default results; the cost has been counted too late.

## An Analysis of Commercial Accounts

(Continued from Page 7)

3. This gives the available balance from which deduct the average daily float for the month under analysis. This float is kept track of every day by the teller or someone designated for that work, by using Analysis Work Sheet Form Z-16. This Analysis Work Sheet at the close of the month will have on it the number of deposits, the number of clearings, the number of transit items and the average daily float. By deduction of this average

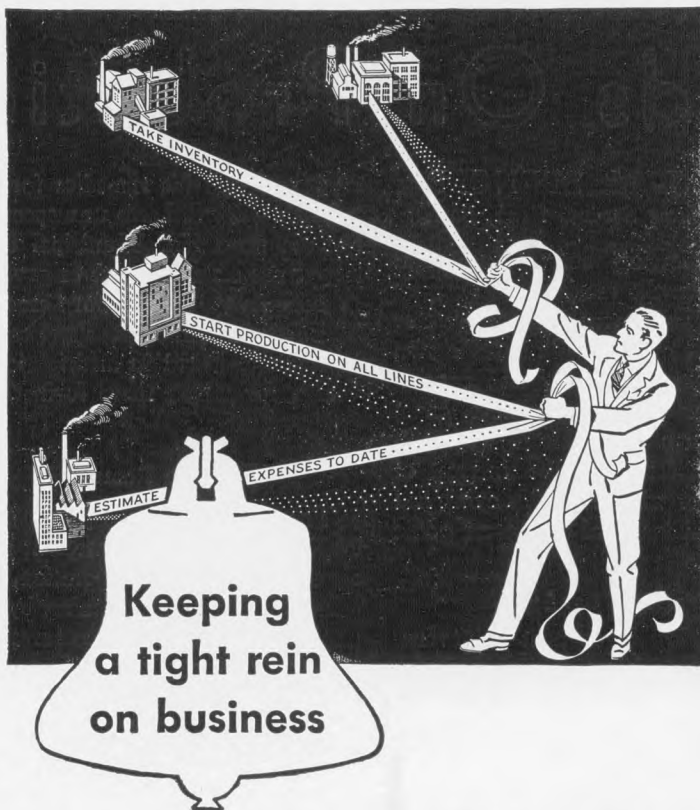
daily float you get loanable balance on the account.

### Income from the Account

1. Figure the interest on this loanable balance for one month at the average earning rate of the bank.
2. Deduct from the income on the loanable balance the cost of loaning at so much a thousand per month, which gives the net income on loanable funds.
3. Credit the account with any profit or exchange, service charges received, float collected or any other income directly attributable to the account.
4. Add together the various sources of income which will give the gross profit on the account.

### Expenses Chargeable to the Accounts

1. Figure overhead cost of so much a thousand per month on the average daily balance.
2. Charge the account with an interest which has been paid during the month.
3. Enter the number of transit, deposit, us check and clearing items in the space provided for them and figure the cost according to the cost of each one of these items which has already been determined.
4. From the Analysis Work Sheet take the total cash received during the month and figure the cost of same at 30 cents per thousand.
5. Add all of these expenses which gives you the total expenses against the account for the month.
6. Subtract the expense from the profit or vice versa, whichever is the greater which will give the profit or loss in the account.
7. Figure 2% as a desired profit on the account. This is figured by multiplying the average daily balance by 2% and dividing same by twelve to get the desired monthly profit for the account.
8. Add or subtract this from the profit or loss, depending upon whether it is a loss or a profit This will give you the net profit or loss plus the 2% desired profit on the account for the month.



In these days especially, close coordination of operations at main office, branches and factories is essential. One means of efficient control is Teletypewriter Service—*typing by wire*.

Among many users of Teletypewriter Service is the vast Shell petroleum organization. Reproducing *exactly* what the sending office types, this service instantly transmits messages, inquiries, reports and orders between Shell's offices.

For years Teletypewriter Service has been offered on a private line basis. Now it is furnished also through teletypewriter exchanges, like telephone service. For information on fitting it to your business, telephone the Business Office.



For banks that have not determined their costs would recommend the following:



	BANKS WITH		
	Com'l Deposits Under \$250,000	Com'l Deposits from \$250,000 to \$1,000,000	Com'l Deposits Over \$1,000,000
on Invested Funds..	6%	5%	4½%
Overhead Cost Per M Per Month.....	50c	40c	30c
Loan Cost Per M Per Month .....	80c	75c	70c
Transit Item Cost..	2c	1½c	1¼c
Cost of Deposits.....	6c	6c	6c
U. S. Checks.....	3c	3c	2c
Clearings .....	1c	1c	¾c
Cash in Deposits Per M .....	30c	30c	25c

**Establish Costs**

I am firmly convinced that all banks should, as soon as possible, establish their costs by a very careful analysis. Until such time as they do this, however, they can use to good advantage costs such as suggested above. These costs are not guess work but are average costs that have been determined through a very thorough departmental analysis in many banks located in several north-western states. The banks in which this departmental analysis has been made range in size, with resources from \$500,000 to \$1,000,000,000 and are located in agricultural, manufacturing, and mining districts, in Michigan, Minnesota, Montana, North Dakota and South Dakota.

Go into any bank in the U. S. that has not made a practice of analyzing its accounts, pick out and analyze 100 of their most active accounts with an average balance of \$5,000 and under, and over 80 of these will show a loss and the loss on these 80 accounts will average better than \$2.50 making a loss in the aggregate amount of \$200 a month and \$2,400 a year.

Large banks in metropolitan centers, with their highly developed accounting, cost and control departments, know their costs, carefully analyze their active commercial accounts and if these accounts show a loss on analysis, they insist on the depositor either increasing the balance by an amount that will absorb the loss or charging the account each month the loss shown by the analysis. It is the average sized bank of \$10,000,000 resources and less in the smaller cities that is the greatest sufferer from this lack of profit in their commercial department.

**Losses**

The following actual results where accounts have been analyzed within the last year, show the losses that are being

sustained by banks that have not made a practice of analyzing their accounts.

	Total Loss 1 Month	Ave. Loss Per Acc't
54 accounts in a Michigan bank showed.....	\$424.68	\$7.86
53 accounts in a Minnesota bank showed.....	109.24	2.06
137 accounts in a Montana bank showed.....	420.44	3.07
44 accounts in a North Dakota bank showed..	173.14	3.93
36 accounts in a South Dakota bank showed..	256.89	7.14
Ave. Earning Rate		

(All of these banks have resources of less than \$10,000,000.)

Most any bank in the pre-war and immediate post-war period could make good profits although most average size banks did not know what departments or what class of deposits produced their profit. All of the business of the bank was poured into a large hopper, the officers turned the crank, and if at the end of the year the operating statement showed a good profit, the directors were pleased, a dividend was declared and the managing officers were given the customary annual increase in salary.

# UNITED INVESTORS CORPORATION

(A Management Type of Investment Corporation)

## Holdings as of June 1, 1933

American Tel. & Tel.	Montgomery Ward
Atchison, Top. & S. F.	Nash Motors
California Packing	National Biscuit
Capitol Administration	J. C. Penney
Consolidated Gas	Pullman
Continental Can	Radio Corp.
Corn Products Rfg.	Standard Oil N. J.
Cudahy Packing	Sharp & Dohme
Du Pont	Sun Investments
Gen'l American Invest.	Swift & Company
General Electric	Texas Corporation
General Foods	Union Carbide
General Mills	Union Pacific
General Motors	U. S. Rubber
Internat'l Harvester	U. S. Steel
Internat'l Nickel	Wrigley

● During 1932 United Investors Corporation earned and paid 8% in dividends to shareholders. On July 1, 1933, an extra dividend was paid. Dividends will continue to increase with the improvement of general business conditions. ● Since June, 1933, United Corporation has shown a substantial appreciation with the general upturn in values. ● United Investors Corporation is an investment adapted to inflationary conditions.

## McMurray, Hill & Co.

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In the last 10 years new conditions have arisen in the banking business, particularly in the smaller banks. A great many sources of profit have been taken away from the banks, expenses have increased, income has rapidly decreased and the bank that has not watched its costs and analyzed its accounts is rapidly being removed from the picture. The bank of the future, both large and small, must:

Analyze its more active checking accounts, determine those that are operating at a loss and then this analysis is presented by an officer to the individual or the manager of the company as the case may be. Further losses should be eliminated in one of two ways.

1. Increasing their average daily balance.
2. Making a payment to the bank to cover the loss established by the monthly analysis.

Any bank that will follow the above policy can increase its net revenue from this source by \$500 a year for every \$100,000 average commercial account shown on its statement.

The man who hides behind a woman's petticoat nowadays must have a pretty lonesome time of it up there in the attic.

There was a young fellow named Pratt Who stopped near a mule for a chat;

When he woke up in bed  
A day later, he said,  
"Well, I sure got a kick out of that."

# Helping The Farmer To Help Himself

**I**N ASSUMING responsibility for the administration of the Agricultural Adjustment Act, it is only fair to agriculture, to so much of industry as is affected by its operation, and to the consuming public, to state the principles of that legislation as I understand them and as it is intended to apply them.

In the first place the sole aim and object of this act is *to raise farm prices*. Generally speaking, it is to raise them to a point where farm products will purchase as much of industrial products as they did before the war, and to keep farm prices at that level. This is just what farmers through their organizations have been demanding for a dozen years.

To agriculture it should be said that the purpose is not to do something for the farmers. It is to enable farmers to do something for themselves that they have been prevented from doing through many long, painful and distressing years, and that they could not do without this law. It is to enable them to do what all other producing social groups do, and that is (approximately and in the long run) not to produce and send to market

more goods than consumers at home and abroad want and have money to pay for.

Unless farmers will work with each other and with government to do that, government cannot maintain fair prices and restore prosperity to them—nobody can. They must help do this particular job. In adopting the laws and through the work that will be done under it, the Government goes the limit to help them, but that is the most that it can do or that they in justice and fairness can ask.

To the food and textile industries, I want to make it clear that the spirit and purpose will be to act with as little interference with established institutions and methods—indeed with as little administration of any kind as is consistent with the fixed purpose of the law; namely, *to raise farm prices*. It is my opinion that much of that purpose can be accomplished by these industries without any-

**A Statement by George N. Peek, recently appointed administrator of the agricultural adjustment act, under the supervision of the United States Department of Agriculture**

thing more than the aid that government and agriculture can and will give them.

The first step will be to discuss with industries and trades our purposes, to ask them what they need from farmers and from government, and to call upon them, with the help of those concerned, to work out the difficult task themselves in such manner as will least interfere with their business and established methods, with as little government interference in their affairs as is reasonably possible. But none will be permitted to forget the purpose of the legislation—*to raise farm prices* in the national interest.

To the consuming public it is unnecessary to say that what is to be done is to bring about economic justice—to right a social wrong—which grew up under our economic system in the false theory

(Continued on Page 22)

## GMAC SHORT TERM NOTES

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# INSURANCE

## *Its Application to the Banking Fraternity*

# The Standing and Responsibility of Insurance Companies

**S**PEAKING of the strong position in which most insurance companies find themselves, particularly in comparison with other lines of business, Raymond T. Smith, Chicago, vice president of The Alfred M. Best Company, said recently:

"Notwithstanding the collapse of one of the largest fire insurance companies and the rumors which are being spread regarding certain other insurance companies, I want to emphasize the unusually strong position of the majority of the fire insurance companies. We estimate the amount required either to reinsure or run off the business in force at the end of 1932, at a loss ratio 15 per cent higher than the average of losses incurred to premiums earned for the last five years, is about \$400,000,000, and that unpaid claims and all other liabilities amount only to about \$200,000,000. These companies as a group have approximately \$700,000,000 capital and surplus at market values, and an equity in their unearned premiums (calculated on the basis of the average loss ratio for the last five years, loaded 15 per cent) of \$300,000,000. In other words, their present and potential liabilities are \$600,000,000, and in addition to reserves of that amount there is an additional safety factor of \$1,000,000,000. Policy-holders are very amply protected; the companies could sustain conflagration losses as great as those incurred in the San Francisco disaster in 1906 and still be thoroughly sound and safe.

"Further, we estimate that at market values cash, bonds and stocks of readily convertible character aggregate about \$1,375,000,000.

### Casualty and Surety

"In the casualty-surety field the companies as a group are not nearly so well financed. We estimate capital and surplus at market values at \$150,000,000, and equity in unearned premiums at \$100,000,000, making the net loss-paying capacity \$250,000,000. In other

words, that amount is the safety factor over the estimated amount required to reinsure or carry to expiration the business in force at the end of last year (about \$200,000,000) and to pay all other liabilities, which were about \$400,000,000. At the present time annual earned premiums are about \$700,000,000 in each of the two groups—fire-marine and casualty-surety. The business of the fire-marine companies, however, is profitable, while the business of the casualty-surety companies as a group during the past seven years has only about "broken even," on our basis of calculation, which credits underwriting with estimated earned on reserves, and also credits or deducts any increase or decrease of the equity in unearned premiums.

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**"When it is considered that there were only six important life insurance companies which retired from business during the period of depression, it is nothing short of remarkable. Even in cases where life insurance companies were placed in the hands of receivers the policyholders were protected on all death claims"**

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"The reasons for the discrepancies between the position of the fire-marine companies and the casualty-surety companies are, first, that the latter always wrote a larger volume of business and, therefore, had a larger volume of assets in proportion to capital and surplus than was considered conservative by fire-marine companies, in view of the conflagration hazard; and, hence, asset depreci-

ation was much more serious from the policyholders' standpoint, since it all came out of net loss-paying capacity. The second reason is that the underwriting results of the companies as a group have been satisfactory in recent years, yielding, in the aggregate, no profit, although individual companies made substantial profits.

"A relatively small number of the casualty-surety companies are in unsatisfactory financial condition, from the policyholders' viewpoint. Because the average position is as outlined above, however, care should be exercised in studying the present position of individual companies of those types.

### Life Companies

"Leaving the fire and casualty companies for the moment, I wish to discuss the relative financial position of the life companies of the nation.

"When it is considered that there were only six important life insurance companies which retired from business during the period of depression, it is nothing short of remarkable. Even in cases where life insurance companies were placed in the hands of receivers the policyholder was protected on all death claims. In other words, death claims under the reinsurance contracts effected will be paid in full, and I have no doubt that within a reasonable period of time a large portion of the policyholders' equity will, out of the future earnings in this business, be restored.

"As analysis of the life insurance situation disclosed a few weeks ago that 89 per cent of all life insurance in force in this country is carried by companies which will get "A" ratings this year, about 6 per cent by companies that will get "B" ratings, making 95 per cent in companies rated either "Excellent" or "Very good." The remaining five per cent of the business is in a large number

of companies. There are 89 companies in the "A" group carrying, by a coincident, 89 per cent of all business, 63 in the "B" group, 44 in the "C" group representing 1.54 per cent of the total business, 16 in the "D" group representing 0.70 per cent of the business, 25 in the "E" group representing 1.83 per cent of the business, 94 in the "omitted" rating group (which includes those too young to rate and those which did not supply sufficient information for us to apply the rating schedule) representing 1.23 per cent of the business, and this accounts for the total number of 331 companies doing business in the United States. Just about half of the companies, numerically speaking, are in the "A" or "B" groups, but they are carrying 95 per cent of the business. About 30 per cent of the remaining companies are in the "C" group. Summed up, this means that the number of companies which are in bad shape is considerable, but their importance measured by the amount of insurance they have in force, is negligible."

## New Income Tax Provisions

(Continued from Page 8)

President proclaims—and the law requires him to proclaim—the date of the repeal of the Eighteenth Amendment or the year ended June 30 during which the ordinary federal revenues exceeded the ordinary federal expenditures, whichever proclamation date is the earlier.

### Security Losses

Under the old law, losses on securities held for less than two years in excess of profits on such securities could not in the ordinary case be deducted. However, the excess losses could have

been carried forward into the next year and deducted from the profits, if any, from such securities in that year. The carry-forward provision is now eliminated so that unless there are profits to offset the losses in the year the losses are actually sustained, the benefit of the loss deduction is forever gone.

The security loss provisions were originally made inapplicable to unincorporated private bankers in respect of transactions in the ordinary course of their banking business. This exemption is now removed. The only units in the banking field that are now exempt from the security loss provisions are the incorporated banks and trusts companies. No doubt the Morgan situation had something to do with this change.

With the same background it is now provided that if a partnership has more security losses than profits (on securities held for less than two years), the individual partners cannot take their pro rata share of the excess loss as a deduction from their individual security profits.

All of these changes are made effective retroactively as of January 1, 1933 and hence will affect 1933 returns.

### Miscellaneous Provisions

Corporations filing consolidated returns for the years 1934 and 1935 will pay a tax rate higher by 1 per cent than the regular rate applicable to the returns of unaffiliated corporations. Under the old law, which will continue to apply to 1933 consolidated returns, the increase over the normal rate was  $\frac{3}{4}$  of 1 per cent.

Under the old law net business losses of one year could be applied against taxable income of the next year. This provision is now eliminated entirely. As a result, not only will losses of 1933 be deprived of their deductibility from

1934 income but also 1932 business losses will not be deductible from 1933 income.

Heretofore a penalty tax of 50 per cent applied where a corporation unreasonably piled up surplus instead of distributing its earnings, and thereby prevented the imposition of a surtax on its shareholders. This provision is now changed so that the penalty applies not only if the surtax is defeated but also any other internal revenue tax. The 5 per cent tax on dividends is thus included.

The publicity feature of income tax returns, has been changed so that returns are now to be public records open to public inspection and examination to the extent provided in rules and regulations to be promulgated by the President.

Taxpayers reporting on the basis of a fiscal year ending prior to June 30, 1933 and who will have to pay any additional taxes or file another return by reason of the retroactive application of some of these changes, are given until September 15, 1933 to file the required return and pay the tax, just as if the return were for a fiscal year ended on June 30, 1933. Likewise no interest will be payable for any period prior to September 15, 1933 by reason of any additional tax resulting from the respective amendments to the present law.

## Copper Looks Up

Improvement in the position of copper comes as good news to the mining states.

In a number of those states copper has been the principal industry. It has given the bulk of employment. It has paid most of the taxes. It has, through the purchasing power it provided, bought the products of farms, of factories, created patronage for stores and all types of business. And when ruinous prices forced most of the mines to close—and at best to run on unbelievably small production schedules—entire states felt the effect.

Now it looks as if copper may be on the road back. It behooves every mining state to help, so far as it can, by fair legislative and tax treatment that will encourage, and not further burden, a struggling major industry.

At church last night, Mr. Brown, the choir leader, sang "I May Not Pass This Way Again" much to the delight of the congregation,



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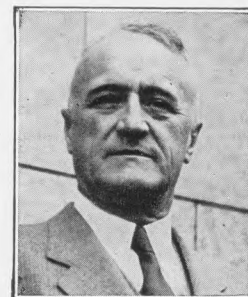
CHICAGO





**R. H. BARBER, President  
Nebraska Bankers Association**

# Nebraska News



**WM. B. HUGHES, Secretary,  
Nebraska Bankers Association**

## C. E. Burnham Dead

C. E. Burnham, 72, Norfolk capitalist and former director of the Federal Reserve board of Kansas City, died at his home there recently.

He was injured in an auto accident last week.

Mr. Burnham started his banking career at Tilden, Nebr., and later became president of the Norfolk National bank.

He was once president of the State Bankers' association and served on many important committees of that organization during his half century of banking in Nebraska. He is survived by his widow and one daughter, Mrs. Gene White of California.

Active in Masonic work since 1886, he was grand master in Nebraska in 1904. He was a K. C. C. H., Scottish Rite. He was a member of all York and Scottish Rite Masonic bodies, and was a member of the Nebraska Veteran's Free Masons association.

## Home Loans

The six Omaha clearing house banks have subscribed to a credit pool of \$100,000 to assist home owners in renovizing their property.

The money will be loaned at 6 per cent discount rates, with a maximum limit of \$200 on loans. Each bank will open a special window to handle the applications for renovizing loans.

Banks participating in the credit pool are the Omaha National, First National, United States National, Livestock National, Packers National and Stockyards National. Each bank will restrict its loans to its own customers. Applicants who do not have banking accounts must obtain the endorsement of a bank customer.

## Entertain Bankers

Omaha chapter, American Institute of Banking, and the Chamber of Com-

merce convention bureau were hosts last month to approximately 150 Pacific coast members of the institute on their way to the national convention in Chicago. More than 60 local delegates joined them.

The visitors were entertained at the Country club.

## Loan Volume Large

Checking up figures, officials of the Federal Land Bank of Omaha discovered to their amazement that the volume of loans closed in May was largest for that month since 1928. It was also 100 thousand dollars more than May, 1932, and double the figure of May, 1931.

The local bank closed 264 loans or 962 thousand dollars in April. It serves Nebraska, Iowa, South Dakota and Wyoming.

## Unrestricted

After having been operating under restrictions since March 4, when all banks were temporarily compelled to take a holiday by federal order, the Franklin State bank was declared solvent by the state banking board recently, and licensed to open as a 100 per cent solvent bank, and is now operating without restrictions.

## Group Seven Meets

Group seven of the Nebraska Bankers Association elected A. J. Jorgenson, president of the American National bank of Sidney, head of their organization at Kimball and selected Sidney as the meeting place for 1934.

Bankers from the entire west end of the state attended the session and adopted resolutions and recommendations to be submitted to the national law making bodies, conducive to the betterment of the banking future.

E. L. Farrell of Oshkosh was named

vice president, and F. M. Farr of Paxton secretary.

With a view to correcting ills and abuses on the banking profession, the bankers spent some time suggesting legislative remedies which would remove all unfair competition from the banking field and make the local financial institutions supreme in their localities. Government competition was roundly criticized and the practice of government employes in openly competing with banks was scored.

The bankers also discussed the future of banks operating in farming communities and studied the economic picture for signs of improving times. Generally, those attending the convention were enthusiastic over progress made in the past several weeks but there were none who would venture the opinion that the troubles of business and agriculture are definitely at an end.

## Deposits Returned

F. C. Radke, former county judge of Johnson county, now representing the state in the liquidation of some 300 closed Nebraska banks, stated recently that an average of 70 per cent of the deposits in closed banks of the state had been returned to the depositors, which in his opinion was a greater return than had the money been privately invested. This statement sounds reasonable and should strengthen confidence in Nebraska banks, although many depositories are having a difficult time balancing their cash to meet the requirements of the state department. Mr. Radke believes that only a comparatively few banks will fail to reopen, the financial situation throughout the state becoming brighter day by day.

## Reorganized

The First National bank of Friend has ben reorganized, with depositors

writing down 25 per cent of their claims and shareholders putting up new capital. Officers believe the assets charged off will prove good eventually. If so, the depositors will get more of their money.

### Looking Up

Officers and directors of the Kansas City Federal Reserve Bank, home from a tenth district directors' meeting in Omaha, agreed that Nebraska furnished the most optimistic background for any directors' session since 1929.

"It is rather dry in the immediate Omaha neighborhood, but Nebraska as a whole has splendid crop prospects, and one sizable area stands actually at 100 percent today," M. L. McClure, chairman of the board, commented. "This cheery feeling extends across Nebraska into Wyoming, where a wool range of 21 to 28 cents and the cattle situation are stimulating. So, too, \$6 lambs, although the lamb crop is short. Through train windows you can see Nebraska corn cribs full of 35 cent corn."

George H. Hamilton, governor of the tenth district bank, said the district as a whole—Kansas, Western Missouri, Oklahoma, Nebraska, Colorado, Wyoming, and New Mexico—reported quickening retail and wholesale trade beyond seasonal betterments.

### Fifty Years

Commemorating the golden anniversary, a large number of customers called

at the Thayer County Bank, in Hebron recently, to extend congratulations and good wishes to the officers upon the completion of fifty years of successful banking in Thayer county.

The bank issued invitations to friends to help celebrate the anniversary of the founding on June 6, 1883. One of Hebron's oldest residents, John W. Hughes, was present to extend good wishes.

On May 29, 1883 a group of men including W. J. Thompson, F. M. Wetherald, W. D. Galbraith, Robert Galbraith, H. L. Wetherald, Henry Drum, and F. E. Roper organized the institution, applying for a charter for the "Exchange Bank of Hebron." Three years later, since there were other institutions in the county having the same names, the title was changed to the Thayer County Bank.

### Comments on Glass Bill

State Banking Superintendent E. H. Luikart, does not think Nebraska's state banking system will be wiped out by passage of the Glass-Steagall bank bill. While the deposit guaranty feature of the bill would make it necessary for most state banks to join the federal reserve system, Luikart doubts that many of them will reorganize under the national banking laws. They can affiliate with the reserve system under their state charters.

State bank requirements in some cases now are more rigid than the federal re-

serve rules, Luikart said. In his opinion, any state banks now opened without restrictions should have no difficulty joining the federal reserve system.

"If I were a state banker, I would not want to change to a national bank," he said, "even though I went into the federal reserve. State bankers can sit across the table and talk with their state department officials. The state officials generally know them. They know their situation. They can understand their problems better than an agent from Washington. There is a more personal relationship."

Luikart expects that state banks directly in competition with national banks will be forced into the federal reserve system by the deposit guaranty feature, but others will have a free choice as to whether they join or not.

### Depreciation

I. B. Zimman of Omaha bid on the remaining assets of the Beemer State Bank at West Point for \$1,000. The assets have a face value of \$877,477.76.

The bidding started with a \$50 offer when R. H. Downing of the state banking department asked for a lump sum bid.

Paul Wupper, now serving an aggregate sentence of 110 years in the state penitentiary for embezzlement, was president of the bank, which closed Sept. 18, 1928.

### New Cashier

As soon as reorganization of the Commercial Bank of Blue Hill is completed, Harry Henatsch of Newman Grove, will arrive to take the position of cashier. Mr. Henatsch has had 23 years' experience in banking and has been located in the northwestern part of the state the greater part of that time. The date of opening the bank depends upon the state banking department.

### The Check Tax

Patrons of Lincoln's three downtown national banks have paid approximately \$46,000 into the federal treasury since June 21, last year, as a result of the federal 2-cent tax on checks. The exact amount paid from June 21 to May 1, 1933 was \$46,547, representing the 2-cent tax on 2,328,744 checks, according to figures supplied by the banks.

Bankers said patrons had reduced the number of checks as a result of the tax. Comparative figures were not available,

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as prior to the tax, no record was kept of the number of checks.

### Group Three

Neil D. Sabille of Wisner is the new president of Group 3, Nebraska Bankers Association. Other officers elected at the annual convention were J. O. Peck, Creighton, vice president; Henry E. Levy, Wayne, treasurer; and Edgar Scheips, Norfolk, secretary.

### Vice-President

Announcement of the appointment of R. E. Montgomery, cashier of the First National Bank of Chamberlain, S. D., for the past three year, to the position of vice president of the Security State Bank of Norfolk to take effect immediately was made recently by A. G. Sam, Sioux City, president of the Norfolk institution and of the Livestock National Bank of Sioux City.

Appointment of Montgomery to the position was made through the Northwest Bancorporation. During the summer of 1930, Montgomery opened the bank at Chamberlain and it became affiliated with the corporation. The Norfolk bank is also a member of the banking organization.

### To Nationalize

F. C. Horacek, sr., president of the Union State bank, Omaha, said he expects to make application for his bank to nationalize under the Glass-Steagall bill, but not immediately. The bank deposit insurance provision of the bill is causing other state banks to consider a similar step.

### Cashier Resigns

A recent and permanent change has been made in the officer personnel of the National Bank of Neligh. C. H. Ray, who has been acting as temporary cashier during the last six months, has resigned as such officer and will devote his entire time to the cattle business and the management of his properties.

As in the past, the affairs of the bank will be supervised by the board of directors, consisting of Joe Spirk, Dr. U. S. Harrison, Fred Penn, C. H. Ray and Lyle Jackson.

Book Agent: "Now here is a book entitled, How I Worked My Farm for Profit."

Farmer: "I haven't got any time to read fiction."

## Kansas News

### Unrestricted

Madison and East Greenwood county are happy to know that the Madison Bank opened for business without restriction and in a sound financial condition as is evidenced by its statement of condition. The opening statement shows deposits of \$115,496.35 with half of its deposits, \$57,743.81, in cash and bonds, and no borrowed money or notes rediscounted.

The public feels exceedingly grateful to the stockholders of the bank who one year ago paid in \$29,000 to sustain the value of the assets and now on the opening day have paid in another \$18,000 to assist in removing any assets that still might be classed as "frozen" or doubtful.

### Kansas Convention

J. R. Geis, Salina, was elected president of the Kansas Bankers' association shortly before the close of the two-day convention, and Wichita was selected as the convention city for 1934. Mr. Geis succeeds W. A. Hayes, LaCrosse. Attendance at the Salina convention reached 1,622 before the close of the session.

Maurice L. Breidenthal, Kansas City, Kan., was elected vice president to suc-

ceed Mr. Geis. A. C. Hedrick, Hutchinson, was elected treasurer to succeed E. M. Carr, Wellington. W. W. Bowman, Topeka, was re-elected executive vice president and Fred Bowman, Topeka, was re-elected secretary. The election carried unanimously and Mr. Geis after a brief speech of acceptance in which he pledged the association his very best efforts in helping re-establish completely the confidence of the people in all banks of Kansas, requested the former president to remain as master of ceremonies until adjournment. Manhattan had made a bid for the 1934 convention but withdrew in favor of Wichita and at the same time extended the bankers an invitation for 1935.

The final speaker on the convention program was Cyril B. Upham, Washington, D. C., noted financial journalist and editor of David Lawrence's publication, *The United States Daily*. Mr. Upham spoke on "The New Deal in Banking."

### Named President

At a meeting of the directors of the Home National Bank of Longton, Charles G. Hayward, who has been cashier of the bank the past nine years, was elected president to succeed his father, who passed away some time ago. Clarence Russell, who has been assistant cashier for some time, was made cashier, and James Miller assistant cashier.

Mr. Hayward will continue as active head of the bank, as he has been since



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THIS BANK HAS NO AFFILIATED COMPANIES

the Haywards bought the bank nine years ago this summer.

### Promotions

Promotion of two officials who have seen long time service with the First National bank of Chanute was announced recently, following a meeting of the board of directors.

B. S. Cofer, assistant cashier, was promoted to the position of active vice president, while E. E. Lofgren, another assistant cashier, was advanced to the position of cashier.

The position of cashier was held for many years by the late Wilbur F. Allen.

The advancement of Mr. Cofer and Mr. Lofgren to more important positions on the official staff of the First National is their reward for many years of faithful service in the institution.

### A.I.B. Elects

Officers recently elected by the Topeka chapter of the American Institute of Banking are P. A. Dahlstrom, president; R. T. Fadely, vice president; C. A. Meyer, second vice president; Eugene Henderson, treasurer; and Miss Beryl McCammon, re-elected secretary. H. P. Betzer and H. D. Bowman were elected to the board of governors for a three-year term to fill the vacancies created by the expiration of the term of Jay Close and Sydney Smith. In addition to the two new members the board now consists of J. A. Benson, V. P. Steinmeyer, Paul Madden, and H. M. Harris. Delegates to the annual national convention in Chicago were R. T. Fadely and V. P. Steinmeyer.

### Linn County Meeting

At a meeting of Linn county bankers held at the Farmers and Merchants Bank in Mound City, highlights of the state meeting at Salina were discussed, in ref-

erence to insurance, both burglary and hold-up.

H. W. Dingus in speaking of the meeting as reviewed by R. J. Tyson and L. P. Bishop, said that the meeting resolved itself mainly in a discussion of the ways in which banks in the future may be expected to cope with modern hold-up methods in a satisfactory manner.

Banks represented at the meeting were Linn County Bank of LaCygne, the Parker State Bank, the Centerville State Bank, the Farmers State Bank of Blue Mound, and the Farmers and Merchants Bank, Mound City.

### Unrestricted

The Talmage State Bank, with a capital of \$20,000 and surplus of \$2,000, opened recently to do business unrestricted. The new institution is successor to the Citizens State Bank at Talmage and occupies the same building.

The new officers and directors are: President, J. E. Bowser; vice-president, C. S. Vickburg; cashier, R. R. Laird; Dr. S. N. Chaffee, H. M. Kready, Jess Bell and Earl Gibson.

### Named Teller

Guy Cutler has taken a permanent position as teller in the Independence State bank, and is on duty now in that capacity. Mr. Cutler is well known and needs no introduction to Independence people. He was formerly with the Commercial National bank, and later with the Citizens First National until its merger with the Security.

I eat my peas with honey,  
I've done it all my life;  
It makes the peas taste funny  
But it keeps them on the knife.

## Colorado News

### Colorado Convention

The Colorado State Bankers association went on record, in its meeting in Estes Park, in favor of immediate remonetization of silver. The convention also approved a resolution urging a sales tax for the purpose of raising revenue for relief.

The group voted down a proposed amendment to the sales tax resolution which would have urged that part of the funds raised from the tax be used to finance a special election on ratification of repeal of the eighteenth amendment.

Belief that the nation and the state would benefit by the larger supply of money which would be brought into use if silver were remonetized motivated passage of the remonetization resolution. Its supporters argued that the state would be benefited greatly by mining activity which would certainly result from remonetization.

J. H. Bloedorn, head of the Farmers State bank of Fort Morgan, was elected president of the association, to succeed W. F. Rogers, vice president of the First National bank of Denver.

Other officers elected were: Jefferson H. Davis, vice president of the First National bank of Colorado Springs, vice president; L. F. Scarboro, publisher of the *Mountain States Banker*, secretary. S. J. Rhodes, president of the Fort Lupton State bank, treasurer.

### Gunnison Banker Dies

Charles W. Winslow, 74, founder and president of the Gunnison Bank & Trust company and a pioneer of Gunnison county, died at his home in Gunnison after a month's illness.

He came to Gunnison county in 1890 from his home at Lockport, Ill. He located at Pitkin and engaged in business there until 1910, when he came to Gunnison and founded the Gunnison Bank & Trust company. He served as president of that institution until last January, when he was succeeded by his son, Ashton.

He is survived by his widow, two daughters, Mrs. Grace Hill and Mrs. Carlton Sills, and three sons, Ashton, Frank and Charles, jr., all of Gunnison; a brother, Frank Winslow, and sister, Mrs. Ida Pagin, both of Valparaiso, Ind., and twelve grandchildren.

## Central Typewriter Exchange, Inc.

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**Group Meeting**

Ramon Handy was elected president of the First Colorado Regional Clearing House association at a meeting of the group in the Armstrong hotel in Fort Collins.

J. S. Davis of Greeley was named vice president; E. C. Hickman of Windsor, secretary-treasurer. Handy, Davis, Hickman and A. H. McKeirnan of Longmont; S. J. Rhodes of Fort Lupton and C. L. Stout of Fort Collins were elected to the board of directors for the association.

Fifty bankers from Larimer, Jefferson, Weld and Boulder counties attended the meeting representing 12 cities. C. L. Stout of Fort Collins was president last year.

**Dies in Denver**

Milton E. Dukes, 52, vice president of the International Trust company, died at his home in Denver recently.

Mr. Dukes had lived in Colorado thirty-three years. He had been associated with the International Trust company since 1919 and for a number of years was secretary until his recent elevation to a vice presidency.

He was born in Peru, Ind., and was graduated from Peru high school. After working two years in the First National bank of Peru, he came to Denver.

**Elected President**

I. W. Haight was elected president of the First National bank of Salida to succeed S. W. Sandusky.

Both Mr. Sandusky and Mr. Haight are directors in the bank and have been for many years.

Mr. Sandusky did not wish to retain the place as president any longer. He has been president since the death of Mr. Preston.

J. Ford White will be retained as assistant cashier for the present, acting as cashier until further arrangements are made.

**Denver Clearings**

Business in Denver looked up in May. Bank clearings during the month as announced by the Denver Clearing House association totaled \$71,953,830.61.

That was an increase of more than 7 million dollars over April and was larger than the clearings of any other month so far in 1933.

**To Wichita**

Roy C. Cresswell, formerly assistant cashier of the Fort Collins National bank, has accepted a position as assistant cashier in the Wichita bank of the federal farm credit administration, which is closely related to the Federal Land Bank of Wichita in administering the new farm loan bill. Mr. Cresswell went to Wichita and entered upon his new employment immediately upon approval of his application by Senators Costigan and Adams and Representative Cummings of Fort Collins.

**Bank Opens**

The People's State bank, one of two financial institutions in Center, which was closed last fall, was re-opened recently under the name of the Center Agricultural Loan Co.

Plans for reorganization of the bank have been under way since its closing. The institution is said to have been in good condition at all times, but to have been handicapped by the withdrawal of credit by its Denver correspondent bank. After many months of effort, the bank was re-opened under the federal farm credit machinery recently enacted.

N. C. Gilbert is president of the re-organized bank.

**Home Loan Branches**

Probability that home loan branches will be established in Colorado cities, including Pueblo, was announced recently by O. A. King, Denver member of the board of directors of the federal home loan bank of Topeka, Kan.

The home mortgage relief bill has passed congress. Denver and Colorado Springs will probably also be designated for branches, King believes.

**Moratorium**

A five-year loan payment moratorium plan was announced recently by the federal land bank of Wichita, Kan., benefiting several thousand Colorado farmers who have loans from the bank totaling more than \$28,000,000. The Wichita institution is land bank headquarters for Colorado, Kansas, Oklahoma and New Mexico.

A reduction in the interest rate, representing a cut of one per cent a year, was also announced.

Under the moratorium plan, loans in good standing may be kept so by payment of 2¼ per cent interest semi-an-

nually and by maintaining taxes, insurance and other charges.

The plan becomes operative July 12.

Murphy: What's that in your pocket?"

Pat (in whisper): Dynamite. I'm waiting for Casey. Every time he meets me he slaps me on the chest and breaks me pipe. Next time he does it, he'll blow his hand off.



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## New Mexico News

### Unrestricted

After having been closed since the 3rd day of March, the First National Bank of Las Cruces reopened for business recently on an unrestricted basis.

The directors were prepared to meet all demands and had funds on hand to meet a 100 per cent withdrawal if necessary. But at no time during the day was there any rush of depositors to get their money, many coming to draw checks to meet current bills and much of this fund found its way back into the bank before night. A total of \$27,000 was deposited during the day and the first day's business ended with a total gain of \$3,000 in deposits.

A. I. Kelso continues as president of the First National and C. C. Ozment has been made vice president and manager in place of W. P. B. McSain, deceased.

### Gold Turned In

Gold coins and certificates to the amount of about \$40,000 have been turned in to the First National bank of Albuquerque since the bank moratorium.

This has come in varying sums since the bank holiday. However, nearly all the sums were small and there was practically no hoarding. The influx of gold and gold certificates has been declining in the last three or four weeks.

Most of the gold came in certificate form, which members of the foreign element had buried.

### Savings Increase

A substantial increase in postal receipts and postal savings bank deposits in Al-

buquerque occurred during May, it was disclosed recently.

Receipts increased 20 per cent over those for the same month last year, Postmaster Berthold Spitz announced. Postal savings deposits gained \$59,517 during May, reaching a total of \$848,086.

The postal bank had deposits of \$584,282 at the beginning of the year, and \$476,947 in May, 1932.

### Heads Artesia Bank

W. A. Losey, president of the First National bank of Hagerman and one of the best known bankers of the state, will assume active charge of the First National bank of Artesia when the institution is reopened.

At a meeting of the directors of the First National bank of Artesia Mr. Losey was elected active vice-president of the institution and will be in direct charge when the reopening is authorized by the secretary of the treasury.

## Helping the Farmer To Help Himself

(Continued from Page 14)

that the urban half of our population could enjoy the benefits of an artificial, protective system, leaving the rural half largely outside the benefits of that particular device. It seemed to work all right at first, but lately it has resulted in taking the farmer's crop away from him without paying for it. Nobody wants to do that. I am aware of no objection from labor, or indeed from anybody, to this attempt to do what is right.

Agricultural prices are and for a long time have been unduly depressed and ruinously below their fair relation to other prices. Putting them where they

belong has the support of all fair-minded people and will not be a heavy burden on any person or class in our country. Agriculture must be restored to its proper place in the Nation's life, not only for the sake of the farmer but for the general welfare.

Upon the request of Secretary Wallace and myself, the President has requested Charles J. Brand to act with me as co-administrator. Mr. Brand is recognized throughout the Nation by farmers and the food and textile industries as one of our foremost authorities in the marketing of farm products.

In administering this Act, we shall draw heavily upon the advice and assistance of Frank O. Lowden and B. M. Baruch, who have pledged to the President, Secretary Wallace, and to me their cooperation.

Two Irishmen roomed in an eight-story apartment on the top floor and could not sleep on Sunday morning, as the sun would shine in the windows and wake them up. They bought some black paint and painted the windows and lay down to sleep. When they woke up they realized they would be late for work, as it was seven fifteen. They rushed to their jobs and the foreman looked at them in bewilderment. Pat says, "Faith and what's the matter, boss? We're only twenty minutes late!"

The foreman: "Twenty minutes! Where were you Monday and Tuesday?"

Little Emily had been to school for the first time.

"Well, darling, and what did you learn?" asked her mother on Emily's return.

"Nothing," sighed Emily hopelessly. "I've got to go back tomorrow."

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AGENTS—FIRST NATIONAL BANK, OMAHA, NEBRASKA

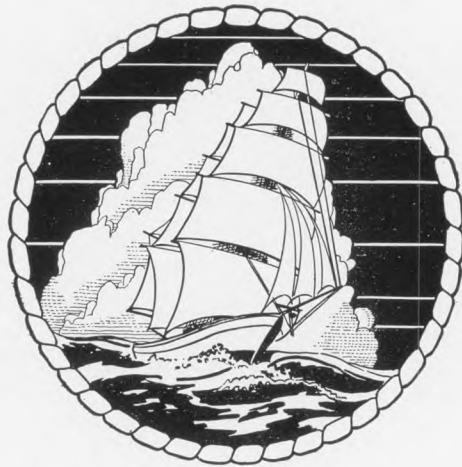
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The Northwest—with all America—is *moving forward* with a new confidence and a reborn faith in national leadership.

People *are* buying. Merchants *are* replenishing their stocks with *fresh new goods*. The *demand* for raw materials *is* quickening.

Carloadings *are* up. Prices on farm commodities *are better*. Bank

deposits *are* increasing. Clearings show a healthier tone.

★ ★ ★ ★

The fight has *not* been won. Problems are *not* entirely solved. Too many hands are still idle.

But—

The courage and the faith now being displayed by the people of the Northwest gives us great confidence that cargoes *will* find their way to port.

The Northwest Bancorporation serves 115 communities in eight states in four Federal Reserve Districts through 126 banks and trust companies.

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