

CENTRAL WESTERN BANKER

Omaha

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September

1935



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THE BUSINESS OUTLOOK

THERE is a more solid basis for the prevailing cheerfulness of business sentiment than the impressive and important fact that stock market quotations have been advancing for five consecutive months. The really justifiable reason for a greater measure of optimism lies in the fact that this summer for the first time during the depression business recovery has been able to hold most of its gains. Our most reliable indicator of business activity is the Federal Reserve Board index of the volume of industrial production. That index recorded its lowest level three years ago in the summer of 1932. Four times since then industrial production as measured by that index has staged good recoveries, and on the three earlier occasions most of the gains have been shortly lost again, but this time they have been mostly held.

THE FIRST recovery from the bottom began in August of 1932, but by March of the next year 89 per cent of the gains had been lost again. The second recovery movement began after the bank crisis in the spring of 1933, and lasted into July of that year when it gave way to another decline in which 68 per cent of these new gains were lost. Then a third recovery movement ran through the spring of last year only to be followed by a decline that was greater than the advance so that the loss was 107 per cent as great as the gain. Finally a fourth recovery began last autumn and ran up to the first of this year. Since then the general course of production has been a slowly declining one which appears now to have been checked. During this decline only 26 per cent of the advance has been lost.

By COL. LEONARD P. AYRES
Vice President
The Cleveland Trust Company

SUCH business expansion as we are experiencing is still being largely financed by cash rather than by credit, and this is particularly true with respect to the business operations of corporations. It has been said with a considerable degree of truth that our recovery so far has been limited to that of a cash and carry sort. However, this overlooks the important fact that the increasing flow of cash which now stimulates business is directly derived from the credit that is rapidly expanding in the form of government borrowing.

IN RECENT months the financial columns of our papers have made much of the growing volume of bond flotations, and have cited this as evidence that the capital markets were returning to something like normal functioning. There is more validity in these claims, for it is clearly true that the restrictions of the Securities Act have been sufficiently lax to permit the flotation of new issues. Nevertheless the fact is that almost no new capital is being raised by the present increased flow of bond issues, for almost all of them consist of the reissuing of existing bonds for the purpose of reducing the rate of interest paid through their coupons.

The refunding of old issues is helpful to business because it reduces fixed

charges, and because it postpones maturity dates. It does not, however, finance new construction or purchase new equipment, and so it does not furnish new jobs and reduce unemployment. The most convincing assurance that a durable recovery was under way would be a steady upward trend representing a mounting volume of new capital going into expanding enterprise.

PERHAPS the most fundamentally significant fact about the depression in this country is that most of the unemployment among producers of goods is that existing among the makers of durable goods, and that this unemployment is the chief cause of the unemployment among the workers in the service occupations. The key to our depression problem is to be found in the unemployment among the durable goods workers. Some new and important facts relating to the economics of this matter are now becoming available through the preliminary figures from the Census of Manufacturers of 1933.

THE QUESTION is why the output of consumers' goods should hold up and their prices decline in the depression, while in the case of durable goods the prices hold up and the output declines. If anyone could devise a means to make durable goods follow the pattern of consumers' goods in volume and prices during depressions, he would have found the solution of the depression problem, and he could tell us how future periods of seriously hard times could be avoided. It is the most important problem in the world.

Competition in the Savings Field

THE SOLUTION to the situation lies in the lifting of the depression, if there can be such a thing as a marked line between the depression and prosperity, we will naturally be at that point in our recovery where there will be an easy demand for all of the savings and all of the investment funds that are available at a fair rate of interest. So long as the banks and other financial institutions of the country have a great surplus of funds that can not be safely invested, just so long will the conditions in the savings field be very discouraging.

In fact, there may be a question of the wisdom of the title of this subject. Naturally, the competition is no different now than it was before. It is merely on a lower level, that is, the interest return on capital, both to the owner of the capital and to the borrower of it, is considerably lower than it is during periods of prosperity. Therefore, it would seem that the competition has in itself no serious problem for solution. We merely must mark time until business activity returns calling for use of the money we have on deposit. We are, of course, constantly reminding our customers that we can't pay the usual amount of interest on their savings because so much of their money must lie idle. This, of course, causes irritation, both to the owner of the capital and the banks that must stand in the attitude of bearing the bad news to the investor that his money isn't worth very much.

As a rule there is no particular competition among savings banks as to the rate of interest they will pay on savings. This is practically limited to what they

By DAN V. STEPHENS

*President
Stephens National Bank
Fremont, Nebraska*

can get in the way of interest when they undertake to invest these savings. As a rule, conditions confronting all of these various establishments, excepting the Postal Department, have a tendency to regulate the rate of interest which, with a little cooperation on the part of bank managers, solves this problem in a fairly satisfactory way. What we mean by this is that the rate of interest will naturally adjust itself to the class of investments that are to be made and to the class of banks that are depositories.

For example, in our own bank, with which I am better acquainted than with any other, we pay 2 per cent on savings up to \$2,500 from one depositor. We pay 2 per cent on time certificates issued for one year for a sum not larger than \$2,500, 1½ per cent on the second \$2,500 and 1 per cent on any sum above the total of \$5,000. In competition with this bank we have an affiliated Finance and Character Loan Corporation, under our own roof, that receives deposits for investment. Upon these deposits we pay 3 per cent interest. Previous to January 1st of this year, we paid 5 per cent. Under the same roof with these two institutions we have a Mutual Building and Loan Association and it pays 3 per cent on deposits which are regulated by state law and which must be invested in real estate mortgages on the homes of the people. Therefore, we have three classes of institutions under one roof, using practically the same lobby, receiving deposits at different rates of interest, and

all of them controlled by the same officers.

The rate of interest paid by these three different institutions represents in a typical way what occurs throughout the country. It is not so much the rate of interest that guides men in selecting their depositories. There are several factors that, no doubt, influence depositors. The personal factor is a large one, larger perhaps than the knowledge of absolute safety that might arise out of the fact that practically all national and state banks are now protected by the Federal Deposit Corporation. Circumstances is the other factor that influences the depositor and the investor. The truth is, there are so many factors that influence the actions of people that it would be fruitless to classify them.

The main point seems to be that the subject of competition in the saving field has many ramifications that includes many different things besides the rate of interest that is paid on the deposit, or the rate of interest that the investor receives on his money.

In the pre-depression days people went mad with the desire to become rich quickly. They saw others making what appeared to them very fortunate investments and becoming allegedly very prosperous over night, which had the effect of intoxicating them with the gambler's spirit. They could be sold any sort of a stock or bond by even mediocre salesmen. There were plenty of high-pressure salesmen engaged in the business of brokerage of stocks and bonds at that time, but even a mediocre one could do a great deal of business. The result of all of this speculation brought upon us the great depression out of which we are slowly climbing now.

The depression has been so great and so wide-spread throughout the world that people are still trembling with fear. They are still refusing to invest their money. There isn't anything scarcely that seems safe to them. The result is there is a flux of money in all of the banking and financial institutions in the country that can not be invested to any great extent at the present moment, but the field is opening up gradually and there is reason to believe that in a very short time there is going to be a demand for investments on a huge scale. It is hoped that when this demand comes security houses will be safe-guarded by the new Security Act to such an extent that the people will not be exploited and robbed of their savings as they were to an unheard of degree prior to this depression. Business is picking up everywhere and investors are gradually creeping back out of the shadows, making preparation to meet the demand that is sure to follow business activity.

In the classification of financial institutions, I wish to specifically call attention to the general mixed-up condition of these institutions. Few of them specialize in any particular field. It is true that small banks in small localities must combine a great many kinds of financial transactions in order to make their institutions profitable. A small town bank must write insurance, make farm loans, do a general notarial business for the community, besides running a commercial bank, a savings bank, and making investments in a small way for the people in the community. His duties as a rule in the investment field will be confined to loaning the money of one of his depositors to another depositor on his farm or on his residence, as the case may be. Both the borrower and the lender know exactly the entire situation.

I venture the statement that had the banks of this country stuck to their knitting, so to speak, and invested the money that belonged to the customers of their banks in mortgages on real estate and in other securities known to them in the neighborhood of their banks and known to their investors, they would have gotten through this depression with a comparatively clean slate. My observation has been that not to exceed fifteen per cent of the losses sustained by these banks that were liquidated arose out of local investments. The greatest loss, of course, and the one that broke their backs and put them out of business, arose out of

the investments in stocks and bonds that were sold to them by the high-pressure salesmen of security houses. This statement is not designed to be an attack upon the security houses, but merely a statement of the facts as they existed.

This leads me to the conclusion that most of our troubles could have been avoided had banks stuck to their business of attending to commercial loans and commercial transactions, instead of attempting to become investment brokers dealing in stocks and bonds. A commercial bank with a million dollars in deposits, or more, has all its official staff can do competently if it attends properly to the customers it has and cultivates an understanding of their business and the manner in which they are conducting that business, and to the investment of such surplus money as it may have in loans to their various customers.

It requires a knowledge of the business of every customer of the bank, who is a borrower, in order that that business may be properly served and safely served.



Dan V. Stephens

If commercial banks stuck to their own business and carried on a commercial banking business, and if investment houses stuck to theirs and carried on their business in a legitimate way, and if insurance companies stuck to their business instead of attempting to inveigle deposits out of banks by selling annuities,

and if savings banks stuck strictly to their business of investing the money that has been entrusted with them safely in mortgages or government or state bonds, our institutions would be much more successful and a very much greater service to the country. But some of us are not satisfied with doing a legitimate specified business of this character that we are competent to do, but we must run a regular department store business and incorporate all of these various businesses under one head and delegate the responsible duty of managing the departments to individuals who often act alone and come to their own conclusions as to what is best for their department. No banking institution can be divided up in that sort of a fashion and be successfully conducted along those lines very long without entailing tremendous losses. The idea of an investment broker selling a security, the history of which is confined to a small printed circular, to a banker two thousand miles away, who knows nothing about it, is about as stupid a transaction as I know of, and so long as men indulge in those transactions we will have panics and depressions and revivals. Each time we pass through such an ordeal we lose tremendously to those who control vast stores of ready capital and who can take advantage of the situation and reap a harvest.

If each bank would recognize itself as a nucleus of the community surrounding it, receiving the spare money of the people and lending it to the people of that community and their enterprises, how much more wholesome would the situation be than it is at present. Now we find communities that have been bled white by the losses they have sustained on investments that have been made in bonds on corporations they knew nothing about, and which were located maybe thousands of miles away from them.

We wonder where the buying power of the people has gone. The wonder is that they have anything left to buy with when you consider the vast sums that they have lost through exploitation.

This situation doesn't do the banking fraternity any good, and I am hoping now that with the clean slate that the banks have, practically every institution being absolutely solvent, we ought to start forward and make a record that will be enviable. This will restore the banking fraternity to the standing it should have in the community.

Let us hope that that will be the result of this tremendous upheaval.

Every Employee A Salesman!

WHATEVER you do, don't lose the commercial spirit. It vitalizes the whole organization. It keeps the breath of life in it. It is the one and only preventive of the dry rot of old age. When you get the commercial spirit, the selling spirit, throughout the organization, from top to bottom, you have an organization with vigor, vitality, energy, aggressiveness in it. You have an organization that lives and breathes and does things!

That is the policy you are following. You don't consider that getting new business is the sole and exclusive job of the New Business department. You are working on the idea of EVERY EMPLOYEE A SALESMAN. I tell you that it gets results. It not only gets more new business, it not only gets business results, but it brings with it advantages of many other kinds. And, in the long run, I believe the latter are much more valuable results than the actual new business that you can measure in dollars and cents on your ledger sheets.

Your Job

I don't know what you think about your own job. If you think it is monotonous, humdrum and irksome, then it is monotonous, humdrum and irksome. If you can't see it in any other light, then you ought to get out of the job and get into some other work that will interest you, so you can really put yourself into it.

But your job won't be monotonous, tedious and tiresome, if you can get the commercial spirit, if you can begin to see your daily duties in their proper relationship to the whole achievement of the bank, if you can get a picture of the whole undertaking and realize that your job, no matter what it is, is an important and an essential part of the accomplishments of the bank.

Always on the Job

Get the selling spirit and you will want to know more about the bank. You will not be satisfied just to know your

Excerpts from the address of P. S. Arkwright, president of the Georgia Power Company, before the employees of the First National Bank of Atlanta. There is food for thought here for the employees of any bank

own particular job and nothing else. You will want to learn something about the work of the other departments, and you will find your interest rising as you learn more and more about the way each job and each department dovetails in with the others to produce the final result.

You are not just putting figures down on a page for the sake of putting figures down on a page. Bookkeeping isn't done just for the sake of bookkeeping. It is done because of the fact that without it, the bank's affairs would soon be in a tangle and its collapse could not be long postponed. Look beyond your job to the ultimate meaning and the ultimate usefulness of it. Get the commercial spirit, and you will see that everything you do affects, one way or the other, the ability of the bank to get new business and to hold its present business and to continue to function as a useful agency for the benefit of its customers and the community and everyone who has an interest, directly or indirectly, in it.

In some businesses which I have observed, it seemed to me that their credit and collection departments operated as if they thought they were created as a thing apart from the rest of the business. They functioned as if they thought their only purpose was to keep the business from losing money. The purpose of the

business, any business, is to make money, and the purpose of every department, including credit and collection departments, is to help the company make money.

Customer's Viewpoint

Get the commercial spirit throughout your organization and you are safeguarded against falling into such errors. It enables you to see beyond the job to the customer. It helps you to put yourself into the customer's place and see things from his viewpoint. It is the greatest aid I know of in building up an attitude throughout the organization which will insure considerate and courteous treatment of the customers at all times.

I do not mean that sound business principles must be forgotten in a foolish effort to win popularity. The first duty of any business is to remain solvent. The first, and the highest, duty of your bank is to remain solvent.

You are not here to give away money. You are here to lend money. You are not here to let anyone take away your depositors' money by fraud or deceit or trickery. I could be the most popular banker in the state for a few months, lending money to anybody and everybody, without regard to their credit, shoveling the money out to anybody who would come and get it, but I wouldn't last more than a few months that way. Then I would go to jail, and everybody would say I was a fool and a thief. You can't do business that way, of course. You have got to do it in a businesslike way, but you can at the same time do it cheerfully and politely and pleasantly and with thoughtfulness and consideration for the customers.

Your solvency is a part of the service you render to the community. The minute you cease to be solvent, your capacity for service ceases — the depositors lose, the stockholders lose, the employees go out on the street, the relief rolls are increased, and the bank is no longer an

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About Men You Know in Nebraska

W. DALE CLARK, president of the Omaha National bank, was elected one of the five trustees of the Carter Lake Development Society, Inc., at a meeting of incorporators last month in Omaha.

The society was formed to develop Carter Lake and adjoining territory, northeast of Omaha, into an interstate park. The land is partly in Nebraska, partly in Iowa.

W. B. "Bob" Millard, jr., vice-president of the Omaha National bank, was elected treasurer of the society. Other Omaha bankers who were named to the board of directors include Alvin E. Johnson, president of the Live Stock National bank of South Omaha and president of the Omaha Chamber of Commerce; J. F. McDermott, vice-president of the First National bank of Omaha, and Gwyer H. Yates, president, United States National Bank of Omaha.

Also among the directors were Mr. and Mrs. E. J. Cornish of New York, who recently donated a large tract of land to the park project and previously had made similar donations, and Mrs. Sarah H. Joslyn, Omaha philanthropist, who presented the four million-dollar Joslyn Memorial to the city of Omaha. Mr. Cornish is chairman of the board of the National Lead company.

OMAHA IS GIVEN a top rating in city bond quotations in the current bulletin of Guy Huston & Co., of Chicago.

Bonds of the city of Omaha, bearing $4\frac{1}{2}$ per cent interest, are listed at 120, the highest of any city in the list except Pittsburgh and Des Moines. The Iowa capital's bonds, bearing the same interest rate, are listed at 122.

Omaha's city finance commissioner, Dan Butler, and City Comptroller Stenicka said Omaha's high credit rating is due to prompt payment of interest and redemption of bonds at maturity. This is possible, they explained, by the five-year debt service plan adopted in 1933, which fixed a definite levy for bond redemption and sinking funds.

A 4.8 PER CENT final dividend of \$8,792 to depositors of the Harrison State Bank of Harrison, Neb., was announced by State Banking Superintendent Ben N. Saunders August 13. Total payments amounted to \$127,858, or 69.8 per cent.

THE WILL OF Rufus E. Lee, Omaha investment banker and capitalist who died August 4, left the entire estate, temporarily estimated at \$25,000 for purposes of administration, to the widow. At one time, Mr. Lee was rated as a millionaire.

FRED W. THOMAS, vice-president of the First National Bank of Omaha, who, with Mrs. Thomas, has just returned from an extended western trip, traveled from southern California to Alaska.

They went to Alaska on the *Aleutian*. Of the trip through the Peril Straits to Sitka, old Russian capital, they spoke with enthusiasm of Esquimaux women, mining activities, the salmon run.

Returning to Seattle, they drove to the snow belt of Mt. Ranier, down past Mt. Hood, and then to San Francisco, Del Monte, Carmel-by-the-Sea, Los Angeles, and finally to the fair in San Diego.

ALVIN E. JOHNSON, president of the Live Stock National Bank of South

Omaha, and president of the Omaha Chamber of Commerce, telegraphed citizens of Millard, Neb., August 11, to congratulate them on the town's golden anniversary of its founding, which was marked by a two-day celebration.

ROBERT HALL, cashier of the Bank of Florence, First National Bank of Omaha affiliate, and Mrs. Hall, left August 17 for Evergreen, Colo., for a vacation of two weeks. They accompanied Mr. and Mrs. Russell Peters and Dr. and Mrs. Richard H. Young, all of Omaha.

FORD E. HOVEY, president of the Occidental Building and Loan association of Omaha, and Mrs. Hovey, left August 20 with James E. Davidson, president of the Nebraska Power company, and Mrs. Davidson, on a fishing trip to the Lake of the Woods country in Canada.

THE UNION BANK of Rushville, Neb., has reorganized with a slight reduction in capital stock, the state banking department announced August 8. The bank's new name is to be the Union State Bank of Rushville and its capital stock will be \$30,000 instead of \$40,000. Guy E. Ellsworth is president of the bank and Robert E. Marek is cashier.

MILTON F. BARLOW, assistant cashier of the United States National Bank of Omaha and son of the late Milton T. Barlow, former chairman of the board of that institution, has returned from a western motor trip. He visited Joe F. Ringland, formerly associated with the U. S. National, now in the banking business at Great Falls, Mont., and also saw Shirley S. Ford of Minneapolis, former executive vice-president of the U. S. National. The Fords were vacationing in the Big Horn mountains.

HONORING William B. "Bill" Hughes, veteran secretary of the Nebraska Bankers' association and also of

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CONVENTION
NEBRASKA BANKERS
ASSOCIATION
OMAHA
October 24 and 25
HOTEL PAXTON

"The Farmer in the Dell"

IT MAY not be entirely without propriety to recall that a few years ago the barber shop tenor and the basso profundo voices of many enthusiastic luncheon club members, joined in perfect harmony or discord, as the case may be, in the sprightly rendition of that old favorite:

"Heigh-O! The cherry-O! The farmer in the dell."

With the advent of the agricultural depression, the melody remained the same, somewhat subdued and more mournful, but the words were changed and from all corners came the chorus of despair:

"Oi! Yoi! Foreclosure-O! The farm has gone to hell!"

In the decade prior to 1929, the voice of agriculture, as it contemplated the post-war deflation and its effects upon the farms and farmers of America through the rapid decline of its income from 19 billions to 12 billions annually, sounded prophetic warnings of the inevitable industrial and banking collapse; but industry, enjoying an increase in annual income from 45 to 79 billions during the same period, was lulled into a feeling of self-sufficiency and independence and failed to recognize that with the diminished agricultural income there naturally would come the resultant destruction of the purchasing power of the American farmer upon which would be predicated the inescapable industrial and banking crisis which approached total collapse on March 3, 1933. Then for the first time, the voices of the farmer, the industrialist, the wails of the banker, the investor, and the ordinary, every-day citizen joined in a mighty chorus of protest to restore and rejuvenate agriculture. Quickly the forces of reconstruction recognized the dependence of national recovery upon agriculture, and in his first executive order, the President of the United States in answer to this universal appeal, established the Farm Credit Administration designed and charged with the responsibility of restoring to the American farmer the channels of credit which had been denied him during the years of his financial collapse and which left him prostrate before the oncoming deluge of foreclosures.

By GERALD E. LYONS

*District General Counsel
Farm Credit Administration
Omaha, Nebraska*

Local Conditions

Prior to 1933, the credit needs of the farmer were, in varying degrees, dependent upon local conditions. In times of plenty, unlimited facilities were offered, which persuaded both the investor and the farmer to permit and create indebtedness quite beyond the borders of safe and sound finance. When the supply of available funds mounted in the vaults of the country banks, a great portion of which was deposited in savings accounts or time certificates, bearing rather high rates of interest, it was necessary that the banks loan this money at higher rates to produce income for the banks. With the increase of the borrowing capacity, came the resulting appreciation in the market

"Every person who invests in well-secured real estate in growing sections of a prosperous community, adopts the surest and safest method of becoming independent, for real estate is the basis for all wealth"

value of lands, until the point was reached where, because of the diminishing income of the farmer on account of the lowering of prices of his product, the farmer was unable to meet his interest and taxes, and resort to foreclosure was necessary to protect the interest of the lender. When the realization of the inadequacy and futility of the loaning policy then in vogue dawned upon the investing and depositing public, the mad scramble was on to recoup and recover the investments and deposits, and many loan agencies, including banks, found themselves in the position where they had converted six or twelve months' money into five and ten year loans and because of lack of available market where such loans could be discounted or accepted as collateral the inevitable and inescapable withdrawal of confidence and support was occasioned, and many loaning agencies, well managed and of substantial integrity fell, victims of misperceived, misunderstood, and misapplied economic principles.

In the matter of short time credit too, the farmer and the banker alike were at the mercy of conditions over which their control was relative only. In the absence of a credit agency, with adequate facilities available both in times of want as well as in times of plenty, with which short time paper could be rediscounted or hypothecated, such loans were entirely dependent for their liquidity upon the current and generally local market conditions and local demands.

Credit Administration

To meet the objections to the financial schemes under which agriculture found itself so heavily penalized, the Farm Credit Administration was devised, with agencies, designed and created for the avowed purpose of making available to the entire agricultural structure, credit institutions whose facilities and abundant credit should be made available at all times—in inflation—in deflation—in want and in plenty—and by obtaining its money in the financial centers of the whole country, to remove from the life blood of agriculture credit, the cancerous germs of entire dependence upon localized conditions and markets. Through these agencies, four in number, and with a complete set up in each of 12 districts throughout the United States, the Farm Credit Administration has sought to supply an appropriate answer to the popular demand for permanent and adequate assurance against another such calamity from which we have so recently emerged.

But these conditions cannot be realized nor maintained unless certain pitfalls shall be avoided—and it is in the solution of such problems that the cooperation of the local banks may find justifiable expression. May I enumerate them briefly?

FIRST—With the return of confidence in agriculture, it may reasonably be expected that periodic inflated values based upon current market prices will arise and loans based upon such values be demanded. We have had the courage to loan upon normal values even when there was no market value—let us then have the fortitude to resist the temptation to go beyond the normal values in times when specious and inflationary values are created.

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Every Banking Service

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How Modernization Loans Are Stimulating Business

Banks are overlooking a good source of investment income if they fail to take advantage of guaranteed housing loans

BANKS and other private lending institutions of the country did a record volume of business in extending modernization credit under the Federal Housing Administration program during the week ending August 3. In that period a new peak of 17,433 insured modernization and repair notes, amounting to a total of \$5,401,510 were extended by the thousands of private lending institutions cooperating in the program.

It brought the total business done by the financial institutions in insured modernization and repair notes since the beginning of the Administration's program about a year ago to 291,879, amounting to \$114,169,554.

Property owners pledged during the week to carry out \$9,355,204 worth of modernization and repair work during the coming months. The total amount of pledges obtained by canvassers since the start of the program is \$497,269,321.

Home financing through financial institutions approved as mortgagees by the Housing Administration also continued to advance more recently when 2,097 mortgages amounting to \$7,363,583 were selected with fees paid for appraisal, bringing the grand total to 32,147 mortgages amounting to \$126,741,631. Mortgages accepted for insurance during the week ended August 2 numbered 1,098 for a value of \$4,404,894, bringing the grand total to 13,535 mortgages for a value of \$56,472,345.

Concurrent with the record-breaking volume of business being done by the Federal Housing Administration in July, production and sales of lumber and forest products were much higher than at the corresponding period of last year.

In the West

At the present time 356 houses financed with insured mortgages under the terms of the National Housing Act are either under way or have been com-

pleted in the southern district of California.

Mortgages selected for appraisal with fees paid in Utah passed the two million dollar mark on July 30.

A steadily increasing number of mortgages are being submitted for appraisal to the Montana office of the Federal Housing Administration. The first mortgage was selected for appraisal on January 1 of this year and 125 days later the 100th mortgage was received. Fifty-seven days later the 200th mortgage was submitted and the State Director estimates that at the present rate the third hundred will be received during the summer.

Building permits issued for the construction of residential properties in Houston, Dallas and Austin, Texas, during June, 1935, reflect an interesting increase in residential construction. Figures obtained from the Bureau of Labor Statistics show that permits issued in the three cities in June, 1935, totaled \$708,552, whereas during the same month last year permits issued amounted to only \$244,372.

The month of June, 1935, was a record month for residential construction in Oklahoma City, Okla. More building permits were issued than in any other month in the history of the city. Permits for residential construction totaled \$145,975 and repair permits amounted to \$35,500. Last year in the same month, residential permits amounted to \$5,800 and repair permits \$26,555.

During the week ending July 20, the First Security Bank of Ogden, Utah, received applications for industrial modernization loans amounting to \$115,000.

Middle West

The Second Federal Savings and Loan Association in Cleveland, Ohio, has reported the sale to another institution of a block of insured mortgages

worth approximately \$100,000. Requests have recently been received from two financial institutions for blocks of insured mortgages totaling approximately \$500,000. Banks in the district are, however, unwilling to sell insured mortgages which they have in their portfolios.

During the week ending July 27, the First Bank and Trust Company of South Bend, Ind., approved 103 applications for modernization credit amounting to \$22,957. The large increase in volume is partly due, at least, to a mortgage clinic recently held in the city which attracted wide attention.

An industrial loan of \$48,000 covered by the insurance terms of the National Housing Act to be used in the purchase of equipment and machinery, has recently been approved by a Madison, Wis., bank for a large industrial plant in that city. Numerous applications ranging in value from \$5,000 to \$20,000 have been received by banks throughout the state during the past week.

The First National Bank of Ziegler, Ill., recently approved its 108th modernization loan, bringing the total amount of credit extended to date to \$28,777.

Business Aided

In the first six months of 1935, profits of the Mullins Mfg. Corp., Salem, Ohio, had increased to \$284,124, as compared with the \$149,308 in the first six months of 1934. "Undoubtedly the program of the Federal Housing Administration is having a favorable effect upon our sales," said C. C. Gibson, president, in discussing the 90 per cent gain.

Reports from various building and supply dealers and contractors in Oklahoma City, Okla., show that as a result of increased building activity, many artisans who have been unemployed are receiving permanent employment. Perhaps the outstanding example is the

Continued on page 13

BONDS AND INVESTMENTS

INDUSTRIAL LOANS

I WANT to tell you in a very informal way as much as I can about Industrial Loans, which the Federal Reserve Bank is permitted to make under the provisions of Section 13b of the Federal Reserve Act. Its enactment was due to the fact that many small and medium-sized industrial establishments had suffered severe losses during the depression and were short of working capital which was difficult to obtain from the capital market. In many cases commercial banks hesitated to undertake on their single responsibility the risks involved in investing their funds in relatively long-time loans.

The first part of the Act refers to direct loans. It says, in effect, that a federal reserve bank may, in exceptional circumstances, make loans on a reasonable and sound basis for the purpose of furnishing working capital to an established industrial or commercial business located in its district when such business is unable to obtain assistance from the usual sources. We have made some of these direct loans, but we prefer to make them through the local banks. However, should a borrower who has a basis for credit make application for a loan in which it is not practicable for your bank to participate, we will give the applicant every consideration if you direct him to us.

The second section is of more direct interest to you. This refers to loans for working capital to be made through banks or other financial institutions and provides four methods by which this may be accomplished:

1. *Discount or Purchase by the Federal Reserve Bank of Obligations Representing Such Loans Made by Banks.*

Under this method, the local bank will make loans from its own funds, and may offer all or part of such loans to the federal reserve bank for discount or purchase. If the entire amount of any

By J. H. DILLARD

*Deputy Governor
Federal Reserve Bank
Chicago*

such loan is discounted or purchased by the federal reserve bank, the bank submitting the loan must agree to reimburse the federal reserve bank for not less than twenty per cent of any losses which may be sustained as a result of such loans. If a part not less than twenty per cent is retained by the offering bank, the federal reserve bank will not require an agreement from the bank to assume any part of the loss, but all of the obligations evidencing such loan will be considered as one advance, and repayment must be prorated between the offering bank and the federal reserve bank.

Methods 3 and 4, which Mr. Dillard describes, should be of interest at this time, as they provide a means by which a bank can increase its earnings by employing some of its excess funds in cases, for example, where it has an applicant who wants to borrow for a longer time than the bank cares to tie up its funds, or where the application is for a larger amount than the bank feels justified in loaning

2. *Loans by the Federal Reserve Bank to the Local Bank Secured by Such Obligations.*

Under this method, local banks may borrow from the federal reserve bank upon their own promissory notes, pledging as security obligations representing industrial loans made from their own funds.

3. *Loans Made Jointly by the Federal Reserve Bank and One or More Commercial Banks, Each Participating Upon an Agreed Basis.*

Banks may participate with the federal reserve bank in an extension of credit to an industrial or commercial business, with the provision that the extension of credit is considered as one advance and that repayments are pro-rated between the federal reserve bank and the offering bank. For its portion of the participation in such an advance, the Federal Reserve Bank of Chicago will charge a rate of six per cent and will refund one per cent to the participating banks which agree to service loans and to report regularly on the status of the borrower.

4. *Commitments by the Federal Reserve Banks to Banks to Discount or Purchase or to Loan Upon Such Obligations.*

Under this plan, the local bank advances the entire loan from its own funds and enters into an agreement with the federal reserve bank that the latter will, at any time, within a specified period loan a specified amount on the security of such obligations or will discount or purchase all or any part of such loan. In the case of a discount or a purchase, the agreement will provide that the lending bank will assume not less than twenty per cent of any loss, or in lieu thereof will retain not less than twenty per cent of the loan for its own account. For such commitments, the Federal Reserve Bank of Chicago will charge a rate of from one to two per cent per annum.

The principal difference between Methods 3 and 4 is that in case of participations we use our funds up to eighty per cent of the loan, receive the interest thereon, and pay you one per cent for policing the loan; while under Method 4, you employ your funds, receive the in-

terest, and pay us for agreeing to take it off your hands, provided you wish to dispose of it.

As you know, the procedure which may be followed by member banks in making industrial loans is also open to non-member banks. Let me repeat that we much prefer that the application come to us through the local banks, for the reasons that (1) we do not want to compete with commercial banks, and (2) we feel that you can make the loan much more effectively than we can, for no one knows so much about the financial affairs of a borrower as his local bank.

Points to Remember

A few of the principal points to remember in submitting an application are:

1. The applicant must be an established industrial or commercial business; that is, individuals, partnership, association, or corporation located in this district; and must be unable to obtain credit through the usual sources.
2. All extensions of credit must be on a reasonable and sound basis.
3. Maturity of obligations must not exceed five years.
4. Proceeds must be devoted to furnish working capital to eligible borrowers.

One of the questions frequently asked us is: What kind of security is necessary? The answer is—Practically any kind of security that has value. Another question we often get is—How will the super-

visory authorities regard a long-time loan in which a local bank participates with the federal reserve bank? Answer—The Federal Reserve Board and the Comptroller have issued instructions, with which you are familiar, concerning the classification of such loans when held by member banks, and, as you know, the Comptroller has also ruled in the case of national banks that the usual loan limitation does not apply to that part of an industrial loan for which a federal reserve bank has made a commitment.

We are also asked whether loans will be made to pay off existing indebtedness. In general, loans will not be made when the proceeds, in whole or in part, are to be used to discharge existing indebtedness or to acquire or maintain fixed assets. It is recognized, however, that in some cases applicants may find it necessary in the operation of their business to use a limited portion of their loans for such purposes as the payment of taxes, payment of pre-existing indebtedness, or minor repairs, improvements, and equipment. Each such case will be considered on its individual merits when the application for the loan is received.

The term "working capital" is considered to mean primarily funds used for the purchase of materials and for the employment of labor. The term "established business" is considered to exclude business newly organized.

This law was passed as part of an effort to meet an emergency and not to change the fundamental principles upon

which commercial banks and federal reserve banks operate. I hope that nothing I have said has implied that we feel anyone should make unsound loans. Nothing is further from our intentions. We do feel, however, as stated before, that when a bank has a customer who can qualify under the Act, the terms of the Act provide that bank with an opportunity, first, to employ some of its excess funds at a fair rate without endangering its liquidity; and, second, to aid in the recovery of business and an increase of employment. Someone has said: "Recovery is our most important problem as bankers, and our most serious worry as human beings."

EVERY EMPLOYEE A SALESMAN

Continued from page 6

asset to the community, but the producer of a calamity.

Of course, the bank must be kept solvent. Your policies must be based upon that as a fundamental principle, but that is no obstacle to courtesy and consideration and willingness to oblige, which are the qualities you must have if you expect to build up the usefulness of your bank and increase the number of its satisfied customers.

"THE FARMER IN THE DELL"

Continued from page 8

SECOND—Out of the confusion of the emergency have arisen certain groups who would seek to overthrow every fundamental principle of finance and credit and substitute legislation which, while of some temporary value, would eventually undermine the very foundations upon which our state and country was built. Contractual rights once established must not be legislated into oblivion, and the temporary expedients must be recognized and applied as temporary only. There must be a revival of that spirit of common honesty which demands the recognition and payment of honest obligations and which frowns upon attempts by legislation or otherwise, to afford easy relief to the debtor who does not wish to pay.

In Farmers' Hands

THIRD—The fate of agriculture must be again restored to the hands of the farmer. During the era through which we have passed, certain benefits, in the form of subsidies, were made necessary, and have played an important part in the great rehabilitation program. But I preach no political or financial heresy when I invite your assistance in

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OFFICES IN PRINCIPAL CITIES

removing these subsidies as soon as normalcy in agriculture has returned. The farmer has heretofore been able to work out his own salvation, unaided by these unnatural and artificial stimulants, and with the guarantee of credit now offered, through these institutions in which he becomes an interested owner, and with the new and solid foundations upon which values are and will hereafter be built, he can face the future with confidence that through his own efforts, his entire redemption may be achieved. He has learned that the fate of him who depends upon the whims and fancies of ever changing legislatures, is indeed precarious, and eventually highly expensive. The uncertainties must be removed, and the clouds of doubt and suspicion dissipated.

FOURTH—The restoration of our lands to those who will actively engage in farming, should now command our earnest attention. Many honest, intelligent and worthy farmers have lost hope in the future of farming, and should be encouraged to return. The best citizenship is cultivated and those qualities of character most respected and needed are best and most highly developed in the struggle for full and complete home ownership, and the family ties are more closely knitted around the hearth of the owner of his own home. Too many farms in our state are non operator-owned. The time to buy is now—and with the present and promised credit facilities extending even to include purchase of land, there need be but isolated tracts in the hands of owners who do not themselves live upon and work the land. The farms must be made more attractive—expenditures for a little repairing and paint may turn the scales from discontent to satisfaction and convert a house into a home in which pride of ownership will again be recognized as a virtue.

To the restoration of the industry of agriculture may we well devote our energies, our time, our influence and our resources. From time immemorial, the fate of the nations of the world has been held in the hands of its tillers of the soil. Out of the bosom of mother earth comes all of the treasures of the land. Farm down beneath the depths to which man has descended, there lies unfound and untold wealth. The streams of oil that gush from her breasts enable the man-made machinery to mold out of its other resources, the necessities and luxuries of human existence. The gold and silver lie hidden—but over all, facing the heat of the noon day sun, soothed by the gentle

winds and nurtured by the raindrops, her countenance, lighted with the glow of the ripening grain, presents the spectacle that thrills the hearts of men—for out of that same soil comes the food upon which human life depends—and truly there may and should be no more self-satisfying endeavor than an active participation in the production of that upon which life itself depends. We may in times such as we have lately experienced allow ourselves to be persuaded away from the true sense of values, but again, with the turmoil and strife in the background, we shall learn, as Theodore Roosevelt once said:

“Every person who invests in well secured real estate in growing sections of a prosperous community, adopts the surest and safest method of becoming independent, for real estate is the basis of all wealth.”

The full realization of that ideal is the hope and pledge of the Farm Credit Administration.

MODERNIZATION LOANS STIMULATE BUSINESS

Continued from page 10

Watt Plumbing Company. Whereas at this time last year they were employing two plumbers, during the past week,

they had 30 workers on their payroll.

In a letter to the Federal Housing Administration, an official of the Suburban Millwork and Supply Company of Milburn, N. J., reports that business of his company has increased 50 per cent over last year, necessitating the employment of 10 additional employees. “We feel that the entire improvement in the construction industry is due to the Federal Housing Administration,” the official states.

The Oil Burner Division of the Malleable Iron Fittings Company, Branford, Connecticut, stated recently that “up to date our business is 100 per cent greater than up to this time last year. A large portion of this increase can be definitely traced to the activities of the Federal Housing Administration.”

The J. J. Hockenjos Company of Irving, N. J., has reported to the Federal Housing Administration that it has obtained 100 paint jobs in Irvington and the Oranges through following up leads turned over to them by the local better housing committees. The company, which is one of the largest paint concerns in New Jersey, is planning to send a corps of salesmen into every city in the state in which a canvass is being conducted.



to serve you better

The Bell System's 24 operating telephone companies enjoy the benefit of the centralized research and advisory staffs of American Telephone & Telegraph Company and Bell Telephone Laboratories. They also benefit through centralized manufacturing and purchasing by Western Electric—another Bell System unit—whose prices reflect the savings of large scale operation. All this leads to lower costs for each company—and better telephone service for you.

Bell Telephone System

"Our records show increase of 50 per cent in the number of modernized storefront jobs sold for the first half of this year as compared with the same period of last year. In value, the increase is approximately 100 per cent," stated Mr. Wherrett, the president of the Pittsburgh Plate Glass Company, Pittsburgh, Pennsylvania, in a letter to a Federal Housing Administration official.

The Federal Housing Administration has brought unusual business increases to both the Wahl Plumbing Company and the Vancouver Sheet Metal Works of Vancouver, Washington. The former concern is doing more business now than at any time since 1929, while the other is operating at full capacity and will be unable to accept new business until present orders are filled. Officials of both firms have assured the Federal Housing Administration that these increases were brought about by the activities of the better housing committee of Vancouver.

Sales of heating apparatus by the Oil Heat Engineering Company of Philadelphia, Pa., have been three times as great during the past few months as at any similar time in the history of the company. The company, which handles a nationally known line of heating apparatus, attributes the increase in their business entirely to the program of the Federal Housing Administration.

The E. L. Bruce Company of Memphis, Tenn., one of the largest manufacturers of hardwood flooring in the country, has found that its sales of hardwood flooring are 58.5 per cent greater this year than at the same time last year. Sales of all lumber manufactured by the company are 42 per cent greater than they were a year ago.

For the Cartwright Hardware Company of Ellwood, Pa., during the latter part of May and the Month of June, sales of paint were 125 per cent greater

than during the same period a year ago. During this time the company was selling an average of three complete paint jobs per day. In a letter addressed to the local committee, the head of the company states that the program of the Federal Housing Administration is responsible for this marked improvement.

A 75 per cent increase in sales of lumber to retail dealers throughout the state during the first six months of this year is the experience of the Houghton Lumber Company of Indianapolis, Ind. The secretary states, "We attribute this increase in volume solely to the Federal Housing Administration." The official also states that the "best selling season is still ahead of us."

A. C. Hollerman, a plastering contractor of Ellwood City, Pa., reports that during the first six months of this year his business was 100 per cent greater than during the same period a year ago. The volume of repair work carried out by the company is greater than at any time during the past five years. In a letter addressed to the chairman of the local Better Housing Committee, the contractor states that the program of the Federal Housing Administration is responsible for this improvement in his business as well as the similar improvement noted by other contractors in Ellwood City.

Benefits Employment

From February 1 to July 1, approximately 3,000 family heads, representing 8,500 persons, were removed from Nevada relief rolls. This cut Nevada relief rolls more than one-half. The Administrator of the Emergency Relief organization attributes a large part of the decrease in the number of cases listed to the activities of the Federal Housing Administration, and to the "hundreds of thousands of dollars being expended for

housing improvements and construction."

During the summer of 1934, the Cady Lumber Mill of McNary, Ariz., employed 405 men, while at the present time increased business has caused a total of 600 men to be listed on its payroll. Because of building activity in the country, not a single skilled laborer is among the 600 men and women listed on the relief rolls, all having been continuously employed for the past few months.

Benefits Landlords

Owners of business properties in Pueblo, Colo., who have spent approximately \$30,000 in the first six months of this year in improving their properties, are already benefiting from the expenditure. A report from the building inspector states that landlords who have modernized their property have either been able to obtain a higher rental or have been able to rent buildings which have long been vacant. The increase in store modernization is attributed directly to the program of the Federal Housing Administration by the city building inspector.

Good Gravy

A dinner guest in a Virginia home was telling his host how to prepare ham that would be even better than the famous Virginia article.

"Place the ham in a deep pan," said the guest, "and soak it in a quart of rye whisky, later letting it cook about one hour. The second day add a bottle of Jamaica rum, and the third day a bottle of Bourbon."

Turning to his colored cook who was listening to the "directions" the host said,

"What do you think of that?"

"Ah don' know 'bout the ham," said the negro, "but it sho' 'pears like it would be mighty fine gravy."

Short Term Notes

Rates and Maturities Upon Request

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Baltimore

Sales Office: 100 EAST 42ND STREET, NEW YORK

INSURANCE

Its Application to the Banking Fraternity

MORE BUYERS More Insurance Being Sold

Sustained Buying of Life Insurance Continues, with Slight Increase in Size of Policies

DEFINITE economic trends of great importance to life insurance company officials and agents are indicated clearly by the semi-annual buyers survey of 10,164 persons who applied for life insurance in June, results of which were digested and announced recently by the American Service Bureau of Chicago. Most significant, according to President Lee N. Parker, is the increase in number of applications from farmers and ranchers, who forged to first place with an increase of 17 per cent numerically over the June, 1934, analysis and a 40 per cent increase compared with the survey of last December. This fact, combined with steady increase shown in number of country housewives applying for life insurance during the past year clearly indicates the betterment of farmers' and ranchers' financial condition, undoubtedly due in part to government aid and also to improved agricultural conditions.

Sustained buying of life insurance during the past year among those engaged in farming and manufacturing industries, government service, teaching profession, automotive and building trades and many miscellaneous occupations, combined with slight increase in average size of policy during June, 1935, compared to a year ago indicates encouraging stability in buying power and continued direction of earnings into the purchase of life insurance.

Students and Housewives

Students and housewives still constitute two of the leading groups in insurance buyers. There was less proportionate increase among student applicants at ages 7-18 than for students over age 18.

Housewives moved from second place to third place in the six months, showing a slight decrease particularly among city housewives for the six months, while country housewives have shown steady increase during the past year from 238 in June, 1934, to 284 in June, 1935.

The Bureau's survey shows an average amount applied for of \$1,919 as compared with \$1,858 in June, 1934. There were 6,496 new insurance buyers out of the 10,164, this figure not including 565 children under 7 years of age. This was 68 per cent new buyers while in December, and June, 1934, the ratio was 66 per cent. Only 683 of the 10,164 cases reviewed showed other insurance owned in the company applied to, while 2,420 had insurance in other life insurance companies. A material increase in the amount of insurance carried was indicated in the average figure for this June, of \$5,386 compared to June, 1934, of \$4,066.

Bankers First

Tabulation according to average size policy applied for shows that bank and loan company officials forged from seventh to first place in the six months period, displacing investment brokers and salesmen as largest average-policy buyers of life insurance. The financial men averaged \$10,450, well above attorneys, who were second with \$7,844, both classifications showing substantial increase from average of last survey of \$5,713 and \$5,073, respectively.

Jewelry store owners and jewelers were third, with an average policy of \$7,444, while oil producers, executives and owners were fourth, their average being \$7,000 compared to \$7,013 six

months ago. Executives and owners in the manufacturing industries showed substantial increase in the average policy applied for, \$6,913 compared to \$5,465 six months ago. Sales, production and research engineers showed both numerically and in average size of policy, increased activity and returns for this group.

Life insurance agents exhibit their ability to take it as well as to give it, showing an average policy of \$4,202 against \$3,369 six months ago.

Other classifications applying for greater amounts on the average were: Hardware store owners and employes, those working in the post office service, miscellaneous United States Government employes, ice and coal dealers, laundry owners and employes, clothing and dry-goods store owners and employes, furriers, building contractors, automobile sales agency owners and managers, commission and import brokers, etc., etc.

Future Selling

Interesting possibilities in preparing and selling more complete life insurance programs are found in the higher brackets of insurance carried. Attorneys average \$68,342, which with the \$7,844 average applied for, gives them an average total of \$76,186. They appeared to be fairly well insured. Manufacturing executives and owners, however, had \$21,625 average insurance and \$6,913 applied for, or a total of \$28,538. Physicians and surgeons show an average of insurance carried, plus applied for, of \$22,099. Investment brokers, \$22,437; dentists, \$15,021; oil men, \$21,400; automobile agency executives and proprietors, \$15,911.

Many of the classifications appear still to be underinsured in view of their positions of responsibility.

The bureau's tabulation by number of risks reviewed shows those engaged in manufacturing to be in fourth place, children under 7 years of age next, then in relative order, numerically: Government employees, teachers, automobile filling and service stations, oil producers and refiners, building trades, garages, printing, publishing and advertising; insurance agents, truck operators and drivers, restaurants, grocery owners and

employees, quarry and mine employes, automobile sales agencies, department store owners and employes, meat dealers, accountants and bookkeepers, stenographers and office clerks, cleaners, pressers, tailors, and seamstresses, wholesale commission and import houses, physicians and surgeons, whole jobbers and manufacturers' agents, drug store owners and employes, bakers and employes, lumber dealer operators and employes, chain store employes, clothing, dry-goods stores, hotels, attorneys, banks and finance companies and engineers.

ONE LOSS



is too many

Bank dishonesty losses paid by this Corporation reveal a staggering percentage loss in excess of the amount of bond. In nearly every case of this kind, the cost of full coverage would have been a trifling burden compared to the unprotected loss. With FULL indemnity available at small cost, a single excess loss is too many.

Fidelity protection should increase in proportion to the increase in deposits. Banks still relying upon Fidelity Bonds and Burglary insurance may profitably consider the long-range economy of the Bankers Blanket Bond. Though most bankers study carefully their requirements, an outside survey often reveals hazardous omissions, desirable changes and, frequently, possible economies. Through any National Surety representative, you may obtain this valuable service without cost and without obligation.

There are National Surety representatives everywhere. Each is a specialist in Fidelity, Surety, Forgery and Burglary protection, thoroughly equipped to serve you.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, PRESIDENT

So It Goes

On April 8, Congress, at the request of the President, passed a bill appropriating \$4,880,000,000 for work relief.

At that time, Mr. Roosevelt stated that by July 1 all the nation's unemployed who were able to work, would have federal jobs, and would be off the local relief rolls.

July 1 came and passed. More than \$400,000,000 had been approved for 474 projects, yet not a single man had been put to work.

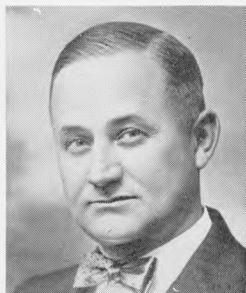
The reason is twofold: First, and most important, the works program is supposed to employ 3,500,000 men for one year. If that is done, the cost per worker, including materials, must be held down to the very low figure of \$1,-143.

Second, there has been constant disagreement between Secretary of the Interior Ickes and Relief Administrator Hopkins. Mr. Ickes is the head of the Public Works Administration, and Mr. Hopkins guides the Works Progress Administration. The two bureaus inevitably overlap—and both executives clam jurisdiction over the same projects.

Mr. Ickes is of the opinion that relief money should be spent for projects of permanent benefit—grade-crossing elimination, river and harbor developments, road work, etc. Mr. Hopkins, on the other hand, is concerned only with putting men to work, and he knows that the adoption of projects in which material costs are high will defeat that purpose. As a result, he favors projects which require only labor, and demand few or no materials—woodland clearance, malaria control, repairs to public buildings, etc.

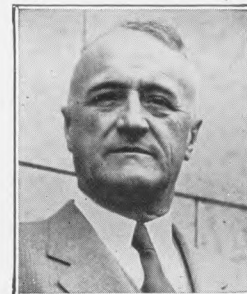
A fortnight ago the President stepped in and provided a partial settlement to the problem. He decided the question of jurisdiction by outlining which projects are to be controlled by Mr. Hopkins, which by Mr. Ickes. Result: All projects involving the expenditure of less than \$25,000 are to be handled by Mr. Hopkins; all those costing more, by Mr. Ickes. For example: If the President approves the building of a canal, Mr. Ickes will handle it—if he says yes to a ditch, it will be done by Mr. Hopkins. Mr. Ickes will build highways, while Mr. Hopkins builds trails. Mr. Ickes will erect public buildings, and Mr. Hopkins will landscape the grounds surrounding them. And so it goes.

The works relief program is at last swinging into actual operation—and the question that remains to be answered is whether or not it can find useful and productive jobs for the 3,500,000 heads of families who are still out of work.



**OTTO KOTOUC, President
Nebraska Bankers Association**

Nebraska News



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

Dies in Vault

Carl H. Malmberg, 42, teller at the Federal Reserve Bank in Omaha, was stricken with a heart attack and died in the bank's huge vault before medical aid could reach him. Malmberg had been under a doctor's care for a year. The widow, a daughter, three brothers and two sisters survive.

Reorganized

The Union State Bank, Rushville, opened for business Thursday, August 8, by virtue of authority granted under Charter No. 1633 issued by the State Banking Department of the State of Nebraska.

This bank was organized for the purpose of taking over the assets and assuming all the liabilities of the Union Bank, Rushville, Nebraska, a dissolving corporation.

Buys Building

The receiver of the First National Bank at Leigh offered the building and fixtures in auction sale and the property was bid in by the officers of the newly organized bank in Leigh. The sum paid was \$5000. The new bank has opened for business and the citizens of Leigh held a big celebration for the event.

Three Banks

Only three banks have been issued charters as a result of the 1935 law allowing the organization of banks with \$10,000 capital in the smaller communities, according to Ben N. Saunders, director of the state banking department. Before the law went into effect last spring, \$25,000 was the minimum capital allowed.

The trend in state banking circles has heretofore been to eliminate the small bank, and the 1935 law was passed to meet an emergency, in the opinion of Saunders.

Business Good

Since its opening, the Lynch Cooperative Credit association has been doing a satisfactory business. Deposits of the first day, about \$700, were larger than expected, and business each day since has been satisfactory to the management.

Leslie F. Hall, formerly of Albion and Neligh, has accepted the position of secretary and treasurer. Committee members are:

Board of directors: Joe Rysavy, Kenneth McMeen, Vac Jedlicka, Earl Rosicky, Anto Wasatoko and Leslie F. Hall.

Discount: Joe Micanek, W. T. Alford and Joe Slechta.

Supervisor—S. J. Mannen, Leonard Wheeler and Earle Landholm.

Check Fee

A number of banks, state and co-operative, in Nebraska, which do not clear their outside checks through the Federal Reserve system, are demanding a fee of from five to ten cents for cashing checks. The five cent fee is for checks under \$10 and the ten cent fee for larger amounts, this is in addition to the reg-

ular three cent service charge local banks make on outside checks.

Now Operative

A bill designed to eliminate circumstances which led to "depositors' revolts" in Nebraska 18 months ago is now operative in the state.

The bill, H. R. 38, will permit depositors of defunct state banks to select their own receivers on petition of 51 per cent of their number and representing 51 per cent of claims against the institution.

New Cashier

H. W. Crandall came from Winnetoon, Neb., recently to assume his duties as cashier of the State Bank of Surprise, to which position he was recently elected by the bank officials to fill the vacancy caused by resignation of T. E. Hattel on account of ill health. Mr. Crandall is well known in banking circles and has also had considerable experience in other lines of work.

Dies in Omaha

Leonard W. Scheibel, 62, assistant cashier of the Nebraska National bank until its consolidation with the Omaha National bank, died recently. He had been ill since April 1 with heart disease.

Born in Germany, Mr. Scheibel came to Omaha when 8 years old. He had lived there since.

New Bank

St. Edward, in Boone County, is now served with a bank. J. A. Indra of Clarkson, since 1918 connected with the Farmers State bank, now liquidated, is president, and E. W. Burdic of David City, associated with the National City bank in that city, is cashier. St. Edward people are also interested in the new bank, which has an authorized capital of \$25,000, and \$2,500 surplus.

CONVENTION
NEBRASKA BANKERS
ASSOCIATION

OMAHA
October 24 and 25

HOTEL PAXTON

Change in Officers

Harlan Cratty, who has been for some time an employe of the National Bank of Neligh, has resigned and accepted a position in Omaha. C. H. Pagel takes his place in the bank in Neligh.

Bank Reports

Assets of 294 going state banks in Nebraska on June 30, the date of their last reports to the state banking department, totaled nearly \$76,000,000 — an average of about \$258,000 apiece.

Their total deposits were a little over \$64,900,000 being an average of \$220,000 per bank.

Loans and discounts on the date mentioned stood at 26 $\frac{1}{4}$ millions; cash reserve in other banks, almost 27 millions; bonds and securities, above 18 millions; cash in own vaults and other cash items, about \$1,850,000.

The cash reserve of the 294 banking houses was 43 per cent of deposits, with an additional 28 per cent held in bonds and other approved securities, making the total reserve ratio 71 per cent—more than four times as much as the state laws require.

Capital stock of the banks totaled \$7,736,500, of which \$2,064,200 was preferred stock sold principally to the RFC during the past two years. The other \$5,672,300 was common stock in the hands of officers, directors, and shareholders.

Aggregate surplus and undivided profits were over \$1,800,000, with an additional gross reserve of \$422,000 for contingencies.

Fifty Years

Greetings in the form of magnificent floral bouquets were received recently by the First National bank of West Point when it observed its fiftieth anniversary.

Hundreds of friends and patrons of the bank called to extend good wishes and to receive souvenirs of purses, key rings and bill folds commemorating the occasion.

Among the floral displays were bouquets from officers and directors of the Federal Reserve bank of Kansas City, the First National bank of Omaha, the Live Stock National Bank of Omaha, and Mrs. Catherine Moodie of West Point.

In Alliance

A proposal has been submitted to the Alliance chamber of commerce by Alliance bankers incorporating a plan to consolidate the sixth and seventh districts of the Nebraska Bankers association if the annual convention can be held at Alliance, most centrally located city in the enlarged district.

The district would include the western half of the state and since bankers from neighboring states, live stock men, farmers, railway officials and many others attend the annual meetings the convention would be about as large as the Nebraska stock growers association annual meeting.

Plans include a nominal assessment against each bank in the district to pay the expenses of the annual meeting, but the convention city must provide the meeting place.

Banker Dies

August B. Siekmann, 83, once considered Hamilton county's wealthiest and most prominent citizen, died at his home in Aurora, following a long illness. Mr. Siekmann resided in Aurora fifty years. He was president of the old Fidelity National bank, and was also president of the Fidelity State bank, which succeeded the national institution.

New Rules

Under the terms of a 1935 state law, State Bank Superintendent Ben N. Saunders is promulgating a set of rules and regulations for governing co-operative credit associations. The law, S. F. 153, gives the banking department authority to regulate and govern the credit associations.

Increases Capital

Permission from Washington to increase its capitalization has been received by the Alliance National Bank and the change, boosting the capital from \$100,000 to \$150,000, has been made. The bank has hoped to make the increase for some time, providing more reserve to broaden its loaning ability.

Along with the increased capitalization the bank announces the promotion of R. E. Knight from assistant cashier to executive vice-president. The officers will be as follows: F. M. Knight, president; R. E. Knight, executive vice-president; F. E. Holsten, vice-president; F. W. Harris, cashier; and E. M. Knight, assistant cashier.

New Department

H. E. Cady, president of the Nebraska Loan & Trust Company at Grand Island, advises that his institution has recently added a complete abstract department to the facilities of the bank. The new department will be under the direction of E. Ortegren, an abstractor with many years' experience.

Remodeling

The Citizens National Bank, Ashland, Nebraska, are completing the remodeling of their building and the installation of new fixtures. The Citizens National opened for business on June 11th, 1934, taking over at that time a deposit liability of \$153,000 of the National Bank of Ashland, which closed during the moratorium. Present deposits amount to \$270,000. The officers and directors are J. C. Railsback, S. M. Railsback, M. Lynn Judy, G. R. Darst and R. K. Brown.

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C. W. BATTEY, *Asst. Cashier*
ELMER DEKAY, *Asst. Cashier*
FRED S. ALDRICH, *Asst. Cashier*

Kansas News

Named Cashier

C. M. Larson took charge of the First National Bank, Quinter, recently. He was elected by the board of directors to succeed C. B. Pearson, whose resignation from the office of cashier was effective in July.

Mr. Pearson is affiliated with the First National Bank as a member of the board of directors and his plans for the future have not yet been announced. However, he expects to be active in affairs of the bank indefinitely.

Becomes Director

A change in the directors of the Hesston State Bank was made recently when R. W. Ruth was put on the board of directors in place of G. F. Toews. The stock owned by Mr. Toews was purchased by other stockholders. Mr. Ruth has been associated with the bank as assistant cashier for several years, which position he will continue to hold.

Group Three

Sixty-four bankers from the third district, representing 14 counties, assembled at the Country Club west of Chanute for a short business session and social meeting recently.

Talks were made by various attending members of the Kansas Bankers association, and M. L. Breidenthal of the Federal Housing administration, made an address.

Lunch was served to the group following the business about 6 o'clock.

Dies in Troy

John S. Norman, president of the First National Bank of Troy, passed away at his home recently of broncho pneumonia. Although Mr. Norman had been in ill health for several years his death came quite unexpected.

Mr. Norman has been active in every civic enterprise. He was a member of the school board for many years, representative and senator to the state legislature, member of the city council and in addition to being president of the bank he owned considerable farm and orchard land.

County Meeting

The Nemaha County Bankers Association held a social meeting at Sabetha Country Club house recently. Dinner was followed by games.

Practically all of the banks of the county were represented. Bankers, their families and employees to the number of 48 enjoyed the evening together.

There were three special guests: R. J. Campbell and Glen Brillhart of the Union National Bank of Kansas City and J. A. Greenfield of the First St. Joseph Stockyards Bank.

Topeka Banker Dies

Norton A. Turner, 57, former state auditor, Kansas' first state budget director and president of the Guaranty State bank, Topeka, died unexpectedly at his home. He became ill with an attack of acute indigestion, but his condition was not regarded as serious. Members of the family found him dead in bed the following morning.

In 1927 he was elected vice president of the Guaranty State bank and the following year he was elected president of that institution. He still was president of the bank at the time of his death.

To Manage Bank

R. R. Cross of Council Grove has been employed by the directors of the Citizens State Bank, Ellsworth, with the approval of the Reconstruction Finance Corporation, to take over the management of the bank. The Reconstruction Finance Corporation owns a controlling interest in the bank. Mr. Cross assumed his duties recently.

President Dies

The sudden death of A. H. Moffet, Larned, recalled to Pawnee county residents just how active his life had been in the business life of the county.

In addition to the organization of many banks, Mr. Moffet had for years served as secretary-treasurer of the Pawnee County National Loan Association, which is the agency of the federal land bank. The first loan made in the United States after the federal land bank was organized was made in Pawnee county. Mr. Moffet was not secretary-treasurer of the county group at that time, however.

At the time of his death, Mr. Moffet was president of the Hanston State Bank as well as the First National Bank of Larned.

Colorado News

Cut Interest Rate

After October 1, Denver banks will pay 1 per cent on savings accounts up to \$2,500 and one-half per cent on accounts above \$2,500, according to an announcement of the Denver Clearing House association. Too much idle money in the banks was given as the reason for the reduction.

Business Improved

Business conditions in Delta county are showing marked improvement this



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year as compared with 1934, in the opinion of Melvin C. Springer, president of the Colorado Bank & Trust company.

In a recent interview he stated that he based his opinion on increased bank deposits and greater check clearances.

"Our deposits are up 15 per cent over last year and our check clearances are one-third higher than a year ago," Mr. Springer declared.

Despite recent changes in market conditions, which indicate lower prices for farm products before fall, the Delta banker, who is also president of the Colorado Bankers association, said that he believes the outlook is bright for this section this fall.

Banker Dies

John F. Sanger, 62, former Denver banker, building contractor, clubman and socialite, died of pneumonia recently in a hospital at Santa Monica, Calif., following a week of illness.

He was the son of the late Mrs. Walter Scott Cheesman and an heir of the Cheesman estate. He was born in Chicago, December 7, 1873. His father, James McKibbin Sanger, Chicago banker and brother of Mrs. George M. Pullman, wife of the railroad car inventor, died when he was a young boy. He came to Denver with his mother from Chicago following her marriage to the pioneer Denver capitalist.

Mr. Sanger was associated with the International Trust company and the Colorado Title & Trust company of

Colorado Springs. In association with F. A. Ladd, he built the Cheesman memorial in Cheesman park and other buildings in Denver.

No Interest

The banks of Denver have notified the city that they will not pay interest on public deposits from now on. The banks have so much money they do not know how to loan it at a profit so they are refusing to pay interest on city deposits.

They have long since refused to give bonds for state moneys unless the state pay the cost of the bonds. They do not need the money so they argue why give state bonds for deposits they do not need.

Promoted

Jacob Eckert, who has been assisting in the First National bank of Cedar-edge for about a year, has accepted a position in the bank of the Colorado Bank & Trust Co. at Delta. He will start as a teller. Perry Gipe, another well known Cedaredge youth, is taking Mr. Eckert's place in the local bank.

Dies in Denver

Henry M. Beatty, 60, assistant vice president of the First National bank, Denver, former state bank commissioner and a native of Denver, died last month at his home following a long illness. Complications of a heart ailment caused his death.

Mr. Beatty was the son of William K. Beatty, Colorado '59er and pioneer mer-

chant and mining man. He was born in Denver January 16, 1875, educated in the Denver schools and started working for the First National bank in 1893. From 1903 till 1906 he was with the old Western bank and from 1906 to 1907 was state bank commissioner.

He returned to the First National bank in 1908. He was a Mason, a member of the Denver Country, Denver Athletic and the Rotary clubs.

New Bank

Without banking facilities since the spring of 1933, Golden businessmen are perfecting plans for reorganization of the Rubey National, now in receivership.

It is expected that the new bank, to be known as the First National, will be opened in the near future.

H. W. Pratt, former vice president of the Rubey, is the leader of the reorganization movement. A plan outlined by him has the approval of the chamber of commerce and other organizations.

Wyoming News

With Casper Bank

James D. Woolston, formerly with the American National Bank in Cheyenne, is now associated with the Wyoming National Bank in Casper.

Deposits Increase

Deposits in Wyoming banks have increased nearly \$7,000,000 in the last year, according to State Examiner A. E. Wilde.

Total deposits at the close of business June 30, 1935, were \$50,969,570, he said, a gain of \$6,888,579 since June 29, 1934.

Combined resources of the 30-odd institutions were \$59,100,343 on June 30, 1935, \$6,300,441 more than on June 29, 1934. Resources include reserves, bonds, stocks, etc.

"Wyoming banks are in very sound condition," the examiner said. "They have plenty of reserves and a sound capital structure equal to about \$1 to every \$10 of deposits.

"In addition every bank is insured up to \$5,000 on each individual or corporation account."

Banker Dies

Raymond D. Meyer, 57, who for many years was engaged in the banking and lumber business in Hanna, Wyo.,

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and a resident of Denver the last fifteen years, died recently. He became ill last January and his condition became critical two months ago.

Mr. Meyer was born in St. Louis, Mo. When he was a boy his parents moved to Wyoming, where his father, the late L. R. Meyer, was a state senator. He was educated at Stanford university and was graduated in 1900. He was a civil engineer and geologist and is credited with the discovery of the Craig oil fields in Moffat county.

He was former president of the Carbon Timber company and former president of the State bank in Hanna.

New Mexico News

Establish Branch

September 1 the First National Bank of Carrizozo became a branch of the Citizens State Bank of Vaughn under the name of "The Lincoln County Agency" of the Citizens State Bank of Vaughn. Officers of the new agency are B. F. Straughan, president; John W. Wood, vice-president, and A. E. Huntsinger, cashier.

Mr. Huntsinger will be in charge of the Lincoln County Agency.

Deposits Gain

A gain of \$9,377,322.55 has been made in deposits in state and national banks of New Mexico in the last year, shown by reports dated June 29, State Bank Examiner Woodlan P. Saunders said recently.

Loans in the same banks increased \$1,056,937.42, climbing to \$10,707,455.54.

Total deposits on June 29 were \$39,870,238.51, including \$32,846,511.85 in national and \$7,023,726.66 in state banks.

New Bank

The Portales National Bank opened for business in Portales on August 12, in the T. E. Mears building.

This institution is successor to the First National Bank of Elida, which has been engaged in a general banking business since 1906.

J. S. Click, who has been with the Elida institution for the last 25 years, is president of the new bank, and D. B. Stone, who was born and reared in Portales, is cashier.

The board of directors are as follows: J. A. Copper, R. G. Bryant, W. F. Bennett, J. S. Click and D. B. Stone.

ABOUT MEN YOU KNOW IN NEBRASKA

Continued from page 7

the Omaha Clearing House association, a family gathering was held August 6 at the picnic lodge of his brother, John W. Hughes, vice-president of the Guarantee Mutual Life Company, west of Omaha.

The event was arranged by Mrs. James Arrasmith, of San Leandro, Cal., Mr. Hughes' sister, who has been visiting in Omaha.

A GROUP OF EASTERN bankers, in Omaha August 3 on an inspection tour of the midwest farm belt, observed that things are looking bright in this territory.

James Connell, former Omahan, now in charge of the bond house of Estabrook & Co., New York, and a brother-in-law of former Congressman H. Malcolm Baldrige of Omaha, was a member of the party.

Others included James Harrison, vice-president, National City Bank of New York; Adrian Massie, vice-president, New York Trust company; Bascom Torrance, trust officer, City Bank and Farmers Trust company, New York; George Moore of the Mechanics Bank of New York, and A. L. Adams, president of Western Air Lines Express, New York. They came to Omaha by plane and departed by rail for Colorado and Wyoming.

J. FRANCIS McDERMOTT, vice-president of the First National Bank of Omaha, gave an informal luncheon July 30 at the Paxton hotel in Omaha, honoring S. M. Garwood of Washington, D. C., production credit commissioner for the Farm Credit Administration.

Thirty bankers and business men attended.

A. C. "CUB" POTTER, president of the Omaha investment banking firm of Burns-Potter & Co., has returned with Mrs. Potter from a vacation of two weeks at Lake Minnetonka, Minn., where they were guests of Mrs. Potter's sister, Mrs. Lucian Strong.

J. C. TODD & CO., investment banking concern with an established business in Lincoln, Neb., expects to open offices soon in Omaha, Grand Island and Beatrice, Neb., dealing principally in investment trusts and Nebraska securities, Mr. Todd announced. With 15 members of his staff, Mr. Todd left Lincoln July 24 for Chicago, where they were to be guests of Smith-Burris & Co., mid-western distributors of quarterly income shares and the Maryland Fund.

ROYAL D. MILLER of the Omaha National bank has returned with his

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family from a vacation of two weeks at Duluth, Fort William, Port Arthur, and other Lake Superior ports. At Minneapolis, Mr. and Mrs. Miller were joined by their son and his family.

ON GENERAL CONDITIONS in the Omaha territory, compared with last year at this time, Omaha bankers made these comments:

T. L. Davis, president, First National bank: "Excellent."

W. Dale Clark, president, Omaha National bank: "Gradual and general improvement."

Gwyer H. Yates, president, United States National bank: "Last year at this time, there were tears. Now there are smiles, brought about as much by the outlook ahead as by the results already achieved. Primary factors are good crop prospects and better livestock prices."

THREE BANKS were incorporated in Nebraska July 20.

They are:

Bank of Elgin, Neb., \$25,000. J. J. Delay, Frank Fritz, Lyle E. Jackson, Charles H. Kelsey, and G. J. Wright, incorporators.

Bank of St. Edward, Neb., \$25,000. Earl Hasselbach, Martin Welm, Earl Phillips, H. A. Schneider, and Eugene W. Burdic.

Norman Exchange Bank of Norman, Neb., \$10,000. Mabel W. Kingsley, J. R. Kingsley, H. S. Kingsley, Carl T. Davidson.

The American Bank Reporter

*The Bankers Desk Directory
Since 1836*

Published March, July, November

Contents

A complete list of banks, bankers, savings banks and trust companies in the United States, Canada and principal cities of foreign countries, with names of officers, capital, surplus and undivided profits, loans, deposits, principal correspondents, attorney list, etc.

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"The power of government to improve conditions is not a drop in the bucket compared to the enormous prosperity-making capacity that lies in the natural tendency of business and industry to make better products at lower cost, to distribute them widely, and in the process to create more jobs and higher wages," said Ernest T. Weir, chairman of the National Steel Corporation, recently. "This natural capacity has been impotent recently because of the fear and uncertainty engendered among business men by governmental interference."

It is an often expressed belief that government can neither create nor prevent recovery—but it can retard it for a discouragingly long time. By stifling investments with taxation, by destroying confidence through bureaucratic domination, and by standing in the way of industrial expansion through threats of more and increasingly stringent regimentation of the nation's productive machinery, politics can become prosperity's worst enemy.

Give industry a fair chance, and it will do its part to bring back good times.

Shall We Destroy the Wealth?

The recent proposals to create new and more stringent federal taxes, based on the demagogic demand of "share-the-wealth," have met with virtually unanimous denunciation from newspapers, from industrial leaders, and from the best economic commentators.

As many unbiased experts have pointed out, "share-the-wealth" would really "destroy-the-wealth." It is all very well to talk about soaking the rich, and about breaking up accumulated capital, but when you do that you break up industry, you destroy jobs, you artificially dry up the springs of productive enter-

prise, you stop progress—and in the long run, the person who gets soaked hardest is the man looking for a job.

These new proposals are not primarily destined to raise revenue—drastic and confiscatory as they are, they would produce but a minute fraction of the money that is being spent today for federal activities. The rich are too few and far between, and the great estates that would be taxed almost into non-existence are rarer yet. The proposals come under the head of "reform"—and they are put forward at a time when other unprecedented "reforms" are the greatest obstacles in the way of recovery. We need to stimulate capital, not to frighten it; we need to give the investor the confidence that will make him put his money to work, not make him give up in despair because of policies that would destroy the accumulations and labors of generations.

Fair, equitable and reasonable taxation is essential to economic and social stability; inequitable, unfair and confiscatory taxation can create only havoc—at the expense of every worker, every home-owner, every citizen.

X Marks the Spot

The story is told of two Irishmen, who, after fishing all morning, got some splendid strikes just before lunch time.

"Now, then," says Mike, "mark the spot and we will come back."

While eating their lunch on the shore, Mike says to Pat, "Are you sure you can find the place again?"

"You bet I can," says Pat. I cut a nick in the boat."

"Now I know you're dumb," says Mike. "How do we know that we are going to get the same boat?"

Silent

Mother: "What did your father say when you smashed the new car?"

Son: "Shall I leave out the swear words?"

Mother: "Yes, of course."

Son: "He didn't say a word."

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