MID-CONTINENT BANKER

he Financial Magazine of the Mississippi Valley

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In This Issue

The Cover

Skyline of Kansas City as it will appear when new home of Fidelity Banks is completed

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A GIRL REPORTER *gives Thanks to* AMERICAN EXPRESS SERVICE

(A LETTER OF APPRECIATION)

"It was midnight when I arrived in Naples—an American girl reporter on holiday. Imagine my surprise when the concierge handed me a cable from my employers asking for two five hundred word cables on *the* earthquake.

"What earthquake? When? Where?

"I hadn't seen a piece of newsprint in heaven knows how many days; didn't speak a word of Italian and had never seen Naples before. Yet here was a story to get and apparently a big one.

"The hotel manager who spoke English told me a bit about the disaster that had the world on tenter-hooks and then shook his head. It was impossible to get there. It was far up in the mountain country, no trains running, no motors available.

"Frantically I made the rounds of the Neapolitan newspapers and every other office that was open that time of night, only to hear his story repeated by sleepy heads.

"At nine in the morning I remembered the American Express. News-gathering wasn't in their line, I realized, but perhaps they could help a bit. It all seemed so hopeless and puzzling, but I explained my plight to the manager of the Naples office. 'The city's full of journalists who are trying to get to Melfi and they're not having much luck,' he told me. 'There's only a chance and if you're game, I'll try to arrange it.'

"And he did! With a car and a chauffeur; the manager of his travel department as guide, protector, and assistant; a luscious lunch from the Excelsior, camera, cartons of films, and a perfectly noble letter of introduction and entreaty designed to smooth my path with the Fascist guards. All this within the space of half an hour!

"From then on it was easy if somewhat uncertain sailing for the travel department manager proved himself an excellent interpreter, as well as a helpful friend. Seventeen hours later I was filing a cable that appeared on page one in newspapers over on the Pacific coast within a few hours.

"I contend that American Express is synonymous with service and the only friend a traveling American needs."

accepted the world over

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Buy Now . . .

TAKING issue with those who see in thrift an obstacle to business revival by withholding the stimulation of buying from the channels of trade, Joseph Stagg Lawrence declares in a recent issue of the American Bankers Association Journal that "the more superficial of these diagnosticians deplore thrift because of a mistaken belief that money deposited in a bank immediately loses its function as a medium of exchange."

"Distress," Mr. Lawrence points out, "consists in large measure of the inability of basic industries to dispose profitably of their output." He continues by pointing to the decline in consumption of lumber, steel and other building materials.

He indicates the importance of thrift in sustaining these basic industries as follows:

"Building and loan associations financed the construction of 500,000 homes in 1929. During the first eleven months of the year more than $5,000,000,000 of bond issues have been floated and approximately 48 per cent of this total has been purchased by American banks.

"Their sale makes possible the construction of thousands of miles of new highways, hundreds of new schools and state and municipal structures. In the expenditure of that sum, consisting in a final analysis of a million rivulets of thrift, hundreds of thousands of workmen will find employment."

Fundamentally, these arguments are sound and their application in the long run cannot be questioned. Right now, however, there is plenty of money already saved up and waiting for an opportunity to go to work in this way. Undoubtedly there is a need for more and better school buildings and roads, but few industries are calling for capital to finance any added facilities for production. The problem of industry is to increase demand for manufactured products to the point where present equipment can be employed to capacity.

Many large banks are very frank in admitting that right now their problem is to make profitable loans—not to get deposits. Under these circumstances it might not be such a bad idea to purchase products that will enable industry to employ, profitably, the money that is already saved and waiting an opportunity to go to work.

J. J. W.

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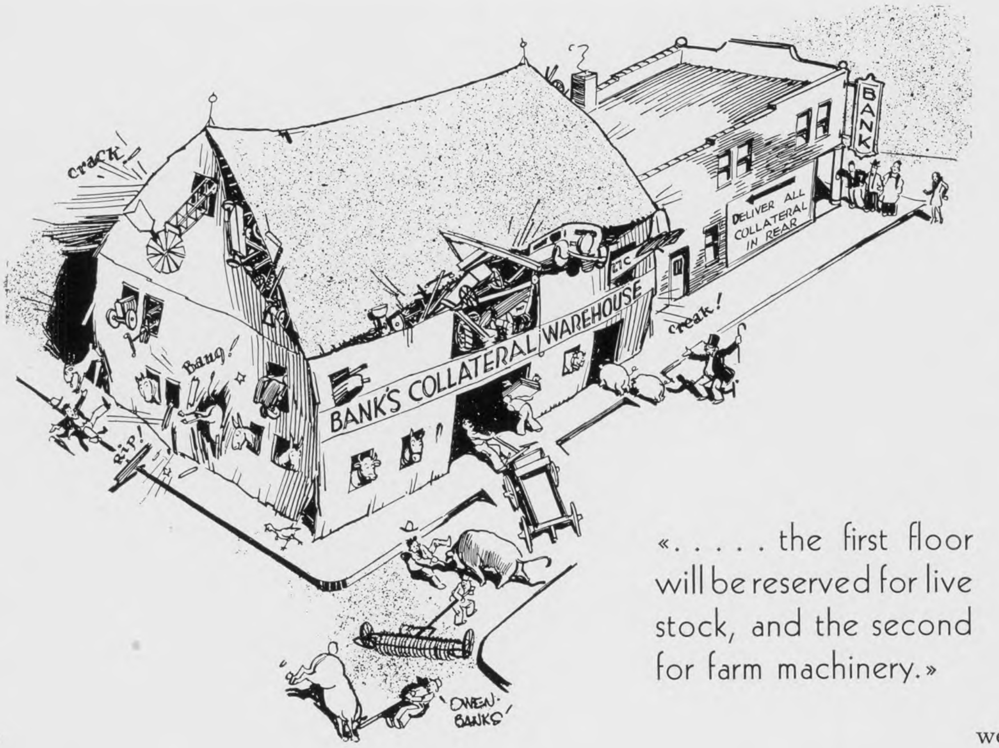


«. . . . . the first floor will be reserved for live stock, and the second for farm machinery.»

A New Way to Solve the COLLATERAL PROBLEMS . . . . OF COUNTRY BANKS

By Roscoe Macy

THE return of prosperity to our town will mark the establishment here of a model country-banking plant. Our plans are all drawn up for additions and improvements to our building and equipment which may well make us the envy of small-town bankers the country over. These ideas of ours are only waiting now for our pocketbook to catch up with them.

One of the first innovations will be the addition of a pair of rooms to our building. These rooms will be small and unpretentious chambers, yet they will fill a long-felt want.

The first will be known as the Directors' Individual Retiring Room. It is a legal requirement that, at the first meeting of the board each year, loans to each director of a bank must be approved by the other members of the board during the absence from the meeting of the director in question. The theory of this requirement is, of course, that there should be freedom of discussion previous to the granting of a credit line to the individual director. It happens that our own directors' room is not soundproof, and a discussion within the room is audible all over the building. Formerly, it was our custom to comply with the letter of the law by causing each director, in turn, to retire from the meeting and hide under the counter or elsewhere in the main banking room. We are informed, however, that this is a violation of the spirit of the statute; that the only purpose served by our practice was to render it possible for the other members of the board to make faces at the "absent" director if they so desired. They couldn't say anything out loud, in opposition to the granting of his credit, without being overheard by him.

▲ The date of our annual meeting is early in the winter, and we cannot ask a director to wait outside the bank shivering in the cold, while we talk about him. About the only thing he can do, in strict compliance with the law, is to go home and stay there until we call him back, and this, we find, makes for a long-drawn-out directors' meeting.

And so we have decided, as soon as our circumstances permit, to build our little directors' retiring room, to which each director may retire while his credit line is under discussion. It will be furnished with a ticker, by which he may follow the progress of the discussion, without knowing the identity of the objectors, if any, to the granting of his credit. The ticker-tape will indicate the course of the remarks made, by such legends as "Favorable," "Doubtful," "Disagreement," and the like, and figures running from "$20.00" up will indicate the amount of the credit being proposed for him.

The second room will be known as the Cashier's Den. Every cashier should have a den, in which he can seclude himself when he wants to growl. On the table in our cashier's den, we plan also to keep a large bone upon which he may gnaw when emotionally upset. In a drawer of the table will be a constantly-maintained supply of twenty-penny nails, to be used in case of accident to the bone.

Those who have visited our banking establishment will possibly recall that it consists of two buildings, one quite small, and the other comparatively large. It is our plan, as soon as circumstances permit, to build a long glass-enclosed loggia to connect these two buildings, so that whenever, in the conduct of our business, we find it necessary to journey from one building to the other, or vice versa, we may be assured of a pleasant journey however inclement the weather. This loggia may be lined with potted plants and flowering shrubs, and we hope our income will in time permit us to install a vista here and there along the way. Any banker can appreciate the value of having an occasional vista to beguile him as he saunters along on his morning walk through the loggia.

▲ The front door of our new bank building will be operated by a combination lock. The mental anguish occasioned by leaving the front-door key at home in my other pants, or on the bathroom chair, has subtracted countless years from my life, and I intend to put a stop to it.

Beside this new front door will be installed a "tapping-plate" for belated customers. No more rattling of the front door—no more pounding on the window. A small ornamental hammer for tapping will be furnished as an additional convenience to the customer, while for the convenience of the cashier, the tapping-plate will be sound-insulated, so that it cannot be heard inside the bank.

Our next step, provided we are able to acquire the necessary space for a building site, will be the construction of a Collateral Warehouse. This will need to be a large building, of not less than two stories, with the first floor reserved for livestock and the second for farm machinery. We find that under the present system, with our collateral out of our sight the majority of the time, it is often subject to severe obsolescence and depletion. In some cases, too, we have hesitated to enforce liens for the reason that we have no particular use for the chattels described in the mortgages, nor any place to keep them. In our business, there is practically no good use to which we could put a team of horses, for example—or a cider mill. But if we had a collateral warehouse today, we could foreclose on Jeff Wilson's bay team and on Andy Oppenheimer's cider mill, and putting two and two together in our warehouse, we could hitch Jeff's team up to Andy's mill and work out a substantial recovery on these lines in our spare time. Besides that, we'd have the team handy in case any of us wished to go buggy riding in the evening.

Not all our proposed improvements are so utilitarian in character as those I have described. There are many others on our list, some of which will be devoted to the cultural betterment of our institution. We plan, for example, to install several highboys and whatnots about our premises, on which we will display our collection of antiques. We have been saving up these antiques of ours for years, and they form an interesting collection, but we have had no suitable place for exhibiting them, so they have just been accumulating in an envelope in the rear end of our note case, where we placed them as we charged them off.

Union Trust of Cleveland Makes Two Promotions

AT the annual meeting of the stockholders of The Union Trust Company, Cleveland, Thomas A. White was elected a director of the bank.

At the directors' meeting, immediately following, present officers of the bank were reelected. Wm. H. Freytag, formerly assistant treasurer, was appointed assistant vice-president, and Dave Lewis was appointed assistant treasurer.

Mr. Freytag started in the bookkeeping department of the First National Bank and continued in that department through the merger of the First National with The Union Trust Company in 1921. In January, 1926, he was appointed to the office of assistant treasurer.

Mr. Lewis started in 1902 with the old Coal & Iron National Bank, and has had a wide range of banking experience. He is now located in the commercial banking department of The Union Trust Company.

DAVE LEWIS

W. H. FREYTAG

Becomes Central-Illinois Manager in California

Paul Wilder has been appointed manager of the San Francisco office of Central-Illinois Company, investment affiliate of Central Trust Company of Illinois, Chicago. His territory covers all of California. On graduating from Cornell University in 1912, Mr. Wilder became associated with Spencer Trask and Company in their Chicago office. In 1919 he was one of the organizers of Federal Securities Corporation, which later became the present Central-Illinois Company, and was its secretary.

Illustration, Courtesy Mississippi Valley Trust Co., St. Louis.

"The economic machine will get going and improvement will take place in bond and stock prices."

An Old-Timer Tells About the "Ups" and "Downs" in Business

By JAMES ROY JACKSON, Ph.D.

Director, Department of Finance, St. Louis University School of Commerce and Finance

SEVERAL weeks ago, a certain civic organization held a dinner meeting. The occasion for assembly may have been trade promotion, industrial development, widening Main Street or, for all we know, a banquet in honor of the winning team in the Business Men's Bowling League. Our interest is not in the dignified row of bald heads at the speaker's table but in a group of four typical business executives seated together in one corner.

Although differing greatly in age and experience they were alike in that each was in business for himself. Bob Wilson, the youngest, was scarcely thirty, and had only a half dozen years of business experience. James Otis, the next, had started work at the end of his service in the World War; the third, Rodney Johnson, became manager of his firm in the first year of the twentieth century, while the fourth, Abel Davis, had founded the organization which bore his name in the late eighties.

After the meal was over and cigars had been passed, the irresistible tendency to "talk shop" asserted itself and they began to discuss the business depression. "Well, gentlemen," remarked the youngest, as he pushed back his coffee cup, "if things keep on the way they are going we won't attend many more affairs such as this one. In the first place, there won't be any city for us to boost and even if there is we won't have two dollars to pay for the dinner."

"People quit buying radios, have they, Bob?" inquired one of his listeners from across the table.

"Almost," Wilson replied, "and not only radios, it's the same with vacuum cleaners, washing machines and everything else. Of course, we do sell a few pieces of merchandise, but the effort required is unbelievable. I made three calls upon a lady last week in order to sell her an electric toaster. Why it used to be I wouldn't think of calling more than twice to sell a washing machine."

Bob was so intensely serious the others only smiled and he continued: "Mr. Davis, you are older than any of us and have had more experience, what do you make of conditions? Things can't get much worse; when are they going to begin getting better and what can we do to hurry the improvement along?"

"You remind me of the repenting sinner at the old-time revival meetings I used to attend," replied Davis. "But I think you are right at that. Your desire to find the wrongs and to do the things which will set them right is certainly commendable and, to me, constitutes a very hopeful sign for the entire situation. Your frame of mind is doubtless typical of a great many others and the aggregate importance is very great, indeed.

(Continued on page 28)

«The sum and substance of the present situation is that the market is now oversupplied with credit and the price of credit 'has 'gone down . . . . . . And whether banks like it or not, they are going to have to do something to meet the situation.»

What Can Banks Sell in 1931?

By DON KNOWLTON

Publicity Manager, Union Trust Company Cleveland, Ohio

IT may seem rather ridiculous to ask the simple question, "What will banks have to sell in 1931?" It would be natural to assume that banks will sell, this year, just what they sold last year—just what they have always been selling.

Now in a way, of course, that is true. It is true in the same sense that a factory which made and sold clothing in 1930 will continue to make and sell clothing in 1931.

But if you will talk to a clothing manufacturer, I think you will find that his program for 1931 may prove different from what it was in 1930. He will tell you that his costs of raw material are lower, that reduced public buying power necessitates lower retail prices, that he may have to rely more upon staples and less upon specialties. The nature of the merchandise which he sells this year, therefore, may be considerably different from that which he was selling last year, and his advertising may change accordingly.

Now in the financial field conditions have changed, in some ways, even more startlingly than they have in the manufacturing or retail field, and therefore these changed conditions may be expected to have some effect upon the merchandise which we have to offer, or the merchandise we choose to advertise, in 1931.

First of all, let's take stock of our merchandise. What do we have on our shelves? What are banks selling?

Here we get into some very peculiar paradoxes.

▲ The bank advertising man may consider that the bank is selling business prestige, financial progress, personal prosperity, freedom from want and worry, the comfort and happiness that come with money in the bank—in short, the desirability of building up deposits, from the point of view of the customers.

A bank's new business department feels that the bank is selling new accounts.

The officer in charge of operation of branches may think that the bank is selling convenience and accessibility.

One savings banker might insist that the bank is selling safety and protection, while another would say that the bank is selling thrift.

But the bank's loaning officers have an entirely different view. They say that the bank is selling credit. From their standpoint, the bank is not selling bank accounts, but is, instead, *buying deposits.* The deposits are the raw material of the credit factory, and loans are the finished product.

Now from that standpoint it is obvious that in the past the bank advertiser has concentrated his efforts upon the buying end of the bank, rather than the selling end. He has done his utmost to bring into the bank larger quantities of raw material which could be put through the credit factory and converted into loans.

In the past this has always seemed the obvious and practicable thing, because the bank could always sell at a profit all the credit it could manufacture.

▲ Just to make this picture clearer, let's think of banking in terms of wheat. Imagine that the bank is a mill which grinds wheat into flour. Imagine, too, that there was always a good market for flour—that this mill could always sell all the flour it could possibly make. And suppose that there was great competition in buying wheat. This flour mill might then hire an advertising man who would put advertisements in the newspapers, on billboards, and in the street cars, with copy reading, "Bring your wheat to the First National Mill! $1.00 a bushel guaranteed. You'll feel our welcome."

The advertising man for this flour mill might also, under those circumstances, put publicity stories in the newspapers telling how his mill has a women's department that gives out free cake recipes, a nursery where children can be parked free of charge, and an orchestra concert every afternoon at four o'clock, with roses given away free to the ladies.

Now—suppose that all of a sudden the country's consumption of flour fell off tremendously.

The first result would be that flour would stack up at this mill until it overflowed the warehouses.

The second result would be that the price of flour would go down, and would keep on going down to such a point that the mill could no longer make money on the basis of the price $1.00 a bushel for wheat.

▲ Now, in the face of such a condition, you would naturally expect the advertising man of that mill to take down, as fast as he could, his advertisements which stated, "Bring your wheat in to the First National Mill and we will pay you $1.00 a bushel for it." He certainly wouldn't want to urge farmers to bring in more wheat—the mill's difficulty would be to accept such wheat as the farmers brought of their own accord! Furthermore, the mill could no longer pay $1.00 for wheat. It would have to reduce its offer to 95 or 90 cents.

Instead of advertising for more

wheat, the mill's advertising man would naturally reverse himself, and advertise flour. He would try to sell all the flour he possibly could, even in the face of an oversupplied market.

Now that is a rather exaggerated picture of banking as things stand today.

But instead of trying to merchandise our surplus supplies of flour, most of us are still advertising for more wheat!

Now I don't say that we ought to cut out entirely advertising for increased deposits. But the fact remains that right now many banks are not particularly anxious to get in a large volume of new deposits. Their difficulty is to know what in the world to do with all the funds which they now have.

This is especially true on the savings side. Not so many months ago building was going on merrily, and there was a good market for credit in the first mortgage field, which is the normal market for the placement of savings funds. But you don't need to be told about the real estate situation today. Instead of customers begging us for first mortgage loans, we are begging customers to keep up their amortization and interest payments, and hoping we won't have to throw many more properties into foreclosure. With unemployment, and with the likelihood of a further deflation in rents staring us in the face, there seems little prospect of any great wave of new building in the near future, and so little probability that there will be a good market for first mortgage loans for some time to come.

▲ The call money market used to absorb deposits in excess of current local demands. Not so many months ago, call money stood at 10 or even 12 per cent. But now brokers' loans are down six billion dollars below the high point reached in 1929, and call money is down to 1½ or 2 per cent.

There is an even greater reversal in commercial banking. A large corporation which, three or four years ago, may have been borrowing half a million dollars from a bank, at 6 per cent, now may have that half million on deposit in time funds in the same bank, at 3 or 4 per cent interest! These large time deposits of corporations can't be put into mortgage loans—they have to be kept liquid enough to meet immediate withdrawal demands. Banks hesitate to convert them into securities, for you never can tell how soon the corporations will want them back, and that would mean selling the securities immediately regardless of prices, which these days are uncertain at best. What are banks going to do with large savings balances of corporations?

▲ The sum and substance of the situation is that the market is now oversupplied with credit and the price of credit has gone down—just as was the case of flour in the hypothetical illustration. And whether banks like it or not, they are going to have to do something to meet the situation.

To me it seems doubtful, therefore, whether, during the first half of 1931, we are going to want to advertise as heavily for savings deposits as we have in the past. I presume that this idea is contrary to the general trend, for I hear that a good many banks are deciding that now is the time to concentrate on a drive for savings accounts. I know that the American Bankers Association, for instance, is instigating a nationwide campaign on the slogan, "There is no substitute for a savings account." I know, too, that the savings habits of the public have changed in the last year and a half—that thrift is now taking the place of extravagance. Our branch offices report that men who a year and a half ago were saving $5.00 a week out of an income of $45 a week, are now saving $10 a week out of an income of $25 or $30 a week.

Now certainly, from the standpoint of the public, I agree that now is the time to instill, once more, the old thrift idea. I agree that now is the psychological time to appeal to people who have had sad lessons in speculation and extravagance. But I'm simply asking the question, "What are banks going to do with additional savings money, if they get it?"

It may be that in some districts there is plenty of employment to be had for savings funds at fair rates, but on the whole I think banks are going to be hard pressed to loan the full allowable percentage of their savings deposits, at satisfactory income, for some months to come.

What's the answer?

▲ Well, you remember that the flour mill in the same predicament would quit advertising for wheat, would cut the price it paid for wheat, and would begin advertising for sales of flour.

Now I don't think we ought to go quite that far. I don't think we ought to discourage savings accounts or stop all savings advertising. But I do think that we can place less emphasis on deposit-building than we have in the past, at least for the time being—and I think that we may find it advisable to reduce the rate of interest we're paying on deposits, and try to increase our sales of credit.

I will take up these two questions one at a time.

First, as to reducing rates of interest paid on deposits. We have just been through that experience in Cleveland. Interest rates paid on savings in the Cleveland district have for years been higher than those paid in most other parts of the country, and so in the present situation our need for reduction was probably greater than may be the case in other districts. Nevertheless, I think you may be interested in our experience.

The reduction was decided upon only after long and careful debate. Cleveland had been a 4 per cent city for something like twenty years, with one bank paying 4½ and building and loans paying 5 and even 6 per cent. So we were naturally rather concerned as to how the saving public would take an announcement of rate reduction.

Would average depositors be indignant and draw out accounts? Would the people with $30,000 or $40,000 in savings accounts, to whom a reduction of even one-half of one per cent would mean an appreciable loss in income on the investment, withdraw their accounts and send their money to the eastern mutual savings banks who were paying 4 per cent, or use it to buy securities? Would we stir up a great deal of unfavorable public opinion?

The Cleveland banks decided, nevertheless, to go through with a reduction of one-half of one per cent. They decided that the cut would not prove disastrous.

▲ The cut in rates was therefore announced in a newspaper advertisement reading as follows: "The Cleveland Clearing House Association announces that effective January 1, 1931, the present rate of interest paid on savings deposits will be reduced by one-half of one per cent per annum by the following banks, members of the Association."

The newspapers were sent a publicity story stating simply that the reduction would become effective on the first of January, that this step had long been considered by Cleveland banks, that this reduction would bring savings rates in Cleveland more in line with those obtaining in other parts of the country, and that even after the cut, rates would still be higher than the average. That was all. Nothing more was said in the news stories, and there was no editorial comment.

Thus far, results have been entirely in line with our expectations. We will probably lose some deposits. But on the whole, bank depositors have accepted the reduction in an excellent spirit. There have been a few objections, of course, but the reduction has not stirred up any general ill feeling against the banks. And certainly any such loss of good savings accounts as we may have experienced has been offset a hundredfold by the decrease in expenditure which has been gained by the reduction.

So much for reducing the cost of raw material. Now let's turn to the question of selling our flour—by which, of course, I mean merchandising credit.

I'll say frankly, at the outset, that this is a question upon which I am absolutely at sea.

It is one of the peculiar paradoxes of banking that the advertising manager has never had anything to say about selling the principal product of the institution for which he works.

▲ You can look through ten years' advertising of many a bank, and you won't find in that whole portfolio a single mention of the fact that the bank loans money.

I can't say how we're going to advertise credit. I've never had any experience in that line of advertising. I wouldn't know how to go at it, any more than I would know how to go about advertising neckties or roller skates.

As I have said before, in the past banks have never felt that they needed to advertise credit. But now, with the need for more credit sales upon us, I'm wondering whether banks haven't lost out to some extent by keeping it such a secret that they loan money?

While banks have been concentrating their advertising efforts upon offering to buy unlimited quantities of deposits, installment houses and financing companies have been building up a tremendous market for credit.

▲ Credit as an item of merchandise is a very attractive thing. Many installment houses, in their sales and advertising, are competing, not in merchandise offered, but in *terms* offered. Consider a housewife buying a davenport. She can get the one she really likes at the department store for $250 on a charge account on which payment will be expected in thirty or sixty days. Or she can get the one she doesn't like quite so well at an installment house, for $300, on a basis of $30 down, balance in twelve months. Unless that woman has more cash on hand than most wives do, she'll buy davenport No. 2. What determines her choice is not the merchandise, but the *terms.*

Now, as I say, this is all deep water to me. I don't know how to go at it. I'm simply saying that credit is mighty attractive merchandise which can be advertised and sold, and that installment houses have found the merchandising of credit very profitable. And now that banks have suddenly found themselves with a surplus of credit on their hands, I think it's up to banks to figure out some way of merchandising it more extensively.

But, of course, immediately difficulties present themselves. We can't simply advertise that we will lend money to all comers. In that case we would merely bring in a flock of would-be borrowers whom we would have to turn down as poor credit risks.

Neither can we compete directly with installment houses and financing companies in making loans on merchandise. The character of the loans which we can make is quite limited.

Very well—let's approach the subject from a different angle. What is our present field for loans, and how widely are we trying to cover that field?

We have, roughly, three divisions of loans—mortgage, collateral and commercial.

▲ I think we certainly can leave collateral loans out of the picture, as far as any attempt to increase credit sales is concerned. Goodness knows people never need to be encouraged to borrow *more* on their securities—the trouble is to keep them from borrowing too much! We let them make too many collateral loans in the spring and summer of 1929, and we've been paying for it ever since. The condition of business and the stock market seems more or less arbitrarily to govern volume of collateral loans, and this volume is subject to violent fluctuations. Not that collateral loans are not desirable or profitable, but we are looking for more stable and more permanent customers for bank credit. That leaves us mortgage loans and commercial loans to work on.

Can we advertise mortgage loans? I think so. We are going to do some of it in 1931 at the Union Trust Company in Cleveland. In our window displays and street car cards, we are going to announce that we make first mortgage loans on homes. Now this is a very small step, I'll admit, but the point is that *it is a step.* It's going farther than our bank has ever gone before in actually advertising the credit side of the institution.

Now as to increasing actual sales of first mortgage loans.

▲ In the past we've been selling first mortgage loans in a seller's market. We've let the buyer come to us. We haven't let the borrower feel that he's buying a product that we're selling—we've let him feel instead that he was begging us for a favor, which we grudgingly granted as a special dispensation to him. We've treated a good many would-be borrowers as a mother might treat a small boy when he wants an extra piece of candy out of the bag.

I think we'll have to change our point of view. In the past, a branch manager, looking at a new man who has just moved into a neighborhood, has thought to himself, "We've got to get his account!" Nowadays, the branch manager ought to think to himself, "Why can't we sell that fellow a mortgage loan?" A sales analysis of a branch manager's territory should include not merely a survey of possible deposits, but, what is much more to the point today, a survey of possible mortgage loans.

Now let's see what we can do toward merchandising commercial loans. What prospects do we have for commercial credit?

In the past, the larger corporations have almost always stood ready to buy as much commercial credit as we could produce. But today that situation also is reversed. As I stated before, many a corporation which, two years ago, was a borrower to the extent of half a million dollars now doesn't owe its bank a cent, and instead may have a half million on deposit in the savings side. Hundreds of large corporations today have cash reserves so large that even if business picks up substantially this year and next year

(Continued on page 25)

Should Banks "Go Chain"?

By AVERY L. CARLSON, Ph.D.

Concluding article in the series, «The Case For and Against Chain Banking» which has been appearing in the past four issues of the Mid-Continent Banker. In this article the author presents the closing arguments in his case against chains and lists a summary of the arguments.

THE most difficult argument that the opponent of chain or branch banking must meet is the fact that the failure rate among small banks has been very large since the World War. But he contends that this high failure rate is not inherent in the small country banking system. Large banks fail also even though not in such great numbers. The unit banking system is the plan under which banking has developed and commerce has expanded in this country. The large failure rate among small banks during the twelve years following the World War was not due to mismanagement and incompetency on the part of the small banker. Conditions largely beyond his control explain this casualty rate. In the first place, many states have encouraged chartering too many banks in the small towns. In Texas, for instance, the state chartered 1560 banks in a period of twenty-two years. Other states have been equally liberal. The result has been that many a small town which could support but one bank profitably, has had two or three institutions struggling against each other.

The minimum capital requirement of only $10,000 in the small towns is altogether too small to maintain responsible banks. In 1900, the federal government reduced the minimum capital for national banks from $50,000 to $25,000. This lowering of standards has resulted in an unwarranted expansion of banking in the smaller communities. This in turn has encouraged unsound banking practices. Another factor that has intensified the situation is the system of bank guaranty insurance that was set up in many of the western and southwestern states. It has proved a failure everywhere. The large failure rate among the small banks was caused by unsound policies of the government, poor supervision methods and economic conditions over which the bankers themselves had no control. The policies of those in control of the Federal Reserve System were largely responsible for the condition of the small country banks following the World War. It will be readily remembered that speculation and high prices were encouraged during the war. Then the rediscount rates at the Federal Reserve banks were suddenly raised to check speculation, and a policy of delation was inaugurated. A financial depression hit the country and the agricultural interests were affected most severely. Consequently many rural banks failed. Today, agriculture is suffering from the economic readjustment that is taking place. On every hand we hear the cry, "Save agriculture." The small banks have been carrying the farmer through the financial storms that have beaten against his door. It is no wonder that some of these banks failed. They—and not the city banks—carried the risks of agriculture. Take the small country banks away from the control of local capitalists, and what will become of agricultural interests? The farmer cannot expect much help from a chain organization.

Thus it is seen that the chain banking controversy has meritorious arguments on both sides of the question. There is no denying the growth of chain banking in this country. Likewise its merits must be recognized. But the system has serious drawbacks that cannot be overlooked. While undoubtedly, we are destined to see many more chain banking organizations developed, only the future can determine what events will take place in the field of financial and banking mergers.

Finally the case against chain banking in its various forms may be summarized under the following heads:

1. The chain banking proposals as advanced by proponents of branch or group banking are largely new and untried in this country. Chain banking is said to be radical and socialistic. While we have had various forms of state and national branch banking in American financial history, the experience has been very limited.

2. Chain banking has not developed Canada commercially. Canadian capital is concentrated in the East rather than the West, while the western farmer is dependent on the will of the easterners who control the banks. Furthermore, Canada is very unlike the United States. Branch banking success in Canada would not necessarily mean success for the system in the United States.

3. The man of limited capital in Scotland and in England complains that the branch banks of that country are unsympathetic towards him. The American rural dweller does not like the impersonal attitude exemplified by big business.

4. The consolidation trend among banks probably means that ultimately a few men will control large volumes of banking capital, just as a few men have secured control of many of the leading industrial concerns in this country. With a limited number of large chains, it would be a relatively simple matter to merge and consolidate banks until a monopolistic control is secured.

5. The branch banking problem involves the whole question of the influence of capital over mankind. Capital already controls many of the necessities of life. If capital gets a monopolistic control of the banks of this country, it means serious political consequences when the average voter discovers his dependency on concentrated capital.

6. Chain banks in seeking to eliminate risks from their loans would tend to discriminate against infant industries, and direct their investment funds into communities already oversupplied with capital. Chain banks are not likely to boost the small country town.

7. While there is special inducement for the banker to make loans among his own depositors, since additional loans ordinarily give rise to increased deposits, which form the basis for more loans; it is a well known fact that the big banks have supported the speculator on the stock market freely, in preference to the laborer, the farmer, and the local merchant.

8. The small borrower today is inadequately provided for by the large city banks. Hence he must make use of specialized banks like the Morris Plan banks, or more frequently fall a victim of the loan sharks.

9. The Federal Reserve System was built to serve unit banks; it will not readily adjust itself to chain banking organizations. The chains might conceivably become stronger than the Federal Reserve System itself.

10. The Federal Reserve System as it operates today, gives every sound unit bank all the advantages it would have as a member of a group or chain organization.

11. Large scale banking leads to over-specialization among employes—and reduces capable men to a position of mere cogs in a great wheel.

12. Large industries are rapidly throwing their aged workers on the scrap heap. Men over fifty years of age cannot get a job in a chain organization today. They are considered old. There is no reason to believe that large scale banking organizations would be more considerate of their aged employes.

13. The independent banker in a small town has a right to be worried concerning his future economic security, especially if his bank is taken over by a chain. He may be out of a job, especially after he gets well along in years.

14. Chain banks are likely to make further inroads against the independency of the great profession of law. Lawyers object to banks performing legal services, just as much as insurance underwriters object to bank insurance agencies.

15. The high failure rate among small state banks since the World War was not caused in the main by any intrinsic shortcomings of small independent banks. Many state banks have failed because of improper and inadequate legislation. The fact that small national banks have been relatively safe, and that the failure rate has been high among state banks, confirms the view that a small bank, when properly supervised, may be just as safe as a large bank.

Circuit Court Decision Will Save Money for Your Bank

BANKS may inventory their securities and take a tax loss without sale, under a very important decision recently handed down by the United States Circuit Court of Appeals, according to J. S. Seidman, tax expert of Seidman & Seidman, Certified Public Accountants.

"This decision is a signal victory for banks," Mr. Seidman said, "as the Government's position has been all along that unless banks were active dealers in securities, they could not inventory securities at hand at the end of the year, and that losses could be claimed only as the result of actual sales transactions. The Harriman National Bank challenged the Government's position. Before the Board of Tax Appeals, the bank lost out. On appeal to the court, however, the board's decision was reversed.

"It is of especial significance," Mr. Seidman added, "that as cases come and go, the facts in the Harriman case were not particularly favorable to the bank. Its ratio of sales to securities on hand or purchased during the year was low, the turnover of securities was slow, and no separate accounts for profit or loss from the sale of securities was kept. The court nevertheless held that the bank was a dealer in securities, and, as such, was entitled to report its income on the basis of inventories.

"Considering the decline in security values during 1930, the decision will be of tremendous help to banks," Mr. Seidman concluded, "in that it will enable them to take tax losses without having first to sell securities."

Bankers Trust Elects Two New Vice-Presidents

At a regular meeting of the board of directors of Bankers Trust Company of New York, H. B. Watt, secretary, and Brenton Welling, assistant vice-president, were elected vice-presidents. Mr. Watt will retain the office of secretary. G. M. Meyer and W. C. Meyers were appointed assistant secretaries.

Central Illinois Company Opens Louisville Branch

Central-Illinois Company, investment affiliate of Central Trust Company of Illinois, Chicago, announces the opening of a branch office in Louisville, Kentucky, in charge of William Wagner as manager. Associated with Mr. Wagner is Harry King Brooking. Both men were formerly active in supervising the Investment Department of the Louisville Trust Company. The new office is located at 724 Marion E. Taylor Building.

Allen Named Vice-President of Boatmen's National

Charles Claflin Allen, Jr., has been elected vice-president of Boatmen's National Bank and announcement has been made of the resignation of Judge J. Hugo Grimm, previously vice-president and counsel for the trust department of the bank.

Mr. Allen, who has had wide experience in the investment and financial fields generally, is a graduate of St. Louis and Princeton universities and is a member of the St. Louis Country Club. He is a son of the late Charles Claflin Allen, Sr., widely known attorney of St. Louis.

Judge Grimm had joined the bank a year after his resignation from the Circuit Bench here in February, 1925, and organized the trust department as vice-president and counsel. He had previously been a Circuit Judge here for sixteen years and has been active in civic affairs, as well.

10 Legal Questions for Busy Bankers

Correct answers to these questions will be found on page twenty of this issue.

By CHARLES H. WAGER

Associate, Thompson, Mitchell, Thompson, and Young
St. Louis, Tulsa, Dallas and Houston

1. John Smith purchased 10 shares of stock in a national bank with the intention of giving it to his two minor children. Without knowledge of the failing condition of the bank or intent to avoid the stockholder's liability, he promptly presented the certificate indorsed and delivered to him by the seller and procured new certificates in the names of his children. Is John Smith liable for an assessment for the benefit of the creditors of the bank?

2. An Indiana bank employed an agent to solicit business from persons of foreign birth. He induced such a person to give a mortgage to the bank by representing that the bank would provide a bail bond for a relative of the foreigner who was being detained by immigration authorities. A vice-president of the bank approved the loan. The agent had the foreigner indorse to him a check representing the proceeds of the loan for the ostensible purpose of providing for the bail bond. He then cashed the check and disappeared. The bank sued on the mortgage. Can it recover since its agent absconded with the proceeds?

3. John Brown managed the eighty acre farm of James Rice in Idaho for several years. Rice, in consideration for his services, orally agreed to bequeath the property to Brown at his death. Rice executed a will containing such a bequest but later revoked it. After Rice's death Brown sues in equity to establish his title to the property. Can he?

4. A collector employed by a bank while driving by his home in the usual course of business for the bank in an automobile owned and furnished by the bank ran over his daughter and injured her. Can the daughter recover from the bank on account of the negligent acts of her father?

5. A Kentucky bank sued one of its customers for a commission alleged to be due on account of the sale of certain real estate. The customer answered that the contract providing for the sale was executed on Sunday and was therefore void. The bank replied to this that the customer had directed it on a week day subsequent to the execution of the contract to arrange a conference between the seller and purchaser, which it did, and that the customer had orally agreed that the contract stood good at that time. Can the bank recover?

6. A partnership had one of its clerks make out checks which were signed by either of the partners. One day at noon when one of the partners was rushing off to an engagement the clerk presented for his signature a check payable to the partnership or bearer purporting to be for two dollars which he told the partner was needed for petty cash. The figure "2" had been written in the blank designating the numerical value of the check and the blank in which the amount was to be written was not filled in. The partner signed the check and the clerk altered it to read one hundred twenty dollars by inserting a "1" before and a "0" after the "2." The bank cashed the check and the clerk disappeared with the money. The partnership had never noticed any irregularities by the clerk before. The partnership sued the bank for one hundred eighteen dollars. Can it recover?

7. The Jones Sugar Corporation indorsed in blank to Gerald Wright a note payable to it. The date of maturity had passed although the note provided that it might be extended without the maker's consent. Wright had agreed to hold the note for certain special purposes but, ignoring the agreement, he indorsed the note to the Jacksonville Bank who received it in the course of business without inquiry and without actual notice that Wright held the note for special purposes only. The bank brought suit on the note and the corporation brought suit to enjoin the bank from further action along such lines and also to require it to pay to it any amount collected on the note because Wright had exceeded his agreement in indorsing the note to the bank. Can the corporation require this?

8. A Michigan bank cashed certain checks of one of its depositors that had been forged by one of the trusted employes of the depositor. The depositor had no reason to suspect the employe but the cost of production of certain articles manufactured by the depositor increased because of the defalcations and no adequate examination was made. How is it to be determined whether the bank is liable to the depositor for these checks?

9. A Kentucky bank was insured against loss from payment of forged checks received by it. The bank paid several forged checks of one of its depositors who on discovering the forgeries demanded a recredit of the amount of the checks. The bank notified the surety and requested payment under the policy. The surety refused to pay unless the bank proceeded against the indorsers

on the checks and refused to recredit it until the amount of the loss could be determined. The bank ignored the demand of the insurer and recredited the amount of the checks to the depositor's account and then sued the surety. Could it recover?

10. A mercantile establishment in St. Louis shipped an order of goods to a customer in southwestern Missouri, taking an order bill of lading from the carrier. It then attached the bill of lading to a draft on the customer and deposited same for collection in a St. Louis bank, where it was forwarded for collection to X National Bank in southwestern Missouri. The customer paid the draft by a check on the X National Bank, which check was cancelled and his account charged therewith. Without remitting to the St. Louis bank the X National Bank failed. Is the St. Louis firm entitled to a preferred claim against the assets of the failed bank?

The recent statement of condition of The Northern Trust Company of Chicago shows total resources of more than $77,000,000, with deposits of more than $63,000,000.

Dallas Banks Complete Merger

MERGER of the Dallas Bank and Trust Co. and the Dallas National Bank forms an institution with resources of more than $13,000,000 and deposits of more than $11,187,000.

The merged bank will be a member of the Federal Reserve System, and will continue under the name of the Dallas Bank and Trust Co., in the quarters occupied up to now by the Dallas National Bank.

Negotiations leading to this merger, which extended over a period of more than a year, were conducted only after its many advantages to customers, stockholders and personnel of both institutions were clearly established, and the merger is in keeping with the trend of modern banking toward greater concentration of resources and facilities.

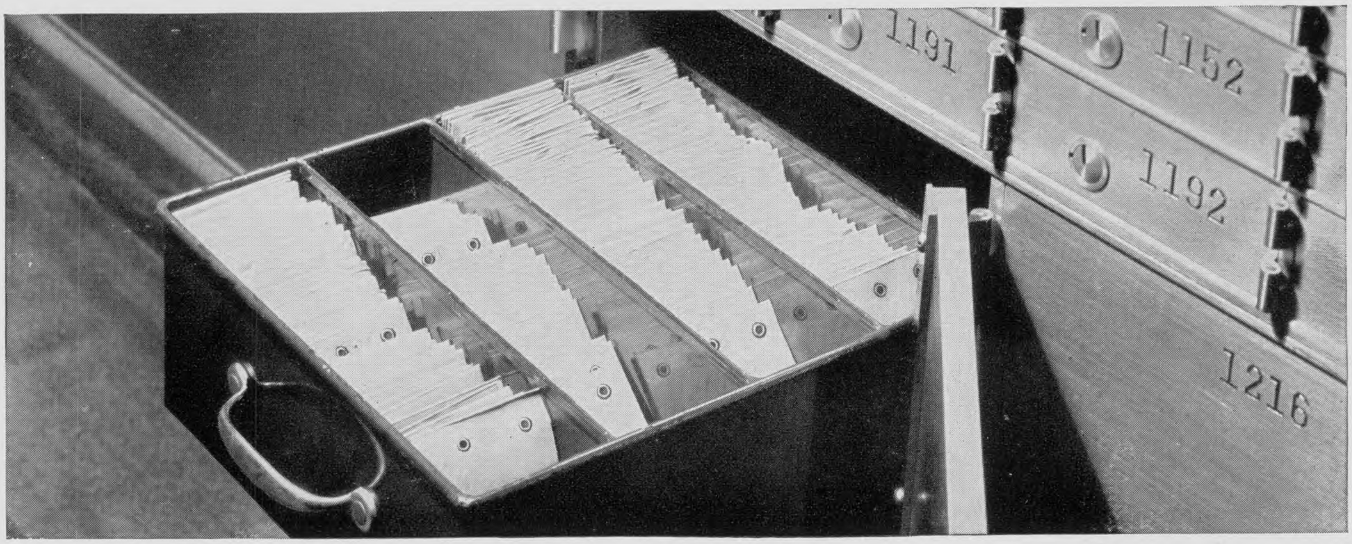
"The home of the merged institution, in the new, modern, sixteen-story building in the heart of the business district, is especially designed for banking purposes and will give us ample space to care for the needs of our customers with comfort and despatch," says Christian C. Weichsel, chairman of the board. "The bank will be fully departmentalized and each department will be under the direction of an officer who is a specialist in his line, insuring the greatest possible efficiency and accuracy as to detail.

"The directorates and official staffs have been combined in their entirety to insure the same close personal relations and the same high type of courteous service to which the customers of both banks have been accustomed. The customers will deal directly with the same officers and tellers as in the past."

The official personnel of the merged institution, as agreed upon by the board of directors, is as follows:

Christian C. Weichsel, chairman of the board; J. D. Gillespie, chairman of the executive committee; Ernest R. Tennant, president; L. C. McBride, vice-president and general counsel; Oscar Bruce, vice-president; J. C. Tenison, vice-president; J. O. Humphreys, vice-president; Joe Agee, vice-president; O. B. Chapoton, vice-president; L. S. Brindley, vice-president; J. W. Shull, vice-president and comptroller; O. A. Mangrum, assistant vice-president; L. B. Glidden, cashier; John C. Jester, assistant cashier; Vernon J. Carey, assistant cashier; J. N. Mancill, assistant cashier; George A. Nicoud, assistant cashier; B. H. McCulloch, assistant cashier; O. S. Greene, assistant cashier; Fred O. Greenwell, assistant cashier; L. W. Stayart, manager bond department.

New directorate of the Dallas Bank and Trust Co. which merged recently with the Dallas National Bank



The LOCK *protects your* BOX *but the* SEALED KEY *protects the* LOCK!

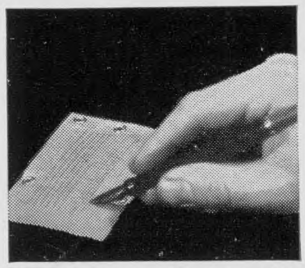
ANY SAFE DEPOSIT LOCK is strong — strong in the brute strength of the metal of which it is made. But today's bank thieves do not care about mere strength. They disregard it for the easier ways that crafty, crooked brains devise. And their chief assistance in safe deposit box depredations lies in the *unprotected keys of your customers.*

But now even the key can be protected. For the sealed key of the S&G Secret Key Changing Sealed Key Safe Deposit Lock is protected so completely, so thoroughly, that not only your customer, but your bank itself, is guarded against the possibility of thievery, error, or loss. This S&G Key now comes to your customer sealed in an impression-proof, *metal-lined* container!

What does this mean? It means that your box customer is *first to see or touch* the key he chooses for his box. And the statement he signs, before breaking the seal, is *court evidence* that no one else has seen or touched it.

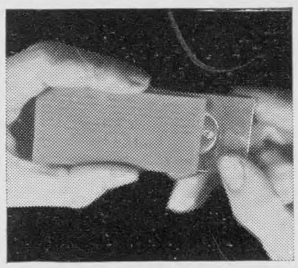
This exclusive new feature is patented by S&G. No other safe deposit lock can offer it. And this is *in addition* to other exclusive features that make the S&G Secret Key Changing Sealed Key Safe Deposit Lock not merely "ample," but 100% protection. Key-and-lock changes unlimited for practical purposes. Resetting right on your box door—no expensive shipping to and from the factory, and no maintenance cost. Customer and custodian *together* set the lock to the new key; only customer and custodian *together* can enter the box.

Send for a sample key, sealed in this new, protective container. See for yourself how completely the key is guarded. Or, if your bank contemplates adding or building in 1931, send for a sample of the lock itself.



Your customer signs this statement that he is first to see or touch his key.

When he has done so, he breaks the seal.



His signed statement in your files is your bank's protection.

1865 S&G

Sargent & Greenleaf, Inc., manufacturers of Time, Combination and Safe Deposit Locks have been pioneers in bank protection since 1865.

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☐ Please send me a sample of the new patented S&G Sealed Key.
☐ Please send me a sample of the S&G Secret Key Changing Sealed Key Safe Deposit Lock, with keys and instructions.

Name...

Position or Title...

Name of Bank...

Address...

City and State...

Check here ☐ if you wish a copy of A Quick Trip Through a Lock Factory.

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Answers to Legal Questions on Page Seventeen

1. Yes. The transferees, being minors, were without legal capacity to assume obligation attendant on owning stock in a national bank. Upon becoming of age they would have an election either to affirm or avoid the entire transaction. In the meantime, the transfer of the stock having resulted to their disadvantage, the law will avoid it for them, thus leaving the liability of Smith for assessments unaffected. Assent is necessary to become a shareholder subject to liability in a national bank. Minors do not have the necessary legal capacity for that. To the extent that the minors could not be bound, Smith acted without legal authority and bound only himself.

2. No. When the agent had the check indorsed to him it was a part of the loan transaction. The bank cannot accept the benefits of the agency and enforce the mortgage without being bound by the fraudulent acts of the agent. The real question is whether the agent, who was clearly acting for the bank in making the loan, continued in that capacity at the time he disposed of the proceeds, or whether he was then acting for the borrower. Since the loan and the bond were so tied up with each other it is apparent that he was acting for the bank.

3. No. The equitable remedy of establishing Brown's title to the property could only be had if he had performed services of such a character that their value could not be estimated by a pecuniary standard. The services required of Brown were substantially those of an ordinary real estate dealer. The rule is that an oral agreement to devise real estate will be specifically enforced in equity, without reference to the statute of frauds, where the promisee has fully complied with the contract and the compensation for such services cannot be computed in an action at law; and hence to deny relief in equity by specific performance would result in the perpetration of a fraud on the promisee.

4. Yes. The employer is liable for the negligent acts of his employe done in his service. Public policy may exempt the parent from an action by the child directly against him for his negligent act. There is no rule of law and no public policy which would exempt the employer. The two actions are totally dissimilar.

5. Yes. The contract was not valid when signed but it became valid when it was ratified. The authorities are not harmonious—however it has been held that an oral acknowledgment of the contract and a promise to perform is a sufficient ratification thereof to make it binding. If a party desires to rely upon the invalidity of a contract, he must disclaim it and refuse to do anything under it insofar as it concerns him.

6. No. The customer has a special duty to exercise care in framing its checks. It was bound to be careful not to facilitate any fraud. It was under a legal obligation to see that its checks were in order when signed. The bank acted rightly in cashing the check for it appeared to be in the usual and regular course of business. The loss is immediately due to the action of the partnership. When the partnership put it into the power of the clerk to do what he did the partnership took the risk of a failure by the clerk to discharge the duty of the partnership to the bank.

7. No. The note appeared to be owned by Wright in due course. There was no indication that it was held by him otherwise than as absolute owner. The negotiability of the paper did not cease with its maturity. The corporation deliberately vested Wright with all the indicia of ownership and, having done so, it may not be heard to claim as against a bona fide holder for value that it did not part with the title.

8. The depositor was obliged to use due diligence in attempting to discover the cause of any leaks such as occurred in this case. It is a matter for the jury to determine whether this was done.

9. Yes. The loss was suffered at the time the checks were paid and the liability of the bank commenced then. The loss did not occur at the time of the recredit. The indemnity should be considered an indemnity against the original loss and not as holding the liability in the air until it could finally be determined whether the bank had a right to make the charge back. It is not reasonable to suppose that the bank intended to buy that kind of indemnity. Banks wish to keep their depositors, not to alienate them. The surety might by paying the loss acquire the rights of the bank and recover its loss by subrogation.

10. No. There are three requisites for a claim for a preference against an insolvent national bank: First, the bank must have received a fund as trustee; second, that fund must have increased the assets of the bank; third, that fund must be traced into some fund in the receiver's hands and there identified. The first of these requisites exists but not the last two. If X had been a state bank in Missouri, and many other states, the claimant would have been entitled to a preferred claim. In the present case the federal law governs because X was a national bank.

Insurance Companies Reward Teller at Plaza Bank

Nine appreciative insurance companies have chipped in to present Ernest Glenn, teller at the Plaza Bank of Commerce in Kansas City, Missouri, a check for $500 in recognition of his bravery in foiling the plans of two bandits who attempted to hold up the Plaza Bank last August.

When the bandits made their request for the "loose cash," Ernest dropped to the floor, seized a tear gas gun and fired, meanwhile shouting "Gas!"

The bandits tore out of the bank, firing three shots as they went. But the cash was saved, and Ernest was the hero of the day. Now, Ernest is $500 to the good as a result of his bravery.

Only about seven men in the country have done what Ernest did, so say the insurance companies which carry the bankers' blanket bond, and the check is to show their appreciation.

Golfer: If you laugh at me again, I'll knock your block off.

Caddy: Haw, haw, you wouldn't even know what club to use.

KEYSTONE PHOTO

Ocean Front, Long Beach, California.

The nation's record for bank patronage

is held by Bank of America

National Trust & Savings Association

CALIFORNIA

A CONSOLIDATION OF

Bank of Italy

AND BANK *of* AMERICA *of* CALIFORNIA

More than 1,750,000 depositors

CALIFORNIA, a state which holds national records in commerce, industrial progress, horticulture and education...in civic enterprise, growth in population and other phases of development...also has the largest statewide branch banking system in the United States, with over 1,750,000 depositors.

A view of famous Cabrillo Bridge in beautiful Balboa Park, San Diego, California.

The nationally known Bank of Italy changed its name on November 3, 1930, to "Bank of America National Trust and Savings Association" through a consolidation with Bank of America of California. Both institutions were identical in ownership previous to this consolidation and both were operating on a statewide basis. The united banks serve 243 cities with the highest type of metropolitan banking service. The combined resources total over one billion dollars.

FOR ANY SPECIAL INFORMATION ABOUT

CALIFORNIA

Write Bank of America, Department of California Information...Spring at Seventh, LOS ANGELES ...or No. 1, Powell Street, SAN FRANCISCO

Bank of America National Trust & Savings Association...a National Bank...and Bank of America...a California State Bank...are identical in ownership and management...438 offices in 243 California cities.

What Do You Want?

—tell us and we will help you find it. We have created this new classified ad department as a free service to subscribers. If you have something to buy or something to sell, or if you want anything, you can make it known to the bankers in the Mid-Continent territory without cost. If you are not a subscriber, your check for $3 will pay for a year's subscription and entitle you to free use of the want ad columns.

Opportunity for High Grade Salesman calling on banks, trust companies and building and loan associations to carry supplementary line syndicated financial literature. Give present affiliation and territory covered. Carl W. Art Advertising Agency, Inc., 301 Orpheum Bldg., Seattle, Washington.

For Sale: Controlling interest in good country bank on state hard road. Assets well over $200,000. Located in German settlement. Investment carries good position. Good insurance business in connection with side line for officers. Located in South Central Illinois. Earned over 18 per cent on capital last year. Good reason for selling. Address A. B. C., care Mid-Continent Banker, 4-30.

Wanted: Steel safe for lobby; outside clock; section of safe deposit boxes. Must be in good condition and low priced. Address The Mendon Bank, Mendon, Missouri, 7-30.

Wanted: Would like to purchase two bronze First National Bank Signs—with or without member of Federal Reserve sign on them. Please address replies to C. A. H., care Mid-Continent Banker, 3-30.

For Sale: A nice set of bank fixtures and a real up-to-date manganese steel safe. Safe when new cost $1,500. Both fixtures and safe for sale at bargain prices. Address Oklahoma State Bank, Hastings, Oklahoma, 5-30.

For Sale: A nice set of marble bank fixtures, up-to-date steel safe, vault doors and safe deposit boxes. Real bargains. Address Farmers and Mechanics Savings Bank, Troy, Missouri, 12-30.

For Sale: Practically new $10,000 set of white marble bank fixtures at a big sacrifice on account of consolidation. Also practically new York vault door equipped with time lock. Call or write to the Astoria State Bank, Astoria, Illinois, 7-30.

Wanted: Telephone booth for use in bank lobby. Write to the Oklahoma State Bank, Hastings, Oklahoma. 12-29.

For Sale: 40 foot bank counter (four windows), 35 foot low counter partition; 1½ to 3 inch vault door, about 200 safety boxes, all only slightly used. Address C. R. S., care Mid-Continent Banker.

Wanted: Large outside clock. Must be in good condition and low priced. Also want bronze First National Bank sign. Send picture with prices. Address First National Bank, Black Rock, Ark., 6-30.

Wanted: Experienced seasoned banker wants to buy interest in some good country bank carrying position. Will also buy insurance or other business with or without bank. Will invest in bank stock enough to be director. Can give best of references. Address G. B. C., care Mid-Continent Banker, 3-30.

Business Opportunity: Complete banking house equipment, building, furniture, fixtures, on best location, in Northern Illinois city of 30,000 people, for sale. A splendid opportunity for installation of a modern bank. Address A. B. T., care Mid-Continent Banker, 4-30.

Situation Wanted: Real Estate Loan Department manager thoroughly experienced and able to take complete charge of department in bank or loan house. Understands appraising, estimating cost from plans and the handling of construction loans, etc. Also experienced in general banking; able to fill in any capacity in bank, having held responsible positions at all times. Best of references. Address A. E. F., care Mid-Continent Banker, 3-30.

For Sale: Rectangular Diebold vault door equipped with triple time lock and double combination. Good condition. Also vault lining and quarter-sawed oak fixtures with four windows. Price reasonable. Address First Trust and Savings Bank, Alton, Illinois, 12-30.

Wanted: To buy controlling stock in three hundred thousand dollar bank or larger. Address O. S. T., care Mid-Continent Banker, 7-30.

Wanted: To buy vault door not less than 6-inch thickness with time lock. Can also use about 100 boxes. Address J. J. W., care Mid-Continent Banker, 2-31.

Wanted: Position in bank in country town of 200 to 2,500 population. Have had twenty-five years actual banking experience working from ground up. Not afraid of work. Desire cashier or assistant cashier position. Age fifty-one. Protestant. Widower. Best of references. Address S. S. D., care Mid-Continent Banker, 5-30.

Wanted: Opportunity to join in organization of new bank in good location or desirable connection with a bank. Have had considerable experience in theoretical and practical banking. Address A. C. C., care Mid-Continent Banker, 9-30.

Packing Company President Heads Laclede Trust

William G. Mueller, president of the American Packing Company, has been elected president of the Laclede Trust Company, St. Louis, succeeding to the place vacated by the late James A. Dacey. Mr. Mueller had been the bank's first president in 1913 and filled that position until 1924 when he retired temporarily on account of his health.

It was announced also that Eugene Olszewski, secretary of the American Packing Company, has been elected a director of the bank.

Other officers of the bank include

WILLIAM G. MUELLER

J. C. Rodenberg and Dr. D. A. Thomson, vice-presidents; H. W. Kroeger, vice-president and treasurer; and George A. Nies, secretary.

Resources of the bank are now more than $2,800,000. Deposits are more than $1,900,000, and capital and surplus are over $530,000.

Trust Mortgage Handbook Issued by A. B. A.

A "Handbook for the Administration of Trust Mortgages" is the latest publication of the Trust Company Division, American Bankers Association. The purpose of the book is to give a practical and tested system for administration of trust mortgages. In brief and simple form it outlines a complete plan of organization, duties to be performed, records essential for efficient administration and a complete set of twenty-five forms, in actual size, on sheets of colored paper for quick identification.

Sidelights on Financial News

We've heard a lot of things blamed for the business depression —the tariff, prohibition, the stock market, etc., etc., ad infinitum, ad nauseam—*but placing the blame on the length of women's skirts is a new one and is entitled to the cut-glass bicycle.* Dr. Francis J. Tyson, professor of economics at the University of Pittsburgh, claims that the length of women's skirts is largely responsible for our present depression.

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Perhaps everything happens for the best. Anyhow, here's what Rome C. Stephenson, president of the American Bankers Association, has to say:

"We will have the strongest banking situation we have ever enjoyed and one worthy of the highest confidence of all our people as a result of the elimination of undeniable weaknesses in the country's banking structure in 1930."

Stephenson asserted most of the closed banks will pay in full or large part, so that the amount lost will be reduced. He said also that "despite the prominence in the news of banking difficulties, only a small fraction of the total banking figures are affected."

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O. H. Johnson, assistant cashier of the First National Bank, Aransas Pass, Texas, writes us to tell of business conditions in his section, and here's what he has to say: **"Whether conditions are actually getting better or whether we have merely become accustomed to things we do not exactly know, but as we enter the New Year we cannot help but look with gladness to the passing of 1930 and the arrival of 1931."**

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Thomas R. Preston, president of the Hamilton National Bank, Chattanooga, Tennessee, and former president of the American Bankers Association, is the author of one of the feature articles in a recent issue of the Saturday Evening Post. The article, "Through One Banker's Eyes," was written in collaboration with William S. Dutton, special writer for the magazine, and if you haven't read it you should make it a special point to do so. It contains plenty of "good medicine," and Mr. Preston is to be congratulated on putting his story over in such an absorbing and entertaining manner.

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Albert H. Wiggin, chairman of the governing board of the Chase National Bank, New York, in his annual report to the shareholders, says that the permanency of the business depression depends upon the progress we make in correcting the causes which have brought it about and are prolonging it. He cites these causes as follows:

(1) The impediments to international trade through excessive tariffs and other restrictive policies;

(2) The abnormalities in certain commodity markets due to governmental and private attempts at valorization;

(3) The tardiness with which wholesale prices of finished goods, retail prices, wages and rentals have adjusted themselves to the sharp fall in raw materials;

(4) Low money rates and excessive credit in the past which led to undue diversion of bank money to slow and speculative uses; and

(5) Political difficulties, especially in India, China and Russia.

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Deposits of the one hundred largest banks in the United States increased more than $300,000,000 in 1930 to reach a new high total of more than $22,158,000,000 as of December 31. These figures, compiled by the American Banker, also indicate that since 1924 deposits of these banks have gained almost 50 per cent, indicating the trend towards concentration of banking resources. Even among these large banks, however, the ten largest have aggregate deposits of more than $9,986,000,000.

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Gross earnings of the twelve Federal Reserve Banks amounted to $36,424,000 in 1930, which is slightly more than half the 1929 amount of $70,955,000. Net earnings in 1930 amounted to $7,988,000 as compared with $36,403,000 the preceding year.

Five banks, those in New York, Philadelphia, Atlanta, Minneapolis and Dallas, had net earnings sufficient to pay accrued dividends in full, the board said, while the remaining seven banks paid their dividends entirely or part out of surplus.

Chatham Phenix Elects New Directors

President Louis G. Kaufman, of the Chatham Phenix National Bank and Trust Company, New York, has announced the election of Robert P. Brewer and Grover C. Trumbull to the directorate of the bank. Both men are vice-presidents of the institution.

Mr. Brewer is known as "Robert" or "Bob" to hundreds of bankers throughout the country and has made an enviable record in handling the banks and bankers' situation. It was "Bob" who induced Paul Hardesty to leave Chicago to become his general assistant.

Another new director of the Chatham Phenix is Joseph J. Lerner of the Lerner Stores, Inc.

Gray Elected Director of Omaha National

Carl R. Gray, president of the Union Pacific Railroad System, has been elected a director of the Omaha National Bank, Omaha, Nebraska.

Mr. Gray's election symbolizes a close contact which has existed between the bank and the Union Pacific since the very establishment of the bank and the very earliest history of the railroad. For more than sixty years the Omaha National Bank has been the principal depository of the Union Pacific Railroad for its lines. For fifteen years prior to the reorganization of the railroad by E. H. Harriman, the late Joseph H. Millard, then president of the bank, was a director of the railroad, for six years of which time he was a representative of the Federal government.

Mr. Gray came to Omaha in 1920 as president of the Union Pacific System and has been active both in railroad matters and in civic affairs since that date. He also is a Director of the First National Bank of Chicago.

James P. Lee was elected cashier of the Omaha National, and C. A. Abrahamson was elected vice-president of the Omaha National Company, affiliate of the bank.

Mr. Lee has been assistant cashier of the bank since the merger of the Merchants National with the Omaha National in 1926. He succeeds as cashier, Otis T. Alvison who was promoted to a vice-presidency last June.

Mr. Abrahamson organized and has been manager of the insurance department of the Omaha National Company since 1926 and will continue in that capacity.

What Can Banks Sell in 1931?

(Continued from page 14)

cial credit for a long time to come. they may not need to buy commer-

▲ If we are going to increase our sales of commercial credit, therefore, we will have to do so among the smaller businesses who are in need of it—businesses who, as they develop, may look forward to expansion and to increasing future financial requirements.

Immediately we are faced with what appears an insurmountable difficulty. How many of these small businesses, which represent a potential market for credit, could produce statements which would entitle them to loans? Have not our sales of credit to smaller business already reached the limit commensurate with safety?

Very well, let's go one step farther. What can we do to help the small businesses who are banking with us get their affairs into such shape that *they will become better credit risks, and so better prospects for sales of credit?*

Now we certainly are in deep water! At first glance this seems a hopeless proposition. But is it entirely hopeless? I don't think so. And I want to tell you a simple story taken from the files of our credit department, concerning our relationships with the proprietor of a small retail furniture store on the outskirts of Cleveland.

"The owner started the business six years ago. When he began he opened his account with us. The first year his balances on deposit averaged slightly more than $1,000, the second year they ranged between $700 and $500, the third year they were running around $200, and in his fourth year there were many times when he did not have enough money in the bank to meet the checks he drew and we had to return them because of insufficient funds.

"During the entire term of four years, the retailer came into the bank only to make his deposits. While he may have known that our credit department is always prepared and willing to help all our customers, not once did he stop in. Then, as often happens, he decided that what he needed was a loan from the bank. He asked us to loan him $1,000. His balance had dwindled to nothing. We could easily imagine what would happen to our $1,000 if we loaned to him. Our trade checking indicated that he had been slow in paying his bills for some time and was becoming worse. (Some houses even refused to sell him.) Our analysis of his financial statements was unfavorable; the debt was too high. We refused to grant him the loan. Like most individuals who are not entitled to credit he arose in a storm of anger, called us ungrateful, and threatened to transfer his account to another bank.

"But the incident was not closed when we refused to loan this customer $1,000. After he had calmed down sufficiently to talk intelligently, we told him that our analysis of his financial statement also revealed that his chief difficulty lay in the fact that he carried too much merchandise on hand. We told him that the average furniture retailer in the United States carries 15 per cent to 17 per cent of his total assets in merchandise, while he had 25 per cent to 30 per cent. We also informed him that the sales of the average furniture retailer were five to six times the inventory, while his sales were only three to four times his inventory. Approached from this standpoint, he admitted he had consistently been too optimistic in his expectations of the amount of business he would transact, and had bought too heavily. We advised him to start cutting down his merchandise immediately, and to persist in the policy until his proportions were more nearly normal.

"About a year later, the furniture retailer stopped in. He told us that, as we expected, cutting down the size of the inventory he carried released so much of his funds that he was again paying his bills promptly and was in instances discounting. His balances with us were better, he was no longer hampered in his operations by a large debt, and he was well pleased. We congratulated him, then surprised him by offering to loan him $1,000 any time he needed it to carry him over his seasonal peaks.

"Since then, we have loaned him $500 on two different occasions. The loans have been promptly taken care of at maturity. Today in spite of generally poor conditions prevailing throughout the entire furniture line, he is prospering moderately but steadily. He thanked us a few weeks back for refusing to loan him two years ago, and for the sound advice we gave him. We are well satisfied with the account, and he is well satisfied with us."

I think that tells the story. When this man first came to us he was not a satisfactory credit prospect. When we got through with him we had transformed him into a satisfactory credit prospect, and we had sold him. He will probably be a small buyer, but a good buyer, of commercial credit, for many years.

▲ Now, let's outline a possible plan based upon this illustration. In this particular case the customer's difficulty was too big a ratio of inventory to volume of sales. The bank knew approximately what his proper ratio of inventory should be, and told him. He didn't know it before.

Yet knowledge of proper inventory ratio is not "inside information." There is no mystery or secrecy about it. Inventory ratio has been the subject of a great deal of study and research by credit men's associations, trade associations and the like. The results of these surveys are available to anyone. But like many hundreds of other small business men, this furniture dealer went blundering along in ignorance, either because he didn't know that any such information was available, or didn't know where to ask for it.

Now there are a number of other matters which have to do with the ordinary routine of good business practice, which are more or less standardized, and about which information is readily available—at least, as far as fundamental principles are concerned. I'm frank to say I don't know just what they are—I've never tried to run a business, and I've never worked in a credit department. But I would venture to say that any good credit manager knows more or less what standard practice is with respect to such basic questions as analysis of inventory turnover, allocation of overhead, installation of budgetary control, evaluation of plant equipment, and set-up and analysis of a financial statement.

Many of the small business men who are customers of banks, however, are still ignorant of a good many of these first principles. That is why they are in trouble. That is why they are poor credit risks.

▲ It seems to me, therefore, that if we are to increase our sales of commercial credit to small businesses, the first step would be to make some effort to educate these small businesses to the adoption of first principles of good business operation, such as outlined above.

How can we do that?

I don't know. Possibly we can do it through supplying such businesses with simple manuals of standard business practice. Possibly we can do it by personal conference with bank officers. Possibly we can do it by calls of men in our new business departments. Or it might be necessary to go a step farther and set up an actual commercial service department, with a trained expert at its head.

Just what part advertising plays in this picture, I'm certainly not yet prepared to answer. But I'm sure that a service of this sort would certainly give an advertiser an opportunity to offer to a commercial customer a more interesting brand of merchandise than the old-fashioned "friendly bank with a feeling of welcome."

Such a program would mean, too, that the bank advertiser himself would have to begin thinking about a great many things concerning which he never bothered his head before. For years we advertisers have been using, as our stock in trade, what we have called the human interest side of banking. Little Jimmy gets Dad a Christmas present, the widow McGurty contrives to send her beautiful daughter through college, old Mr. Whiffletree has not found it necessary to go to the old folks' home, the widow McAllister gets monthly from our trust department a check which reminds her of the loving-kindness of her dear-departed, the business man's chest swells with pride when he realizes that our bank is his bank too, and the young housewife enjoys deep slumber, free from bad dreams, because she knows that even if the robbers come her diamond ring is in a safe deposit box. But peddling these heart-throbs does not prove a very satisfactory foundation of experience upon which to build a plan of merchandising mortgage loans to home owners, or selling to small business men a brass-tacks business-information and business-practice service which will convert them eventually into better prospects for sales of commercial credit.

▲ It looks to me as if the bank advertising man was going to have to turn banker pretty fast—and although in the past the bank's advertising man and the bank's credit man have seldom had occasion to talk the same language, I think now they're going to have to get together. Certainly it will be necessary for advertising to get closer to the commercial banking and credit departments, than has ever been the case before.

So with respect to my original question, "What will banks have to sell in 1931?" I can only say that I don't know—but I'm certain it won't be the same old merchandise they were selling in 1929 and 1930. The fact is, I think a new chapter of financial advertising is in the making. We'll all of us take a whack at writing it, and we'll make a lot of mistakes, but before we get through with it, I think we will have worked out various plans whereby bank advertising will no longer be merely an accessory in banking, like the trunk rack on the back of an automobile, but will develop into one of the essential parts that makes the credit machine go round.—From a recent address before the Financial Advertisers Association of Chicago.

Man blames fate for other accidents, but feels personally responsible when he makes a hole in one.

The "Ups" and "Downs" in Business

(Continued from page 11)

"You have asked me what I think of conditions. I can remember the same question being put to me by James and Rodney here, but many years ago. It was in 1921, wasn't it, James, that you came and asked me whether the world would ever recover from the shock of the War and if there was any hope for America? You see, Bob," the old gentleman continued, "James had just started his candy business and when sugar dropped from twenty-four to four cents a pound it caught him with a fairly large inventory and you can imagine the effect upon his profit and loss statement for that year. Rodney asked me the question back in 1908 when it looked as if all the banks in the country were going to close up for an indefinite period. Needless to say, they didn't, Rodney has prospered and so has James, although sugar never went back to twenty-four cents."

The chairman rapped for order and conversation was, for the time being, brought to an end, but at the close of the meeting Bob asked Mr. Davis if he might call at the latter's office within a few days to hear more of his experiences. Permission was readily granted and a day or two later Bob was listening intently while Mr. Davis explained that business has for a hundred years followed a course almost as regular and predictable as that of the seasons. "Business activity, which can be measured by such indexes as bank clearings, commercial failures, foreign trade, money rates, commodity prices and security prices, is affected by several different types of factors," said Mr. Davis, "one being long-term growth, familiar to us all, another the seasons, a third, irregular and unpredictable events such as wars, and the fourth, a variety of causes which are commonly said to make up the business cycle." Turning to a chart covered with figures hanging on the wall, he pointed to a column headed "Commercial Failures, as a per cent of Firms in Business." "See, in 1867 failures amounted to 1.33 per cent of the total number of firms in business, *after which the percentage declined to .61 per cent in 1871.* A gradual increase followed until a peak of 1.55 per cent was reached in 1878. *Then followed another decline to .71 per cent in 1881;* another increase to 1.21 per cent in 1884; *a decline to .88 per cent in 1892,* an increase to 1.31 per cent in 1896, *a reduction to .77 per cent in 1906,* an increase to 1.08 per cent in 1908, *a decline to .80 per cent in 1909,* an increase to 1.32 per cent in 1915, *a decline to .38 per cent in 1919,* an increase to 1.19 per cent in 1922, *a decline to 1.04 per cent in 1929* and an increase to 1.21 per cent in 1930."

Bank clearings were examined in a similar fashion, then pig iron production and many other series of business data. "Now, take stock prices," said Mr. Davis, in answer to another inquiry by Bob, "here is an index compiled by the New York Federal Reserve Bank for years prior to 1897 and by the Dow-Jones Company for later years. From a high of 60 per cent in 1872, *average stock prices fell to a low of 36 per cent in 1877.* In 1881 a level of 72 per cent was reached, *then another decline carried the index down to 42 per cent in 1884.* In 1889 the index advanced to 63 per cent *but in 1893 it dropped to 41 per cent.* In 1895 it was up to 57 per cent. *In 1897 the Dow-Jones index reached 29 per cent* but by 1901 was up to 77 per cent. *In 1903 it was down to 44 per cent,* by 1906, up to 99 per cent. *In 1907 it slumped to 56 per cent* but by 1909 was up to 98 per cent again. *In 1913 it was down to 75 per cent,* but in 1916 crossed the century mark to register 108 per cent. *Back it went to 70 per cent in 1917,* up to 114 per cent in 1919, *down to 67 per cent in 1921,* up to 166 per cent in 1926, *down to 152 per cent in 1927,* then registered a high of 381 per cent in 1929 at the peak of the bull market. *In December of 1930 it made a low of 157 per cent.*"

"As I well know," remarked Bob.

"American Can stock *could have been bought for $5.00 a share in 1908* and sold for $39.00 in 1912," continued Mr. Davis. *"It could have been rebought for $25.00 in 1914* and sold for $55.00 in 1919. *In 1921 it would have cost $31.00* and in 1925 it sold for $176. A similar story could be told for any number of other stocks.

"You see, Bob, we've been having these ups and downs for a long time and human nature being what it is we're likely to keep on having them for another long time to come. Beginning with a period of depression and stagnation the demand for a higher standard of living gradually brings about higher production and movement of goods, thereby giving increased employment and wages to laborers, increased rent and interest to property and security holders, and increased profits to business men. A low interest rate stimulates construction of all kinds and makes it easy for one to make money by borrowing. Sometimes recovery is fairly rapid, other times more gradual and hesitant, depending upon whether the readjustment has been thorough and whether accompanying circumstances, such as crops, world politics and weather conditions, are favorable or the opposite. Just now we are being held back to some extent by our own political situation, by high tariffs all over the world, by the concentration of gold here and in France, partly as an aftermath of the war, and by various agreements on the part of organizations, both in the field of labor and capital, to hold up wages and prices.

"Sooner or later, however, the maladjustments will be corrected and the economic machine will get going, and will pick up power as it runs. Improvement will take place in bond prices, stock prices, pig iron and steel production and building contracts. Credit will expand gradually, and bankers as well as business men will carefully avoid the mistakes they made in the depression just ended. Following 1921, business firms were careful to avoid overstocking and turnover was carefully noted. Following the present depression the purchase of doubtful securities or those about which little information can be obtained will doubtless be avoided by individuals and institutions alike. It seems a characteristic of our economic system, however, to find a new way of getting into difficulty, as soon as we have removed an old cause of trouble. After correcting our monetary standard which had been the weak link in 1893, we found our banking systems at fault in 1907. The Federal Reserve Act took care of that defect so we tripped over commodity prices in 1921. In 1929 security speculation got the blame, and next time it will doubtless be something else. After all, the business cycle is due to many factors, all interrelated, and most of our corrective work is about as effective as repairing an old car, one part at a time, as each wears out. About the time we get the tires in shape the battery plays out; then when that has been charged we find the carburetor leaking, or the clutch slipping.

"Following a breakdown such as we have just had, however," Mr. Davis went on, "we get busy and make a great many adjustments and corrections which put the system in comparatively good shape so that we are able to build up to another period of prosperity. You are giving more time and thought to business every day than you used to give in a week, Bob, and so am I. Good times make us lazy and careless. Money comes too easy and we aren't careful to give a full dollar's worth for every dollar. Now we are, and so is the other fellow. Hard work intelligently directed toward service will inevitably bring back prosperity, and good business secured by any other formula is undeserved."

Smith Reelected Officer of Advisory Council

Walter W. Smith, president of the First National Bank in St. Louis, and one of the country's prominent bankers, was reelected vice-president of the Federal Advisory Council at a meeting of the Council held in Washington, D. C., January 7.

Mr. Smith was formerly a member of the original board of directors of the Federal Reserve Bank of St. Louis, and was also vice-chairman and deputy Federal Reserve Agent.

Chase Bank Resources Now Over $2,697,000,000

The statement of The Chase National Bank for December 31, 1930, shows a new high record in banking history, with total resources of $2,697,328,855. This represents an increase of $48,370,511 over the largest previous total reported by the Chase, in its statement of June 30, 1930.

Combined capital, surplus and undivided profits of the Bank on December 31, 1930, amounted to $357,791,140. Deposits totaled $2,073,775,922. Deposit figures show an increase of $221,480,877 over September 24, 1930, the date of the preceding Comptroller's call.

The year-end statement of The Chase National Bank does not include figures of Chase Securities Corporation or any of the other organizations affiliated with the Bank.

The recent statement of condition of the National Shawmut Bank of Boston shows total resources of more than $255,000,000, with deposits of more than $182,000,000.

Lincoln Bank Announces Several Promotions

Announcement has been made of several promotions at the Lincoln Bank and Trust Company in Louisville, Kentucky.

Deroy Scott, formerly assistant

THOS. SWEATT

cashier, has been elected cashier, and Wilbur T. Chapin, vice-president and cashier, is now a vice-president.

Thos. W. Sweatt, formerly assistant cashier, is now a vice-president,

NAT R. SHELLMAN

and Nat R. Shellman, formerly assistant cashier and trust officer, has been elected vice-president and trust officer.

Mr. Sweatt, who has been promoted from assistant cashier to vice-president, has charge of the country bank department of the Lincoln Bank.

Resources of the Lincoln Bank are now more than $9,100,000, and deposits are more than $7,600,000.

Foreman Banks Announce Several Promotions

Chester G. Weston and Ray H. Matson were appointed second vice-presidents, Russell V. Carlson, assistant cashier of the Foreman-State National Bank, and Ira W. Hurley was named assistant secretary of the Foreman-State Trust and Savings Bank at the meeting of the directors which followed the annual meeting of stockholders of the banks. There were no additions to the directorate of the banks.

Guaranty Company of New York announces the appointment of John A. Wright, Jr., and James H. Wickersham as second vice-presidents. Mr. Wright has been manager of the syndicate department and Mr. Wickersham, assistant manager of the buying department, both of the New York office of the company.

Guaranty Trust Earns More Than $22,806,000.00

At the annual meeting of the stockholders of the Guaranty Trust Company of New York, presided over by Charles H. Sabin, Chairman of the Board, January 21, it was announced that the Company's net profits for the year 1930 were $22,806,773.74. This figure was arrived at after a careful review of all accounts and a liberal setting aside of reserves for assets which appeared at all of doubtful value.

After the payment of $18,000,000 in dividends, the balance carried to the credit of undivided profits was $4,806,773.74.

The securities owned by the Guaranty Company were written down to market values on December 31, 1930, and the investments on the statement of the Guaranty Trust Company at that date were shown at less than market values.

First National of Chicago Announces Promotions

Edward G. Seubert, president of the Standard Oil Company (Indiana), has been elected a director of The First National Bank of Chicago. Other members of the board of this bank and directors and members of the advisory committee of the First Union Trust and Savings Bank have been reelected.

At a meeting of the board of directors of the First National Bank, Thomas J. Nugent, John J. Anton and Edward M. Tourtelot were elected vice-presidents. Each had previously been an assistant vice-president. Mr. Nugent and Mr. Anton are connected with the Banks and Bankers Division in the official organization, and Mr. Tourtelot is head of the credit department.

Thomas H. Beacom, Jr., was elected trust officer of the First Union Trust and Savings Bank. Mr. Beacom had formerly been an employe in the trust department of the bank, and returns to assume an official position.

Other officers in both banks were reelected.

Chase Bank Names Three New Vice-Presidents

At a meeting of the board of directors of The Chase National Bank, New York, the following promotions in the official staff were made.

Frederick S. Child, Russell C. Irish and George S. Schaeffer, vice-presidents; Louis A. Bruenner and Louis S. Rosenthall, second vice-presidents.

The following assistant cashiers were appointed: Louis Dezzi, Herbert A. Foster, James C. Gordon, J. Edward Healy, Jr., Nicholas J. Murphy, Frank N. Powelson, William G. Schmidt and Cornelius Van Zwart.

Walter E. Dennis was appointed assistant manager of the Credit Department, and Frank B. Muller was appointed assistant comptroller.

Hawes Reelected President of Clearing House

At the annual meeting of the St. Louis Clearing House Association, Richard S. Hawes, senior vice-president and director of the First National Bank in St. Louis, was for the third consecutive time elected president of the Association for the ensuing year. This is only the second time in the history of the St. Louis Clearing House Association, that its president was elected for three consecutive years.

Mr. Hawes is one of the country's prominent bankers, having served as President of the American Bankers' Association, President of the Missouri State Bankers' Association, and of the Association of Reserve City Bankers.

George W. Wilson, chairman of the board, Mercantile Commerce Trust

Company, was elected vice-president of the St. Louis Clearing House Association. Mr. Wilson was also made Chairman of the Clearing House committee of management, and on this committee were also elected, Jas. L. Ford, Jr., president of the Franklin American Trust Company, and Tom K. Smith, president of the Boatmen's National Bank. R. R. Tillay was elected Manager of the Association.

The banks represented in the St. Louis Clearing House Association have about 80 per cent of the banking resources of the city.

Louisville Bank Conducts Prize Essay Contest

■ In the accompanying photograph we see "Uncle Bob" (Robert Matthews) of the Liberty Bank and Trust Company of Louisville, presenting a bust of Columbus and two

Presenting the Prize

plaques to Helen Roach Sherwood, winner of a Columbus Essay Contest sponsored by the bank over radio station WHAS. In the center is Miss Virginia Wilkens, teacher of the class of which the prize-winning Miss Sherwood is a member.

The first plaque shows Columbus as a young man dreaming of the unknown lands beyond the sea. The other plaque depicts the landing of Columbus. More than 1,000 school children participated in the contest.

"The human does not live, be he great or small by nature, who does not glow with happiness over a word of appreciation."

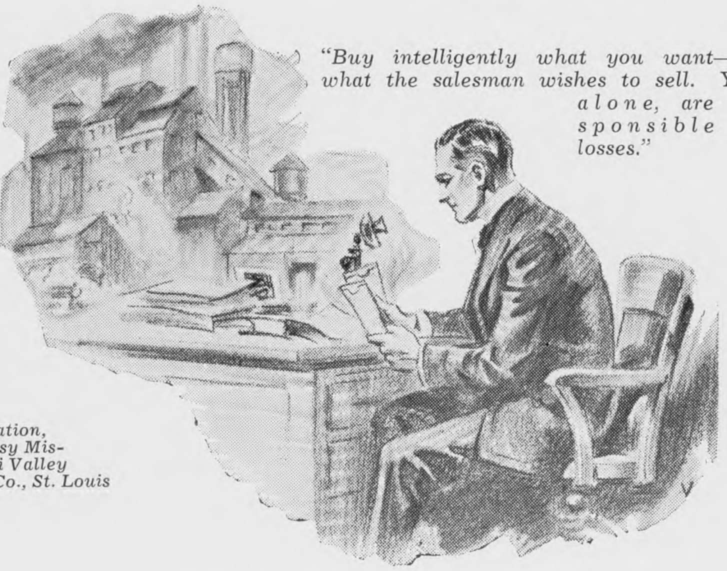
Former Governor Joins Staff of O. B. McClintock Co.

New equipment to protect banks and other financial institutions against bandit raids, the result of years of experimentation, has just been placed on the market by the O. B. McClintock Company of Minneapolis, which in the last 30 years has grown to be the largest company of its kind in the world in the manufacture of vault and bank protection devices.

Because of this expansion and the growth in sales of other equipment manufactured by the company, former Governor Theodore Christianson of Minnesota has joined the organization as an executive vice-president.

The new McClintock system of bandit protection consists of a bullet-proof steel sheathing on the inside of the money cages. Above this and behind the ordinary steel grill work are set sections of bullet-resistant steel and glass so arranged that the customer and employe may observe and converse with each other as at present.

Electric wiring is so located that, should a bandit attempt to vault or climb into the protected cages or vault, alarms will sound not only inside and outside the bank but in vigilante stations in the block where the institution is located.



"Buy intelligently what you want—not what the salesman wishes to sell. You, alone, are responsible for losses."

Illustration, Courtesy Mississippi Valley Trust Co., St. Louis

The Problems of

A Country Bank's ....Bond Account

By Harold E. Wood

Vice-President, Foreman-State Corporation, Chicago

CERTAINLY, more than ever before, and of increasing interest, is the problem of the bank's bond account. If this is ever a pertinent question, it is now, when, as in 1924, and again in 1927, the banker, faced with the problem of surplus funds, and low money rates as contrasted with 4 per cent on time deposits, turns to the securities markets for relief. Mindful of the losses he took in his bond account in 1928 and 1929, he bought timidly at first, but the necessity for income has made him go into the bond market more and more, until the extent and the dangers in present-day bank buying are revealed in an analysis of the comparative statements of the banks of this country. They reveal a tremendous increase week by week in their bond accounts, and if it represents purchases of long-term obligations, it means a sort of desperate buying for yield which may be very costly in the future.

The figures are amazing. On December 31, 1930, the weekly reporting member banks of the Federal Reserve system showed total investments of $6,693,000,000, which was an increase over December 31, 1929, of $399,000,000 in United States government bonds, and $780,000,000 in other securities. This $7,000,000,000 total represents a 10 per cent increase over the former peak in the summer of 1928, and is after the very great liquidation in December, because of the market uncertainties of that month and selling to "dress up" bank statements. Inasmuch as these weekly reporting banks represent but 60 per cent of the institutions in the system, and slightly less than 40 per cent of the country's total banking resources, the above is actually an understatement of the problem of the bank's bond account. I am told that 25 per cent of all national bank assets are in bonds, as against 18 per cent in 1920, and while the figures for Illinois are not available, a recent study shows that in neighboring states in which conditions are similar, country banks have increased their bond account from 5¼ per cent to 41 per cent of total assets, in the case of Minnesota, and from 12 per cent to 42 per cent in Michigan. And these figures are but a high point in a steadily ascending line.

The subject becomes even more timely as a result of the December break. The complete collapse in the bond market destroyed all values for the moment, and the market value of most bond accounts suffered terrifically as a result. One of the vice-presidents in Moody's Service states that 299 non-convertible issues, listed on the New York Stock Exchange, declined 10 points in 1930, a net depreciation of $500,000,000, and a billion dollars from the high of the year. (Of these issues 180 were foreign and 119 domestic.) Many of these issues were bought in the high market of 1927 and 1928, and while the holder of many of these bonds knows that his security is just as good as it ever was, these declines are very unsettling. It makes him wonder as to the soundness of bond investment. Add to this year-end situation, a recovering market in January, temporarily arrested in its progress by a flood of new offerings, and the banker wonders if any bond market can get under way this year without having investment bankers stifle the convalescent market.

I would therefore approach the problem from these angles. Eliminating such a special situation as that in

December, over a period of time does the average banker buy with a well defined program in mind or is he at the mercy of every high-pressure bond man or bond house? What of the market for 1931?

I venture to say that taking the country as a whole, these purchases represent no carefully-worked-out program. As Mr. Hazelwood found, in his well-known American Bankers Association survey, 74 per cent of those answering his questionnaire admitted that "they had established no definite policy." Is it any wonder, then, that cash reserves varied from 5 per cent to 72 per cent, and secondary, from nothing to 73 per cent. Many a banker will spend an hour considering the advisability of making a $200 local loan, and yet when it comes to the matter of buying a block of $5,000 bonds, he goes at it without care or purpose.

No one, save the particular banker concerned, can determine the proper percentage of assets which should go into primary, secondary, and investment reserves, and fixed assets. These percentages are dependent upon the general character of the bank's business, stability and proportion of time and demand deposits, and other liabilities, the size of the capital and surplus, the type of accommodation, the average customer requirements, the seasonal demand for credit, and the fluctuation in deposits.

But the investment banker can, with propriety, suggest the securities which ought to go into the secondary reserve and investment account—because, after all, the primary reserve is made up exclusively of cash and balance in the Federal Reserve and correspondent banks—and point out the errors in bank investment buying. I can go a step further and insist that, by differentiating between secondary reserve and investment reserve, you build up for yourself safeguards against a too common present practice of purchasing nonliquid and too large a proportion of long-time stuff.

▲ The total bond account of a bank is often called "the secondary reserve." I think this is dangerous practice. "Secondary reserve" is defined by Eugene H. Burris, of Ames, Emerich & Company, as "composed of those income-producing assets from which funds may be quickly and easily obtained whenever the primary reserve has been rendered inadequate for any reason, to such an extent that it becomes necessary to replenish it."

In other words, the secondary reserve is a source of quick money when needed, "the cash reserve in another form which does pay a profit" through interest. The better it is the less necessity for a large cash reserve. The assets in this portfolio must be readily marketable without loss. This suggests the highest kind of security and a price stability which comes from short maturity. This latter automatically produces cash when due, and means that the securities sell close to par all the time because nearly due.

Notes eligible for rediscount, bankers' acceptances, treasury certificates, call loans, and short-term bonds also have their place in this reserve. There is, however, no place for the long-time bond with its inevitable wide price range over a period of time, nor for the bond, however sound, which is bought for rate at the expense of primary security.

These have their place, but in an investment account, where greater rate is emphasized as against triple "A" security, and immediate marketability and stability are sacrificed to possible appreciation in the long-term bond. Paul Atkins, engineer economist of Ames, Emerich & Company, has made an exhaustive study of bank investment. He puts it this way: "The investment account of a bank is something separate and apart from the secondary reserve account of that bank." The major objectives of a secondary reserve account are to provide a bank with liquidity and to supplement its earning power from other assets.

▲ The principal result sought from an investment account of a bank is to increase the earning power of the bank, and incidentally, to aid in maintaining the liquidity of the bank. It is in the investment account particularly that changes are made to adapt the total bond account to current money conditions.

Were I to establish percentages, I would put 70 per cent of my bond account in maturities of five years or less, as part of my secondary reserve; and 30 per cent into the long-term, higher-yield bonds of the investment account. If the total portfolio is not thus sharply divided, the tendency of the average banker is to trade out of his short-term, highly marketable low yields, into longer high rates, and end up with a most inferior list, showing him a substantial loss and limited liquidity. Unfortunately, too many salesmen consider a banker's list a permanent revolving fund for personal commission gain, and trading, first an exception, becomes a pernicious habit. **Exhaustive trading is the first point I make against the soundness of present-day bank buying.**

Diversifications are essential. First, that of average maturities, coming due at stated periods within the year, and within the five years, I have already suggested. By this arrangement, profits and losses will wash over a period of time, and money is always available to take advantage of the then market situation. It forms a constant revolving fund.

The second diversification is the obvious one, as to type, and our Securities Analysis department recommends the following percentages: railroad, 20 per cent to 25 per cent; public utility, 35 per cent to 40 per cent; industrial, 15 per cent to 20 per cent; foreign, 10 per cent to 15 per cent, and government, 10 per cent to 20 per cent, with municipals when needed to secure public funds.

A further diversification reduces the risk in each type. For example, utilities subdivide into holding companies, hydroelectric and steam, natural gas, artificial gas and water companies. Industrials may be either food, rubber, packing, extractive, manufacturing, etc. Rails can represent anthracite or granger; and foreigns, government, municipal or corporation.

A further diversification concerns itself with the unit amount which should be purchased. It is better to have fewer issues and follow them more closely, than to buy scattering amounts which might seem to justify less security and greater yield because of the small principal amount involved in each case. **I think a $50,000 portfolio should be invested in units of $3,000; $100,000 into $5,000 units, and $250,000 into $10,000 or $15,000 units.**

Obviously the diversifications which apply to the secondary account would also apply to the investment account. At this point I would like to suggest another safeguard against imprudent buying and that is that you establish certain minimums below which you will not go in purchasing any type of security. If these standards are kept as closely in mind as your 70 per cent in short-time and 30 per cent in long-time bonds, you are protecting yourself against trading for a greater yield, which too often means a lessening security, or the exception in dipping below a certain level, with consequent impairment of quality.

I need not spend any time on United States governments, nor on the type of municipal obligation to which you should confine yourself. Only the highest-grade national issues are truly marketable, such as Clevelands or New York City or St. Louis, etc. The tendency seems to be to buy locals for a better yield, but they are never quickly marketable and at the time when you really need money, the local situation that has created your demand usually means an emergency which affects all local values. Special assessments also ought to be out of the picture.

As for rails, these are the oldest form of corporate security and if general standards such as those, like a dividend record over a period of years, which are required for legal investment for savings banks in various states, are abided by, you are generally safe. The transcontinental systems would seem to be most desirable.

Public utilities have been the most popular media for investment in the past ten years. I would confine my purchases to operating companies whose first mortgages never exceed 65 per cent of the cost of the property, serving a well integrated territory, and not the current hodge-podge too often seen of a gas plant in Montana, an ice company in Texas, and an electric power and light plant in Kentucky. Earnings also should be better than twice interest charges after depreciation. This latter, I think, should be carefully watched because too often after depreciation and taxes there is really no margin of safety.

At a time of industrial depression like this, industrial bonds must be most carefully scrutinized. Here the mortgage should be only 30 per cent or 40 per cent of the property value, because a closed-down industrial plant too often only sells as scrap, and earnings over a period of years should be five or six times interest charges and show a general increase year by year. If depression continues, industrials will undoubtedly fall in price with lack of earnings and only the short-time industrials should be bought.

Personally, I am very enthusiastic over the possibilities for development of natural gas companies, but think here too a note of warning should be sounded. Gigantic combinations are reported every day which make this type of security appeal to the popular imagination, but on the crest of this enthusiasm a great many inferior issues will be floated, dressed up with so-called "rights" and the public will pay the price. Why not wait on these bonds until their companies are seasoned and only buy those, at any rate, put out by the leading houses.

As for foreigns, I realize these are not popular with the American investor, particularly at the moment, with revolutions in South America, political and industrial unrest in Germany, and worldwide depression. The papers could not possibly publish more bear stories on the foreign situation. *We should, however, keep in mind at all times that the record of default on foreign securities, even including Mexico, Russia, and other defaults, is better than that of any other class of security, and that, according to Dr. Max Winkler, "Of all the foreign government, state and municipal loans publicly sold in the United States since the close of the war, not a single issue is in default with respect to either interest or sinking fund."* Dr. Winkler made this statement in the fall. Since then one of the Brazilian issues defaulted for a few days, but an English group of bankers headed by Rothschild have since advanced the money to take care of the default. A Bolivian issue also defaulted the first of the year, but still the average is better for foreign obligations than for any type of domestic security.

I am not talking about long-term foreigns for anything save investment account. For the secondary reserve only the topnotch short-term foreign credits (and there have been some $500,000,000 of them issued this year) should be purchased. There is a great opportunity, however, in the investment account, of getting good yield by buying long-term Germans or Colombians, for instance, where the yield is very high at the moment, and the security certainly far better than that on most of the industrials which are bought for investment account return. Remember I am not talking Poland or Brazil or Bulgaria, but Germany, Belgium, France, the Argentine, Chile and Colombia, to mention credits of varying quality but all of which personally I think sound. As a matter of fact, a great many houses at the moment are taking their people out of these frozen industrials with markets quoted 60 to 70 and putting them into listed foreigns selling at the same price, on the basis of a quicker return to par.

Aside from this immediate opportunity for what strikes me as good trading, or chance to buy high-credit, short-term foreigns, is the larger problem of educating America to the necessity of purchasing more and more foreign obligations during the next decade, if we are to keep that favorable balance of trade which is one of our popular traditions. We bank so much on developing foreign markets that we are killing the goose which lays the golden egg if we do not follow the English system of advancing credit to countries less advanced economically than we.

▲ Governor Black, of the Atlanta Federal Reserve Bank, in talking before the Investment Bankers Association convention in New Orleans in early October, said, "Just as surely as I am looking in your faces I know that in this day and in this time America is faced not with American conditions but with world-wide conditions. That might not have been true a quarter of a century ago, but science and invention have made great strides in that quarter of a century. The click of Bobby Jones' putt as he sinks his ball in the last hole at St. Andrews is heard in the Country Club at Los Angeles. The step of a boll weevil on a cotton plant in Texas is heard in the cotton market in Liverpool. The stirring of a worm in the wheat fields of North Dakota is heard in the wheat mart of Moscow.

"In that situation, can America remain independent and alone and work out her problems independent of world problems. I am not talking politically. I am talking economically. It cannot be done."

Mr. Traylor recognized it years ago when in retiring from the presidency of the American Bankers Association, he said: "I am very well aware that many bankers dismiss this subject with the thought that they neither originate nor participate in foreign loans, and that, therefore, the problem of foreign investments is one for Wall Street and the big private banking houses and security companies of that district. Let me remind you, however, that the problem isn't one for these particular gentlemen alone—it is daily brought to the doorstep of every banker and every investor in the country."

This is in part a digression but is all part of what it seems to me is essential to our future—the educating of "every investor" not only to foreign securities as sound investments, but also to that point of view which forgets "America first" and traditions of isolation, in that new vision of America as the international banker and leading nation of the world.

As against these suggested standards for investment in various types of bonds, below which I do not think a banker should go, because when an exception is made it is apt to become a rule, there are certain common mistakes which I would like rapidly to call to mind. First, there are too many local securities purchased, I suppose through local pride. Their undesirability for a bank account I have gone into in discussing municipals. They are not liquid, save possibly in the home market, and when a need for funds arises it is often at a time when home liquidation is impossible.

Too many real estate securities are purchased. Save in exceptional cases, the market is limited and for the average banker it simply adds to a type of security of which he usually has a substantial amount in stock, due to local mortgage demand. I have mentioned the danger of improper trading. On the other hand, advantage ought to be taken of the opportunity for profit in the sale of bonds selling at the call price, or if the value becomes artificially high through consolidation or some special cause.

▲ The average banker is too hungry for yield and as a result buys more industrial bonds than he should, and for the higher rate is apt to get a specialized situation rather than a fundamental industrial. Another flagrant fault is the writing up of the bond account, which too often seems to be carried at cost or market, whichever is higher, instead of lower. This is obviously bad accounting and glosses over the real situation. Losses should also be taken. Too often the customer hangs on hoping for a bettering situation, in which position he is usually encouraged by the house of issue, fearful of too great liquidation on bad news. When you sell bonds at a profit we suggest that you put it into a reserve against possible losses in the rest of your account.

When a bank needs money, it does not sell what it really thinks best to sell, but rather what it can sell at a profit. By so doing the list is weakened.

The average officer does not investigate enough before buying. He can buy American Telephone & Telegraph immediately, but on smaller companies he ought not to fall for the importunities of the distributing house or its salesman but check with some other house or disinterested source.

Nor should bonds be put away and forgotten. A list ought to be analyzed periodically by the statistical departments of the houses with which the bank does the major part of its business. To buy of one house is a mistake. The salesman who knows he is competing with another man from another reputable house, is put more on his mettle, and even though both be very conscientious, the play of opinion between the two is of great value to the buyer.

Also remember that you are alone responsible for the loss in the eyes of your stockholder and, therefore, buy intelligently what you want, not what the salesman wishes to sell. Business should not be done with too many houses. It spreads the profit so thin that it doesn't pay the investment house to give as good service as though it is divided among two or three.

▲ One point I wish to discuss at greater length, and that is the tendency to buy far more long-time bonds than seem justified. Probably many are bought through total lack of policy, but often from a belief that by having the greater proportion of the portfolio in longer maturities, a substantial profit can be realized.

This amounts to taking "a risk position" and is the reason why, through the purchase of too many long-time bonds in 1928, banks sustained such a loss in the following eighteen months. As Henry Swan, vice-president of the United States Bank of Denver, has said, "it has been all too common in the past, during periods of cheap money, for bankers who find themselves with a surplus of idle funds to go into the bond market at the then relatively high prices and buy long-time bonds in order to get these funds at work, only to find later, when money is high and bond prices suffer correspondingly, that their institutions either have to stay out of the market or sell bonds in a period of hard money at a considerable loss." As another authority has put it, "it seems best that the minor swing, the short business cycle should be considered first," and not put too much credence in the prophecy that bond prices will advance for 35 years because of commodity deflation for the same extended period. Your bank may need money before 1966. This all bears out a statement of Colonel Ayres to the effect that the time to get out of bonds and into commercial paper, is when the average yield of high-grade bonds and the rate of prime paper cross. When bonds have reached the price where their yield is no greater than the prevailing rate of prime commercial paper, it is time to sell bonds and invest the proceeds in commercial paper. One cynic has said that he always buys that which the majority neglects, because when the majority are doing anything, it leads to excesses.

Short-time purchases avoid this. To take a mathematical case. If the current going rate is 7 per cent, a one-year, 6 per cent bond only has to decline 1 per cent to be in line with the going rate, whereas a ten-year, 6 per cent bond must decline 8½ points to reach the current level. It is for this reason that most of us lean over backwards in suggesting a 30 per cent limit on bonds running over five years. I have carried this a step further. I had our Securities Analysis department figure out the loss in a bond account of $200,000 having an average coupon rate of 6 per cent (which I consider too high a rate) with $150,000 due on an average of 15 years from date, and $50,000 in two and one-half years. If money rates are such that all these bonds go from a six to a seven per cent basis, the shrinkage amounts to $15,700, or 7.85 per cent.

If the banker takes a more conservative point of view and puts one-half of his money, or $100,000, in long-time, fifteen-year average bonds, and the other half in two and one-half year average securities, under the same assumptions as in the case before, the shrinkage would amount to but $11,460, or 5.73 per cent. If, however, he follows our advice and puts only $50,000 in securities running over five years, with an average maturity of fifteen, and $150,000 in from one-month to five-year stuff, two and one-half years average, under the same assumptions, the shrinkage amounts to $7,990, or 4 per cent. Hence our insistence at all times on short-time paper. I saw a very interesting study the other day, to the effect that from 1928 to July 1, 1930, two-year maturities, or less, had fluctuated slightly less than 2½ points, and two to five-year bonds 4¼ points, which also approximated the fluctuation on ten-year maturities. This may mean that eventually banks will come to two years as the maximum life of the bond in their secondary reserve and beyond that, consider it investment account. This would, of course, be an extreme view.

▲ Consider the present situation. We are in a period of very easy money, with the Federal Reserve apparently committed to a policy of keeping it easy. We are also in a period of industrial depression. Are you as a banker prepared to say that over a period of time there will be a very substantial appreciation in long-term, high-grade bonds, when business recovery results in firmer money? Are you smart enough to be able to guess the turn to industrial prosperity and liquidate before firmer money brings a price recession?

There is one way to counteract the danger of having long-term bonds bought during easy money, when interest rates advance with business activity. That is through the purchase of convertible bonds which reflect stock market values, sure to increase at such a time. It is true the purchase of high-grade convertible bonds have proved a life-saver for many bank bond accounts, by a hedging operation.

I refer to such issues as American Telephone & Telegraph, Chicago Northwestern, Southern Pacific, Baltimore & Ohio, Chicago Rock Island, Armstrong Cork, or California Packing convertible purchased at the time they are initially offered, when they reflect in their coupon the going rate, and with a conversion not too far away to get the full advantage of any extended advance in the stock market.

If bonds go off it is usually as the result of a condition which makes the conversion valuable, and if it has no value, it is because bond prices are steady. It is a sort of "golden mean" which provides against loss through long-time investment.

▲ As for the bond market in 1931, the best I can do is quote from the Standard Bonds Investment News section of the Standard Statistics Service for January 3, 1931, "While the near-term market trend is still a matter of conjecture, due to certain temporary factors, it appears that the technical position of the bond market is sound and once a greater degree of investment confidence is restored, a general rise in bond values will be witnessed. It is unreasonable to assume that a decline in prices of senior obligations wil continue indefinitely, but sooner or later the underlying influences of exceptionally low money rates, low commodity prices and the highest purchasing power of the dollar in fifteen years will be reflected in bond values. Once general confidence is established on a firmer foundation, banks will undoubtedly be willing to ease up on their present policy of maintaining an unusually liquid condition and place more of their funds in investments. When such a condition eventuates, prices for high-grade bonds should receive considerable stimulus. Many institutions have been more partial to short-term securities than to long-term issues, but the trend toward the latter bonds is expected to gradually broaden."

In short, have a policy. Conservatively this would mean a bond account divided 70 per cent into maturities of less than five years, representing the highest grade, the greatest marketability and price stability, called a secondary reserve; and 30 per cent in long-time bonds of good security, relatively higher rate and average marketability, known as the investment account.

Both reserves would be diversified as to maturity and type and would follow the usual standards of conservative selection. Convertibles would prove a hedge to possible losses in the long-time account, and all would be supervised periodically by the statistical departments of the two or three high-grade dealers through whom the major portion of the bank's investment buying was done.

If these simple rules are followed, Mr. Hazelwood's prediction some two years ago will come true: "While I lay no claim to the predictive powers of a prophet, I venture to say that, within the next five years, we shall find scientific bank management laying down basic principles, averages, and percentages for the guidance of bankers in the sound and safe investment of funds entrusted to their care."

After all, it is largely a matter of the commercial banker and the investment banker cooperating. The investment banker is going out these days to do the best possible job for you commercial bankers in the matter of the bond account. Will you cooperate with us?—From Mr. Wood's address before the Mid-Winter Meeting of the Illinois Bankers Association.

Central-Illinois Securities Earnings Are $684,327

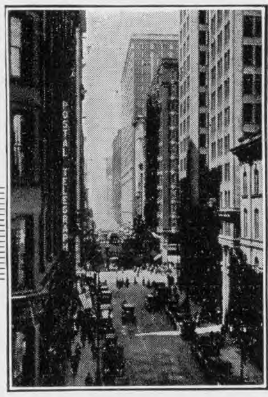
A very creditable record for 1930 was made by Central-Illinois Securities Corporation, of Chicago, as evidenced by the annual report issued by the president, Philip R. Clarke. The corporation is the management trust affiliate of Central Trust Company of Illinois, both units of The Central Group.

Despite declining markets the liquidating value of the outstanding allotment certificates as of December 31, 1930, decreased only slightly during the year, the figure being $30.77 per unit, as compared with $31.64 a year ago. The original subscription price was $31.50 a unit.

The corporation's capital was held practically intact during the year, and the net earnings, after all operating expenses and provision for taxes, were $684,327, amounting to $1.71 a share on the $1.50 Convertible preference stock. As the figures show, the dividend was more than covered even in the face of adverse business.

Olive Street Notes

By JAMES J. WENGERT



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Sidney Maestre, president of the Mercantile-Commerce Company, has been elected president of the Community Fund of St. Louis, succeeding Ethan Allen H. Shepley. Mr. Maestre was chairman of the recent campaign which went over the goal of $2,200,000 with a total now amounting to $2,200,311.

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Announcement has been made of the retirement of Bruce Seddon as treasurer and a director of Thomson, Seddon & Co., Inc., and the change of the name of the firm to Lewis W. Thomson & Co., Inc.

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Otis & Co. announces that Frank C. Brickey is now associated with the investment department of the St. Louis office of the firm.

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After listening for several hundred times to the story of the two ex-bond men who got jobs masquerading in Lion and Bear skins, respectively, one might conclude that the bond business has been a little bit slow. Undoubtedly, it has been —but listen to this: S. W. Straus & Co. report sales of securities by their organization throughout the United States showed an increase of 9.9 per cent during the first fifteen days of January compared with the corresponding period for 1930. "Evidences are not lacking that a somewhat improved tone has come into the investment market since the first of the year," Nicholas Roberts, president of S. W. Straus & Co., stated. "This opinion is based both on the increasing sales of securities and on a larger volume of inquiries from investors with available funds."

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Another hopeful sign of recovery is indicated by the results of a four-year investigation of the trend of bond yields over a period of seventy-four years, authorized for publication by the National Bureau of Economic Research tomorrow.

The investigation shows that with the exception of a recent and evidently temporary interruption, bond yields have been declining since September, 1929, and that such a decline has in the past been the usual forerunner of business recovery.

The seventy-four year chart of bond yields, based on high-grade railroad obligations, is a part of an investigation which Dr. Fred R. Macauley, of the staff of the bureau, has been conducting for the past four years. It includes the relationships of bond yields, interest rates, stock prices and general business since January, 1857.

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Lawrence Stern & Company, investment bankers of Chicago and New York, have just completed a survey of security market conditions, and state that it is the opinion of representative security dealers throughout the country that a substantial improvement in both the stock and bond markets may be expected during 1931. "In a number of instances," the survey states, "predictions are made that some time during 1931 there will be a stronger bond market than has been witnessed for a long time."

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W. Alton Jones, president of the National Electric Light Association, vice-president of Cities Service Company and a director of more than one hundred corporations, in a recent radio program sponsored by Halsey, Stuart & Co., stated that "in 1930 the American public paid $300,000,000 for electric current used for household lighting, which would have cost seven times as much had the efficiency of the electric lamp not been improved 700 per cent during the past twenty-five years, chiefly by the voluntary effort and research work undertaken by manufacturers of electric equipment and by light and power companies."

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Raymond C. Bond, who for the past ten years has been associated with the bond departments of the old Liberty Central Trust Company and, more recently, with the Mississippi Valley Company, has been elected vice-president of the Bankers' Bond and Security Company, with offices located in the National Bank of Commerce Building.

The Bankers' Bond and Securities Company was organized in 1925 and has been actively engaged in the distribution of investment securities, including Investment Trust shares. The following also are officers: Dulany Mahan, president; J. T. Holme, vice-president; Baxter B. Bond, secretary and treasurer, and Jack J. Brown, assistant secretary. The company also maintains an office in Hannibal, Missouri.

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John A. Aid of Aid & Co., Inc., has been elected president of the St. Louis Stock Exchange. He succeeds A. C. Hilmer, who automatically vacated his office when his firm, L. E. Anderson & Co., was suspended from the Exchange.

Survey Indicates Increased Advertising Budgets

Financial Advertising appropriations will be considerably larger in 1931 than they were in 1930, according to Preston E. Reed, Executive Secretary of the Financial Advertisers Association.

He has just completed checking the results of a questionnaire sent to 850 members of the Association. The questionnaire indicates that 38 per cent of those replying to the questionnaire will have an increased budget in 1931, while only 12 per cent will have budgets reduced; the remaining 51 per cent will have the same appropriation as last year.

The greatest increase reported is 100 per cent while the largest cut is 66 per cent. The increase was on a budget totaling $75,000 while the decrease was on a very small budget totaling $15,000.

The largest budget reported on in the questionnaire totaled $650,000 while the smallest was $3,000. It is indicated that the total amount to be spent by the members of the Association in the coming year will be in excess of $50,000,000.

Illinois Bankers Hold Annual Midwinter Meeting

By HOWARD W. CLARK

ON January 22, members of the Illinois Bankers Association gathered at the Palmer House in Chicago for the annual midwinter meeting and banquet of the Association. About three hundred registered for the meeting and over twelve hundred attended the banquet.

The day session was devoted to the annual conference on bank operation and administration and opened at 10:00 a. m. with remarks by W. R. McGaughey, vice-president of the Citizens National Bank of Decatur, and president of the Illinois Bankers Association. J. L. Jones, president of the First National Bank of Henry, chairman of the committee on bank management, and also chairman of the conference, spoke on "What It's All About." Following Mr. Jones, A. W. Baltz, president of the First National Bank of Madison, and vice-chairman of the committee on bank management, gave an address on "Cleaning House," after which there was a general open discussion for twenty minutes. The next subject on the program was "Applying the Microscope," and Charles A. Elsner, cashier of the Second Northwestern State Bank of Chicago, and A. J. Kolar, vice-president of the Drexel State Bank of Chicago, were the speakers. There was again an open discussion for twenty minutes, after which R. F. McCormick, president of the DeKalb Trust and Savings Bank of DeKalb, spoke on "Establishing Definite Policies." At the close of Mr. McCormick's speech another open discussion was held until 12:30, at which time the session adjourned until 2:00 p. m.

The committee had arranged for luncheon to be served in the foyer, and the conference room was well filled when Chairman Jones again called the meeting to order. At this session an address was given by Paul S. Abt, vice-president of the Southern Illinois National Bank of East St. Louis, and vice-president of the Illinois Bankers Association, on "Maintaining Liquidity." R. E. Milligan, president of the First National Bank of Ivesdale, spoke on "Our Local Obligations." "Real Estate Loans" was the subject of A. K. Scheidenhelm, vice-president of the State Bank and Trust Company of Evanston. Harold E. Wood, vice-president of the Foreman-State Corporation of Chicago, spoke on "The Bond Account." Adolph Woltzen, cashier of the Washburn Bank of Washburn, told of "The Complete Organization." After the last speaker a general discussion was held until adjournment.

▲ It was noted with interest that all sections of the state were represented and the majority of those attending were officers of the smaller banks, showing their interest in the vital problems affecting the banker at the present time. Everyone agreed that the committee had prepared an excellent program that pertained to the subjects most important at this time, and had selected speakers who were well versed and qualified in their respective subjects and could speak with authority.

Many who were unable to leave business for the whole day came as soon as possible, as attested to by the number attending the banquet, and the increase in the size of the gatherings in the foyer. The banquet, as had the sessions, started promptly on time and a five-course turkey dinner was served. Frank B. Spamer and his orchestra furnished the musical entertainment. After the dinner President McGaughey introduced those at the speaker's table, which included past presidents of the Illinois Bankers Association, some of the present officers, Craig B. Hazlewood, vice-president of the First National Bank of Chicago and past president of the American Bankers Association, James R. Leavell, president of the Continental-Illinois Bank and Trust Company, officers of various state associations, and the speakers.

Dr. David Friday, of A. G. Becker & Co., and a noted economist, gave a very interesting and informative talk on "The Forces Which Restore Prosperity." Dr. Friday laid stress on good management as the most important factor in bringing business back to normal. Other steps necessary for complete commercial and financial recovery are an adjustment of the commodity price situation and releasing of tied-up capital for purchase of sound bonds. Dr. Friday declared that by the end of 1931 business in this country will have returned to within 10 per cent of any of the normal years preceding 1930, and referred particularly to the period between 1926 and 1929. "There are still some commodity price declines to come," he said, "but it looks like we have seen the last of the declines in raw materials. One hopeful sign that business is on the mend is the fact that in the last three months our consumption has been greater than it was in the same months of 1929, but increased production has been nothing like that figure. Any manufacturer who gets a decent volume of orders this year will make money, even at lower prices. This will be true even if he has not decreased wages, because in nearly all cases efficiency of operation has increased. In other words, the manufacturer or other business with efficient management can reduce his overhead, get cheaper money from his banker, and still make a showing on his invested capital comparable to his best years in business.

"One of the most astonishing things about this depression is that profits were maintained in 1930, whereas in the panic of 1921 all corporations in the United States, after paying taxes and allowing for depreciation, had profits less than zero. In 1930, despite declining returns, business was not more than 40 per cent under the previous year, and there was still a profit to all American business of approximately five and a half billions of dollars."

Dr. Friday also stated that he believes there should be no reduction in wages, and agrees with President Farrell of the United States Steel Corporation that wages should be maintained in order that there may be more buying, for that, after all, means as much as any other factor in the return to prosperous times. Wages rose 13 per cent between 1919 and 1929 and this increase was not taken out of the consumer. In referring to the bond situation Dr. Friday said: "You never have a thorough going recovery unless there is a good bond market. The great bond markets of the last ten years were in 1921-1922, 1925 and 1927-1928. It may sound like exaggeration, but I believe that bond prices will be higher this year than they have been at any time in the past."

▲ The other speaker of the evening was the Honorable Otis F. Glenn, U. S. Senator from Illinois. The Senator spoke on "Affairs at Washington." He first gave some of the humorous instances incident with being a senator, mentioning, too, that Illinois is noted for the fact that the state never reelects its senators. He read a letter, written last summer by one of the organizations of this state, telling him that if he voted for the Tydings amendment they would snow him under the same as they were going to do Ham Lewis in the coming election. Another letter condemned him for voting for the bonus for the Spanish-American War Veterans, and another from one of the veterans' associations said they would withdraw their support from him for not voting for a larger bonus. He said that the $500,000 Congress gave to the Wickersham Commission to conduct their investigation is a total loss.

On the World Court issue, now before the Senate, the Senator said he proposed to think long and seriously before he consented to allow the domestic affairs of the United States to be put in hands of other nations which cannot solve their own, pointing out the situation Great Britain has, and has had, with Ireland, and is now having with India; Russia who cannot solve her own problems, China with her internal strifes, Spain with her revolutions, the South American civil wars and other instances of countries who would sit in the court to judge the United States. He stated that he is opposed to the Federal Farm Board's operations, for he does not see in them a solution to the agricultural problem. Although the Senator voiced his opposition to President Hoover's report on the Wickersham Commission, in his world court stand and his farm relief plan, he appealed for everyone to throw aside his political or personal beliefs and stand behind the President in his efforts to aid in the business situation.

Promotions Announced by Continental Illinois

The following changes have been made in the official roster of the Continental-Illinois Bank and Trust Company, Chicago

Roger C. Hyatt has been elected a vice-president. Walter J. Delaney, C. M. Smits and T. Philip Swift, formerly second vice-presidents, are now vice-presidents. John W. Baker, David Handler and Charles J. Klink have been elected assistant cashiers. E. E. Freund, assistant secretary of the trust department, has been transferred to the commercial department as an assistant cashier. C. E. Ronning, secretary of the trust department, is now personnel officer of the bank, a newly-created position. R. M. Kimball, a second vice-president, has been elected a second vice-president and secretary of the trust department. C. E. Clippinger and Leroy F. Pape are new assistant secretaries.

Woodbury S. Ober, a second vice-president of the Continental-Illinois Company, has been elected secretary and treasurer of that company. Frank L. King, comptroller of the bank, is now comptroller of the Company also.

Investment Bankers Hold Midwinter Meeting

The board of governors of the Investment Bankers Association of America held their annual midwinter conference on January 30 and 31 at Seaview Golf Club, Absecon, New Jersey.

This meeting represented the seventy-first one of the board of governors and is the third time the board has met in Absecon. One of the important subjects discussed at this year's meeting was the safeguarding of municipal funds deposited in banks. Attention has been focused on this subject during the past year on account of the failures of banks in which municipalities had deposits and which caused embarrassment in the payment of interest or principal on municipal bond issues. The general program consisted of discussions of studies now in progress by the various committees of the Association.

HENRY T. FERRISS

Henry T. Ferriss, president of the Association and executive vice-president of the First National Company, St. Louis, presided at the meeting.

Harvey Weeks Promoted by Central Hanover

The Central Hanover Bank and Trust Company, New York, announces the appointment of Harvey Weeks as assistant vice-president and A. H. Willets and W. Kardell as assistant treasurers.

Mr. Weeks was formerly an assistant secretary in charge of trust representatives.

CURRENT QUOTATIONS

FURNISHED BY EDWARD D. JONES & COMPANY
ST. LOUIS, MISSOURI

On 100 Unlisted Bonds as of January 28, 1931

Security	Bid	Asked
Adams Franklin Bldg., 6¼s, 1941	75	80
Alton St. Louis Bridge, 7s, 1947	61½	63
Amer. Commonwealth, 5½s, 1953	70	72
Amer. Com. Power, 5½s, 1953	70	72
Amer. Rolling Mills, 4½s, 1933	97½	97¾
Bloomington Limestone, 6s, 1942	53	55
Buffalo Gen. Electric, 4½s, 1981	101⅜	101⅝
Canadian National, 4½s, 1956	98⅛	99⅝
Canadian Rail & Harbor, 6½s, 1951	59	63
Canton Akron Cons., 5s, 1933	95	101
Carbide & Carbon Bldg., 6s, 1940	83	85
Cen. Ill. Pub. Serv., 4½s, 1967	91⅛	91½
Cen. Ill. Pub. Serv., 5s, 1968	98¼	98¾
Cen. Power & Light, 5s, 1956	95½	96
Cen. Public Service, 5½s, 1949	73	74
Cen. West Pub. Serv., 5½s, 1956	88¾	89½
Chicago City Railway, 5s, 1927	67	67¾
Chicago District Elec., 4½s, 1970	92¼	92¾
Chicago Railway First, 5s, 1927	68	69
Chicago Rapid Transit, 6s, 1963	29¼	30
Cincinnati St. Railway, 5½s. 1952	88	90
Cities Serv. Power & Light, 5½s, 1949	80	81
Colonial Utility, 5½s, 1958	50	57
Columbus Railway, 4s, 1939	89	90½
Columbus St. Railway, 5s, 1932	99	101
Com. Power & Light, 5s, 1957	85	86½
Consumers Power, 4½s, 1958	101⅛	101½
Corporation Securities, 4½s, 1931	97½	98¼
Corporation Securities, 5s, 1932	95½	96½
Corporation Securities, 5s, 1933	93	94½
Corporation Securities, 5s, 1934	91	92½
Corporation Securities, 5s, 1935	90	91½
Cudahy Packing, 5½s, 1937	98¼	98¾
Cumberland Co. Power & Light, 4½s, 1956	95½	96¼
Denver Cons. Tramway, 5s, 1933	72	75
Detroit Edison, 4½s, 1961	101⅛	101⅜
Eastern Michigan Edison, 5s, 1931	100½	101¼
Fed. Public Service, 6s, 1947	82	84
Federal Screw Works, 6½s, 1939	55	65
Fox Film, 6s, 1931	95½	96¼
Gen. Gas & Electric, 5s, 1933	92½	93½
Gen. Gas & Electric, 5s, 1935	91	92½
Guardian Investors, 5s, 1948	41	45
Ideal Cement, 5s, 1943	99	100
Ill. Power & Light, 5s, 1956	96	96¼
Ill. Power & Light, 6s, 1953	103¾	104¼
Indiana Gen. Service, 5s, 1948	104	105
Indiana Limestone, W. W., 7s, 1936	36	40
Indiana Service, 5s, 1963	86	87
Interstate Pub. Service, 5s, 1956	97	97½
Kansas City Power & Light, 4½s, 1961	102⅝	102⅞
Kentucky Utilities, 5s, 1969	98	98¾
Manufacturers Finance, 6s, 1931	99⅝	100
Memphis Power & Light, 5s, 1948	102¼	103¼
Midland Utilities, 6s, 1938	96½	98½
Milwaukee Elec. Railway & Light, 5s, 1961	100½	101½
Milwaukee Elec. Railway & Light, 5s, 1971	100½	100⅞
Missouri Pacific, 5s, 1981	94¾	95¼
National Properties, 5½s, 1949	100¼	101
National Tea, 5s, 1935	98	99
Nevada Calif. Electric, 6s, 1941	99	100½
Northern Indiana Public Service, 4½s, 1970	92⅞	93¼
Northern Utilities, 6½s, 1943	77	78
Ohio Public Service, 5s, 1954	100¾	101½
Pacific Northwest Public Service, 6s, 1950	82	83¼
Pa. Ohio Detroit, 4½s, 1977	100⅛	100⅜
Philadelphia Baltimore Washington, 4½s, 1977	102¾	103⅛
Albert Pick, 6s, 1936	72	77
Portland Gen. Elec., 4½s, 1960	87⅞	88½
Public Service of Northern Illinois, 5½s, 1962	107¼	107¾
Sioux City Gas & Elec., 5½s, 1950	99½	100½
Southern Cities Pub. Serv., 5s, 1931	98½	99½
Southern Cities Public Service, 6s, 1949	76½	78
Southern Cities Gas Utilities, 6½s, 1936	94¼	96¼
Southwestern Lt. & Power, 5s, 1957	94	95
Standard Pub. Service, 6s, 1948	50	56
Swift & Company, 5s, 1940	100½	100⅞
Swift & Company, 5s, 1944	103	103½
Tennessee Electric, 5s, 1956	99⅜	99⅞
Texas Elec. Service, 5s, 1960	97½	98¼
Three Thirty Three North Michigan, 6s, 1942	61½	64
United American Utility, 6s, 1940	60	65
United Railways (St. Louis), 4s, 1934	59	61
Van Sweringen Co., 6s, 1938	97	98
Wayne Pump, W. W., 6s, 1948	63½	65
West Texas Utilities, 5s, 1957	88¼	88¾
Wisconsin Minnesota Light & Power, 5s, 1944	100¼	101
Wis. Power & Light, 5s, 1958	100¾	101¾
Wis. Public Service, 5½s, 1958	104	105
Woods Brothers Corporation, 6s, 1937	80	80½
Alton St. Louis Bridge, 7s, 1942	35	45
Fox St. Louis Theater, 6½s, 1942	74	78
Moloney Electric, 5½s, 1943	87	92
Nat. Bearing Metals, 6s, 1947	98	100
New Jefferson Hotel, 6s, Serial,	93½	96½
Roman Catholic Archbishop of Manila, 6s, 1932	95	100
St. Louis Refrigerating & Cold Storage, 6s, 1942	89	92
St. Louis, Springfield & Peoria, 5s, 1939	82	84½
Scruggs, Vandervoort & Barney, 7s, Serial	91½	93
Scullin Steel, 6s, 1941	60	70

St. Louis Stock Exchange Transactions

	Par Value	January 20 Sale Price	Month's Range of Prices Low	Month's Range of Prices High	Sales for Month
Boatmen's Nat'l Bank	100	180	180	180	65
First National Bank	20	....	68	70	304
Franklin-American Trust	100	198¾	198	200	22
Mercantile-Commerce Bk. & Tr. Co.	100	192½	172	198	1218
Mississippi Valley Trust Co.	100	....	210	225	128
St. Louis Union Trust Co.	100	....	465	466	73
American Credit Indemnity	25	....	35	35	318
American Inv. "B"	No Par	....	7½	9	598
Bentley Chain Stores, Com.	No Par	1⅛	1	2¼	6134
Brown Shoe, Pfd.	100	117½	117	118	17
Brown Shoe, Com.	100	....	35	36	726
Burkart Mfg., Pref.	No Par	....	9	9	50
Century Electric Co.	100	....	85	85	5
Chicago Ry. Equip., Com.	25	....	19	19	14
Coca-Cola Bottling Co.	1	35	35	43	1471
Consolidated Lead & Zinc, "A"	No Par	....	2	3	1278
Corno Mills Co.	No Par	....	22	22½	345
Curtis Mfg., Com.	5	....	15¼	17¼	455
Dr. Pepper, Com.	No Par	....	29	29	246
Ely & Walker Dry Goods, 1st Pfd.	100	....	90	95	37
Ely & Walker Dry Goods, Com.	25	17	17	18	3454
Fulton Iron Works, Pfd.	100	....	5	5	425
Fulton Iron Works, Com.	No Par	....	⅛	¼	2951
Globe-Democrat, Pfd.	100	....	115	115	25
Hamilton-Brown Shoe	25	....	4	4¾	115
Hussmann-Ligonier	No Par	....	3	3¾	9649
Huttig S. & D., Pfd.	100	....	36	36	35
Hydraulic Pressed Brick, Pfd.	100	....	20	25	495
Independent Packing, Com.	No Par	....	4	4	65
International Shoe, Pfd.	100	....	106½	108	140
International Shoe, Com.	No Par	47	47	49	6988
Johnson-S.-S. Shoe	No Par	....	30	37	345
Key Boiler Equipt.	No Par	....	25	25	811
Laclede-Christy Clay Prod., Com.	No Par	....	20	20	400
Laclede Steel Co.	20	....	31½	33	165
Landis Machine, Com.	25	....	25¼	29½	165
McQuay-Norris	No Par	....	35	38½	861
Marathon Shoe, Com.	25	....	6	6¼	220
Moloney Electric, "A"	No Par	....	55	57	250
Mo. Portland Cement	25	26¾	24⅝	27	1522
Nat'l Candy, 1st Pfd.	100	....	107	107½	30
Nat'l Candy, Com.	No Par	....	19	22	1093
Nicholas Beazley Airplane	5	....	1⅛	2	605
Pedigo-Lake Shoe	No Par	....	7	9	430
Rice-Stix Dry Goods, 1st Pfd.	100	92	92	92½	131
Rice-Stix Dry Goods, 2nd Pfd.	100	80	80	80	345
Rice-Stix Dry Goods, Com.	No Par	....	7½	8½	2000
Scullin Steel, Pfd.	No Par	....	7	8¼	3065
Securities Inv., Com.	No Par	....	26	27¾	423
Skouras Bros., "A"	No Par	....	9	9	300
Smith-Davis Mfg., Com.	No Par	....	5	5	325
Southwestern Bell Tel., Pfd.	100	120⅜	116½	120½	1171
Stix, Baer & Fuller, Com.	No Par	14	14	15	1000
St. Louis Amusement, "A"	No Par	....	5¼	5¼	150
St. Louis Bank Bldg. Equipt.	No Par	....	8	8	2000
St. Louis Pub. Serv., Com.	No Par	....	1⅜	3⅛	7084
Sunset Stores, Pfd.	50	....	30	30	50
Wagner Electric, Pfd.	15	17	16¾	17¾	5046
Wagner Electric, Com.	100	....	105½	105½	8

Missouri Bank News

R. W. HOLT
President

OFFICERS MISSOURI BANKERS ASSOCIATION: President, R. W. Holt, president, Bank of Craig, Craig; vice-president, Chas. B. Mudd, cashier, First National Bank, St. Charles; treasurer, M. E. Holderness, vice-president, First National Bank, St. Louis; secretary, W. F. Keyser, Sedalia; assistant secretary, E. P. Neef, Sedalia.

GROUP CHAIRMEN: 1. J. E. Deaver, president, Paris National Bank, Paris; 2. E. R. Hauser, assistant cashier, Farmers Bank, Polo; 3. L. C. Ringle, cashier, Farmers Bank, Dearborn; 4. J. L. Mann, vice-president, secretary-treasurer, Lexington Savings Trust Company, Lexington; 5. Frank C. Hunt, vice-president, First National Bank, St. Louis; 6. W. O. Bowman, vice-president, First National Bank, Cape Girardeau; 7. Irene Young, cashier, Bank of Salem, Salem; 8. W. V. Davis, cashier, First National Bank, Monett.

GROUP SECRETARIES: 1. H. E. Hiller, Kahoka; 2. A. V. Spillman, Jamesport; 3. George W. Boettner, Rockport; 4. Otto Hale, Carrollton; 5. S. M. Sharp, Mexico; 6. J. M. Wright, Doniphan; 7. F. M. Hart, Seymour; 8. W. F. Rhodes, Eldorado Springs.

W. F. KEYSER
Secretary

J. Sheppard Smith, president of the Mississippi Valley Trust Company of St. Louis, has been elected a director of the Maryland Casualty Company, Baltimore, Maryland.

All the officers of the First Bank and Trust Company of Macon, Missouri, were reelected and Raymond Brown was promoted from teller to assistant cashier. L. A. Miller, president of the bank, said that the bank during the first year of its existence, 1930, had made a very good showing earning 12 per cent on its capital investment of $100,000.

From August, 1930, to December, 1930, there was a drop of $37,279,277 in the resources of the state banks of Missouri. This is due largely to the decrease of depositories from 1069 in August to 1024 in December. The total resources of the state banks now are $916,198,007.

Charles C. Draper, 84, veteran of the Civil War who was cashier of the Bank of Lebanon and the State Bank of Lebanon, Missouri, died recently.

The Chouteau Trust Company of St. Louis, Missouri, has joined the Federal Reserve System.

Charles Nagel, attorney and president of the Washington University Corporation, and Samuel W. Fordyce, attorney and president of the Industrial Club of St. Louis, have been elected members of the board of directors of the St. Louis Union Trust Company.

William A. Schaefer has been appointed manager of the Lafayette National Company, investment division of the new Lafayette National Bank and Trust Company of Luxemburg, Missouri.

The First National Bank of Mexico, Missouri, recently declared its ninety-sixth semiannual dividend. This institution has never missed a dividend payment.

Raymond C. Bond, who for the past ten years has been associated with the bond departments of the old Liberty Central Trust Company and more recently, the Mississippi Valley Company, has been elected vice-president of the Bankers' Bond and Security Company of St. Louis, Missouri.

The Fidelity Spirit, house organ of the Fidelity National Bank and Trust Company of Kansas City, Missouri, and allied financial institutions, starts the new year with a striking new cover in black and white. The new cover contains as its central theme, a brilliant picture of the new 32-story Fidelity Bank Building now being erected. Anyone interested in the Fidelity Spirit can, no doubt, be placed upon its mailing list upon request to the bank.

All major officers of the Federal Reserve Bank of St. Louis and branches were reelected at a meeting held recently, according to an announcement by John S. Wood, chairman of the board. Those reelected were Wm. McC. Martin, Governor; Olin M. Attebery, Deputy Governor; Jas. G. McConkey, Secretary and Counsel; A. H. Haill, S. F. Gilmore, F. N. Hall, C. A. Schacht, and G. O. Hollocher, Controllers; E. J. Novy, General Auditor; and A. E. Debrecht and L. A. Moore, Assistant Auditors.

The Federal Reserve Board has approved application of the Federal Reserve Bank of St. Louis to decrease its discount rate from three and one-half per cent to three per cent on all classes of paper of all maturities, effective January 8, 1931.

A conference on bank management problems for banks of the midwestern states will be held March 19 and 20 at Kansas City, under the auspices of the Bank Management Commission of the American Bankers Association.

The Council of Administration of the Missouri Bankers Association met recently at Sedalia, with R. W. Holt, of Craig, Missouri, presiding. The council indorsed a state police system and passed a resolution asking the House of Representatives to pass the Glenn Smith Act which would place drainage, levee and private irrigation districts on the same basis as federal aid projects to the end that speedy relief may be brought to the farmers in these drainage and levee districts.

Plans have been made for the consolidation of the Bank of Thayer, Missouri, with the Peoples State Bank.

A recent statement of the Bank of Craig, Missouri, shows this institution to have total resources of over $470,000, with capital and surplus of $40,000. R. W. Holt, president of the Missouri Bankers Association, is president of this bank and Wayne A. Sharp, cashier.

W. F. Mulloy has been made cashier, vice-president and a member of the board of directors of the Sterling State Bank of Kansas City, Missouri.

A. C. Waldemer and August N. Ziess have been elected assistant cashiers of the Southern Commercial and Savings Bank of St. Louis, Missouri.

Articles of association have been filed with the recorder of Ripley County for a new bank in Doniphan, Missouri, to be known as the Bank of Doniphan.

TEXAS NOTES

Harry A. Olmsted has been elected vice-president of the First National Bank and president of the First National Securities Company of Dallas, Texas.

F. M. Burns has resigned as president of the Colorado National Bank of Colorado, Texas. He is succeeded by J. Max Thomas.

A recent financial statement of the South Texas Commercial National Bank of Houston, Texas, shows total resources of $34,091,014.06, capital stock of $1,500,000 and surplus and undivided profits of $1,200,000. S. M. McAshan is president of this institution.

The Security National Bank of Collinsville, Texas, has merged its interests with those of the Whitesboro, Texas, National Bank. C. B. Dorchester is president of the combined institutions and Joe B. Cobler, cashier.

In a recent financial statement the Continental National Bank of Fort Worth, Texas, claimed total resources of $11,021,372. Capital stock of this institution is $750,000 and surplus and undivided profits are nearly $400,000.

The consolidation of the First National Bank of Hawkins, Texas, and the Quitman National Bank has been completed.

The Citizens National Bank of Godley, Texas, has merged with the Cleburne State Bank of Cleburne, Texas.

Total resources of the Farmers State Bank of San Benito, Texas, are $904,024, and the capital of this institution is $60,000, according to a recently published statement.

The First State Bank and the First National Bank of Cooledge, Texas, have merged. Business is carried on in the First State Bank Building.

Total resources of the Commercial State Bank of Sinton, Texas, are $802,842 and capital stock is $50,000.

The First State Bank of Girard, Texas, and the First National Bank of Jayton, Texas, have merged.

J. C. Mytinger has been elected president of the Security National Bank of Wichita Falls, Texas.

KANSAS NOTES

The First National Bank of Smith Center, Kansas, held open house when its beautiful new building was formally opened. More than 3,500 visitors attended this opening. The building is in modern style throughout. The bank is one of Joel Randall Burrow's banks. Mr. Burrow is well known in Kansas banking circles. M. H. Hill is cashier.

J. Earnest Jones has resigned as president of the Merchants National Bank of Topeka, Kansas, and has accepted the vice-presidency of the Central National Bank.

The Peabody First National Bank and the Peabody State Bank of Peabody, Kansas, have merged.

Clark J. Shimeall, sixty-year-old president of the Bank of Goodland, Kansas, died recently in a Denver Hospital.

The Farmers State Bank of Clay Center, Kansas, has taken over the assets and deposits of the Bala State Bank.

George Ruder has resigned as assistant cashier of the First National Bank of Ellis, Kansas. He has been succeeded by Oscar Huber.

August Ottemann has been advanced to the position of cashier of the First State Bank of Athol, Kansas.

George M. Alexander has been elected vice-president of the Copeland, Kansas, Bank to succeed W. W. Ward.

A new bank has been organized in Hartford, Kansas. It is to be named the Hartford State Bank and will be capitalized at $20,000.

The State Bank of Nickerson has merged with the Nickerson State Bank of Nickerson, Kansas.

W. Laird Dean has been named president of the Merchants National Bank of Topeka, Kansas, to succeed J. Earnest Jones.

Asa R. Payne has been elected president of the McDonald, Kansas, Peoples State Bank, to fill the vacancy caused by the death of J. J. Fleming.

M. E. Holmes has been elected president of the Home National Bank of Eureka, Kansas, to fill the vacancy left by the death of Elwood Marshall.

ARKANSAS NOTES

“Open house” was held last month by the City National Bank of Fort Smith, Arkansas, to celebrate its removal into its new and beautiful home.

The Bank of Osceola, Arkansas, has doubled its capital and placed $25,000 in the reserve fund.

The Perry State Bank was organized last month at Perry, Arkansas, and opened with J. E. Rose in the office of president and Mrs. Flora Rose, cashier.

According to a recent statement of the Peoples National Bank of Stuttgart, Arkansas, this institution has total resources of $918,596.58, capital stock of $50,000 and a surplus of $35,000.

The officers of the New National Bank at Helena, Arkansas, recently elected were: Mayor D. T. Hargraves, president; R. L. Deal, acting vice-president; and C. C. Agee, cashier.

The Farmers and Merchants Bank and the Bank of Rison, of Rison, Arkansas, have completed a merger.

The Eudora Bank, a new institution reorganized from the old Eudora Bank and Trust Company, of Eudora, Arkansas, has been opened. The new bank is capitalized at $25,000. H. F. Scott, well-known business man of Eudora, is president and E. T. Casson is cashier.

The directors of the Peoples Bank of Bono, Arkansas, have declared a dividend of 20½ per cent.

A statement of the Simmons National Bank of Pine Bluff, Arkansas, showed total resources of $7,703,909.62, with capital stock of $200,000, and surplus and undivided profits of nearly $600,000. Jo Nichol is president of this bank and Charles A. Gordon, cashier.

The First National Bank of Paragould, Arkansas, claims total resources of $344,279.43, capital of $50,000 and undivided profits of $4,339 in a recent financial statement.

A statement of the Community Bank and Trust Company of Hot Springs, Arkansas, shows total resources of $1,194,436 and capital of $100,000. Hamp Williams is president of this institution and J. O. Langley, vice-president and cashier.

TENNESSEE NOTES

The Farmers Bank and Trust Company and the Bank of Celina located at Celina, Tennessee, have consolidated. The capital stock of the new bank will be $30,000.

W. R. Boyte was elected president of the Citizens National Bank of Dickson, Tennessee, and W. A. Meadow was promoted from assistant cashier of this bank to cashier. Mr. Boyte succeeds the late W. H. McMurry.

The Bank of Halls and the Peoples Savings Bank and Trust Company of Halls, Tennessee, have consolidated.

J. N. Walling, for many years president of the First National Bank of McMinnville, Tennessee, has been elected chairman of the board. G. M. Smith, former vice-president, was named president.

The Bank of Cottage Grove, Tennessee, paid a dividend of twelve per cent to its stockholders last month.

A recent statement of the condition of the First National Bank of Memphis, Tennessee, shows this institution to have total resources of $24,764,354, capital stock of $1,000,000 and a surplus of like amount.

The Old Hickory branch of the Nashville Trust Company at Old Hickory, Tennessee, is now affiliated with the Greater American Banks.

A recently published consolidated statement of the Union Planters National Bank and Trust Company and the Manhattan Savings Bank and Trust Company shows resources of $40,131,427.

G. S. Funderburk, assistant cashier of the Farmers and Merchants Bank of Nashville, Tennessee, has accepted the position of cashier of the Home Bank of Bruceton, Tennessee.

A recent statement of the First National Bank of Chattanooga, Tennessee, shows resources of $29,579,833, capital of $2,500,000, and surplus of $1,500,000.

The Peoples Bank and the First National Bank of Etawah, Tennessee, have completed a merger creating a bank with deposits of $1,000,000 and total resources in excess of $1,250,000. J. S. Reed is president of the consolidation.

The Hamilton National Bank of Chattanooga, Tennessee, claims total resources of $26,831,287 in a recent statement. This bank is capitalized at $2,000,000.

The Citizens Bank and the Farmers National Bank of Shelbyville, Tennessee, have consolidated.

A recent consolidated statement of the condition of the American Banks at Nashville, Tennessee, shows the total resources of the Nashville Trust Company, The American National Bank, and the American Trust Company, to be over eighty-two million dollars. Total capitalization is $3,800,000, and total surplus amounts to $2,800,000.

Announce Consolidation of Three Investment Houses

Brown Brothers & Co., W. A. Harriman & Co., Inc., and Harriman Brothers & Co. announce that their respective businesses have been combined through the formation of a new firm to be titled Brown Brothers, Harriman & Co. The combination was effected as of January 1, 1931. Brown Brothers, Harriman & Co. will continue without interruption the general financial business of Brown Brothers & Co. and the two Harriman companies, including commercial and travelers' credits, exchange, the issue of securities and other domestic and foreign financial transactions. The present partners of Brown Brothers & Co., other than Mr. Louis Curtis, Sr., who retired on December 31st, after sixty years of continuous association with the firm, will be the partners of the new firm, together with W. A. Harriman, E. Roland Harriman, Knight Woolley and Prescott S. Bush. The partners in Brown Brothers & Co. are: James Brown, Thatcher M. Brown, Moreau Delano, Louis Curtis, John Henry Hammond, Ray Morris, Louis Curtis, Jr., Charles Denston Dickey, Ellery Sedgwick James, Robert Abercrombie Lovett, Ralph T. Crane, Laurence G. Tighe, and P. Blair Lee.

The new offices will be at 59 Wall Street.

The new organization, through one of its constituents, will have an unbroken record of more than one hundred years of business activity.

OKLAHOMA NOTES

¶ **Ernest Martin** and Cliff C. Wade have been elected assistant cashiers of the First National Bank of Duncan, Oklahoma.

¶ **J. K. Pemberton** is now the cashier of the First National Bank of McAlester, Oklahoma.

¶ **The First** National Bank and the American National Bank of Tonkawa, Oklahoma, have been merged under the name of the First National Bank.

¶ **New Holman,** former vice-president of the Exchange National Bank of Tulsa, has been elected chairman of the board of the Liberty National Bank of Oklahoma City, Oklahoma.

¶ **The First** National Bank and the Bank of Commerce of Ralston, Oklahoma, have merged into an institution known as the First-Commerce Bank.

¶ **The Marietta** National Bank has merged with the First National Bank of Marietta, Oklahoma.

¶ **A recent** statement of the American National Bank of Sapulpa, Oklahoma, shows total resources of $1,601,412. Capital and surplus of this bank total $150,000.

¶ **Ben Johnson** has been elected president of the First National Bank of Chickasha, Oklahoma.

¶ **The First** National Bank and Trust Company of Muskogee, Oklahoma, capitalized at $500,000 has total resources of $7,119,761.

¶ **The Corn** State Bank has been moved from Corn, Oklahoma, to Weatherford, Oklahoma, where it has been consolidated with the Liberty National Bank.

¶ **The First** National Bank of Durant, Oklahoma, has moved to the building formerly occupied by the Commercial National Bank.

¶ **A recently** published statement of the First National Bank and Trust Company of Tulsa, Oklahoma, shows this institution to have total resources of $39,248,900, with capital of $2,500,000.

¶ **Ending a** banking career that extended over a period of more than forty-three years, William Mee resigned as chairman of the finance committee of the First National Bank and Trust Company of Oklahoma City, Oklahoma, recently.

¶ **The Farmers** State Bank and the Garber State Bank of Garber, Oklahoma, have consolidated. The new institution will be called the Farmers State Bank and will be housed in the Farmers State Bank Building.

¶ **The First** National Bank of Pryor Creek, Oklahoma, claims total resources of $591,212, with capital stock and surplus of $75,000, in a recent statement.

INDIANA NOTES

The New Harmony Bank and the First National Bank of New Harmony have consolidated. The new institution is known as the New Harmony National Bank and has a capital stock of $40,000. E. E. Elliott is president.

Work has been started on redecorating the American Bank, Vincennes, Indiana, damaged by a Christmas-tree fire during the holidays.

The First National Bank of Butler and the Knisely Brothers & Co. Bank have consolidated.

The North Vernon National Bank of North Vernon, Indiana, has taken over the business of the First National Bank of Vernon.

The Citizens Bank and Trust Company of Elwood, Indiana, formed through the consolidation of the Elwood Trust Company and the Citizens State Bank, has opened for business. Deposits of this bank exceed $1,250,000.

A new burglar alarm has been installed in the First National Bank of Marion, Indiana.

The Indiana National Bank of Indianapolis, Indiana, has purchased the Continental National Bank, an institution with total resources of $5,068,000. Frank D. Stalnaker, president of the Indiana National Bank, made the announcement.

Mooresville, Indiana, is without a bank. A consolidation formed several months ago failed to open its doors recently.

The eight banks of Huntington County, Indiana, were recently named depositories for county funds and bonds.

Orville L. Ayres has taken the position of assistant secretary and treasurer of the Lagrange, Indiana, County Trust Company. Mr. Ayres had been assistant cashier of the Lagrange State Bank for several years. He is succeeded there by H. Ort Sigler.

R. F. Garrettson was recently elected president of the Merchants' National Bank of Michigan City, Indiana, to succeed Alexander A. Boyd, who retired.

The State Bank of Goshen, Indiana, has changed its directing officers. Daniel M. Spohn succeeds Charles A. Estes as president, Frank E. Yoder succeeds George A. Riley as vice-president, and O. P. Martin succeeds Frank E. Yoder as cashier.

The New Farmers and Merchants Bank of Winchester, Indiana, has elected Ed Monks, president, John D. Miller, vice-president, and Ira Smithson, cashier.

The Union Trust Company of Greensburg, Indiana, has increased its surplus from $75,000 to $100,000.

A new protective system has been installed in the Indiana Harbor National Bank, by the Yale and Towne Company. The system is extremely elaborate.

Henry Langsenkamp was elected president of the Fountain Square State Bank of Indianapolis, Indiana, in the recent election, to succeed William Nackenhorst, deceased.

A recent statement of the American National Bank of Rushville, Indiana, shows total resources of this bank to be $1,231,481, capital stock, $100,000 and surplus funds $75,000. Robert A. Innis is president, Glen E. Foster, vice-president and Donald Ruhlman, cashier.

KENTUCKY NOTES

A new bank recently started at Booneville, Kentucky, under the name of the Farmers State Bank is capitalized at $15,000.

A. G. Mainous, building and loan clerk in the State Banking Department of Kentucky, has been promoted to State Bank Examiner.

The Kentucky Bank and Trust Company of Madisonville, Kentucky, took over the affairs of the Citizens Bank and Trust Company last month.

J. G. Hikes, seventy-six, cashier of the Bank of Buechel, Louisville, Kentucky, where he had served for twenty-three years, died recently. He had been ill since early in September.

Last month this column announced the death of Mrs. Embry L. Swearingen, wife of the chairman of the board of the First National Bank at Madisonville, Kentucky. This, of course, should have been Louisville and we wish to make apologies.

Dr. B. S. Broaddus was elected president of the Union Bank of Irvine, Kentucky, at the annual meeting of the board of directors last month. This bank has total resources of $1,200,000.

The handsome addition to the Farmers National Bank of Somerset, Kentucky, is nearing completion.

George Gutig, seventy-six year old president of the Security Bank of Louisville, Kentucky, died last month the day after he had been reelected.

Plans have been made for the organization of a new national bank at Paducah, Kentucky.

A recent statement of the State National Bank of Maysville, Kentucky, showed this bank to be in fine condition with total resources of over $2,664,000. Capital stock of this institution is $150,000 and surplus an equal amount.

Albert M. Larkin, cashier of the American National Bank of Newport, Kentucky, died recently. He had been unconscious several days before the end.

The Kentucky National Bank and the Farmers and Merchants Bank of Catlettsburg, Kentucky, have merged and will henceforth be known as the Kentucky-Farmers Bank, a state institution. The national charter is being surrendered.

Roy G. Williams, vice-president and cashier of the Harris-Seller Banking Company, has been elected president to fill the vacancy caused by the death of the late John H. Berryman. C. A. Howard was elected vice-president and John T. Graves, who had been assistant cashier, cashier.

The Citizens National Bank of Somerset, Kentucky, paid its first dividend last month of 3 per cent.

L. G. Davidson, cashier of the Cynthiana, Kentucky, National Bank died recently after a serious illness.

W. D. Ward, president of the First National Bank of Clinton, Kentucky, recently resigned.

Resources of almost $2,000,000 were revealed when the annual statement of the Security Savings Bank, Covington, Kentucky, was made public last month. Edward Zeisz was named president of the bank for his twenty-second consecutive term.

The Second National Bank of Ashland, Kentucky, recently installed a night deposit safe.

Illinois Bank News

W. R. McGAUGHEY
President

OFFICERS ILLINOIS BANKERS ASSOCIATION: W. R. McGaughey, vice-president, Citizens National Bank, Decatur, president; Paul S. Abt, vice-president, Southern Illinois National Bank, East St. Louis, vice-president; M. A. Graettinger, 33 North La Salle Street, Chicago, executive vice-president; J. A. Tubbs, president, National Bank of Monmouth, treasurer; O. S. Jennings, 33 North La Salle Street, Chicago, secretary.

GROUP CHAIRMEN: 1. S. R. Amlong, Aledo State Bank, Aledo; 2. F. W. Longan, American National Bank, Lincoln; 3. R. F. McCormick, DeKalb Trust and Savings Bank, DeKalb; 4. Roy F. Wright, Lake County National Bank, Libertyville; 5. S. J. Marshall, Peru State Bank, Peru; 6. J. D. Morse, Morse State Bank, Gifford; 7. J. E. McCann, Farmers State Bank, Buffalo; 8. R. R. Wallace, First National Bank, Hamilton; 9. A. E. Eidman, St. Clair National Bank, Belleville.

GROUP SECRETARIES: 1. C. R. Johnson, Farmers State Bank, Sherrard; 2. John B. Fleming, Bank of Peoria, Peoria; 3. G. M. Poley, Stillman Valley Bank, Stillman Valley; 4. A. G. Jacobek, Peoples Trust and Savings Bank, Elmhurst; 5. Gordon V. Day, State Bank of Lane, Lane; 6. Wade A. Holton, First National Bank, Sidell; 7. H. G. Bengel, Illinois National Bank, Springfield; 8. S. G. Smith, Neat, Condit & Grout, Bankers, Winchester; 9. W. C. Webster, First National Bank, Olney.

M. A. GRAETTINGER
Executive Vice-Pres.

The enlarged quarters of the Lake View Trust and Savings Bank were opened last month.

Walter Appel, cashier of the Summerfield, Illinois, State Bank for the past five years has accepted a position in the Farmers and Merchants Bank at Trenton. Miss Eleanor Camp, of Summerfield, has taken over the duties at the Summerfield Bank.

The Jefferson Park National Bank has acquired the Jefferson Trust and Savings Bank. These banks are located at Jefferson Park, Illinois.

The Ina State Bank, located at Ina, Illinois, has been reopened.

F. A. Gerding is the new president of the First National Bank of Ottawa, Illinois.

The First National Bank and Trust Company of Paris, Illinois, was recently purchased by the Edgar County National Bank of Paris and the Citizens National Bank of Paris.

John W. Ray was recently elected president of the First National Bank of Anna, Illinois. Mr. Ray succeeds L. B. Tuthill, the postmaster of Anna.

P. L. McPheeters, cashier of the Wheaton, Illinois, Trust and Savings Bank since its organization, was made a vice-president of the bank at the recent meeting of the board of directors.

The First National Bank of Savanah, Illinois, has recently installed an electric vault ventilator.

The Drovers State Bank of Vienna, Illinois, is now under the direction of G. H. Bridges, and Joseph R. Woelfle is cashier.

Murray B. Karman was elected president of the Amalgamated Trust and Savings Bank, Chicago's only labor bank, to fill a vacancy which has existed for nearly two years.

Wayne Hummer has resigned from the presidency of the La Salle National Bank of La Salle, Illinois, and has purchased a seat on the Chicago Stock Exchange.

R. H. Bradley has been elected president of the Citizens National Bank of Chicago Heights, Illinois, to succeed Cecil A. Evans. Mr. Bradley had previously been a western representative of the Chatham-Phenix National Bank of New York City. Nathan Seifer was elected vice-president and Arthur J. West, formerly cashier, was elevated to a vice-presidency and Irving T. Webb, formerly assistant cashier, takes Mr. West's place.

C. A. Morrow was recently elected credit officer of the Farmers National Bank of Aledo, Illinois.

John H. Bain, cashier, and William A. Canavan, assistant cashier, of the Chicago Lawn State Bank of Chicago, Illinois, were promoted at the recent annual election. Mr. Bain was elected vice-president and Mr. Canavan was elected cashier.

The First State Bank of Princeton, Illinois, is to have a vault ventilator.

The Citizens First National Bank, the outgrowth of a consolidation of the Citizens National, the First National, and the Farmers National Bank of Princeton, Illinois, concluded its first year of business under the new organization with resources of $2,768,976. C. D. Tedrow was re-elected president of the combined banks.

Total resources of the First Trust and Savings Bank of Albany, Illinois, at the close of business in 1930 were $392,745. H. R. Senior is president of the institution and M. S. Rosenkrans, cashier.

The First State Bank of Cuba, Illinois, and the Cuba State Bank have merged into an institution to be known as the State Bank of Cuba. Each of the consolidated banks was capitalized at $50,000. The president of the new institution is K. Layne.

Henry Dilg, of Morton Grove, was chosen president of the Morton Grove Trust and Savings Bank, Morton Grove, Illinois, at the annual meeting last month.

Paul C. Mellander, of Chicago, was elected president of the Stewart State Bank of St. Charles, Illinois, at the recent election. Mr. Mellander was also elected president of the newly consolidated Builders and Merchants Bank and Trust Company of Chicago, a five and a half million dollar bank.

J. H. Wallace, sixty-five, president of the Commercial State Bank of Windsor, Illinois, died last month.

Plans have been made for the consolidation of the Durand State Bank with the Citizens State Bank of Durand, Illinois.

G. B. Marvel has been elected president of the Clinton, Illinois, State Bank.

Herbert Cooney, cashier of the Woodstock, Illinois, State Bank has been elected president and Guy E.

Still has been elected cashier to fill his place.

◖ **Officials of** the Bell and Zoller Coal Company have purchased controlling interest in the First National Bank of Ziegler, Illinois.

◖ **Guy P. Lewis,** cashier of the Milliken National Bank of Decatur, Illinois, collapsed at his desk on January 13th and died almost instantly of a heart attack.

◖ **Louis B. Wilson** was elected cashier and secretary of the Central Trust and Savings Bank of Rock Island, Illinois, to succeed Lowry M. Casteel, who resigned.

◖ **H. R. Gregory** has been elected to the presidency of the National Bank of Decatur, Illinois, to succeed J. A. Merriweather, who is retiring.

◖ **Arnold J. Wilson** has been named president of the LaSalle National Bank and Trust Company to take the place of Wayne Hummer.

◖ **Preparatory work** to the actual construction of the magnificent new home for the State Bank of Palatine at Palatine, Illinois, has been started.

◖ **The Union** State Bank of South Chicago has announced the payment of the regular quarterly dividend of two per cent and two per cent extra.

◖ **The Mason** County Bank has taken over the business of the Havana State Bank of Havana, Illinois.

◖ **The Gary - Wheaton** Bank of Wheaton, Illinois, declared a regular dividend of four per cent plus an additional dividend of three per cent.

◖ **The Standard** National Bank, Chicago, Illinois, has moved into its new $200,000 home. Hartley C. Laycock is president of the institution.

◖ **The consolidation** of the Calumet City State Bank and the First Trust and Savings Bank of Calumet City, Illinois, is complete.

◖ **Ben E. Davis** has been chosen as the new cashier of the First State Bank of Princeville, Illinois. He succeeds Mr. M. E. Tarpy, who is going to take over a reorganized bank at Fairbury, Illinois.

◖ **A recent** statement of the Drovers National Bank of Chicago, Illinois, shows this institution to have total resources of $18,477,853, capital stock of $1,000,000 and surplus and profits of $864,167.

◖ **The Evanston,** Illinois, Trust and Savings Bank will have an outdoor clock installed in March.

◖ **The First** National Bank and the City National Bank of Murphysboro, Illinois, have absorbed the Citizens State and Savings Bank.

◖ **The First** National Bank of Lake Forest, Illinois, has doubled its capital stock. Capital stock of this institution now is $200,000.

◖ **The Fondulac** State Bank of East Peoria, Illinois, has moved to its new home. The new bank building is modern throughout.

◖ **The First** Sterling National Bank, which represents the combined First National, Sterling National, and First Trust and Savings Banks of Sterling, Illinois, has moved into its new and beautiful home. The building, which is modern in design, is a triumph of architecture and is thoroughly equipped with modern banking devices.

◖ **Richard Murray,** banker of Prairie du Rocher, was injured in an automobile crash.

◖ **The First** National Bank of Wayne City, Illinois, has taken over the business of the State Bank of Keenes, Illinois.

Fidelity Bond and Mortgage Elects New Officer

The Fidelity Bond and Mortgage Co., Chemical Building, St. Louis, has announced the election of Joseph O. Yeager as assistant vice-president.

Mr. Yeager has been associated for eleven years with the Remington-

JOSEPH O. YEAGER

Rand Corporation and affiliated companies. For the past two years he has been regional manager of the St. Louis district with headquarters in St. Louis.

Before he came to St. Louis, Mr. Yeager was in charge of sales for 11 states for the Safe-Cabinet Co., a Remington-Rand subsidiary. He has been active in sales and administrative work for 25 years.

Kurn Elected Director of First National

F. O. Watts, chairman of the board of the First National Bank in St. Louis, announced the election of James M. Kurn, president of the St. Louis-San Francisco Railway Company, to the Bank's directorate on January 13, 1931.

All other directors and officers have been reelected for the ensuing year.

The First National Bank with resources over $187,000,000.00 is the largest bank in St. Louis and has one of the strongest bank directorates in the country. In addition to its large directorate the bank's personnel consists of 59 officers and approximately 700 employes, which does not include the personnel of its affiliated institutions, the First National Company and St. Louis Union Trust Company.

Net earnings of the bank for 1930 including the earnings of its affiliated institution the First National Company, were 10.70 per cent on the total shareholders' funds (capital, surplus and undivided profits). During the year, the First National Bank stockholders were paid a regular dividend of $1,815,000.00 and two extra dividends totaling $302,500.00, making the total dividends paid for the year $2,117,500.00. In addition to this the bank paid a liberal bonus to the bank employes and officers. The bank also had a substantial increase in its deposits and number of patrons.

Guaranty Statement Shows Substantial Increases

The condensed statement of condition of the Guaranty Trust Company of New York as of December 31, 1930, shows total resources of $2,022,425,111.37, as compared with $1,786,425,140.59 at the time of the last published statement, September 24, 1930. Deposits of $1,341,639,876.03, including outstanding checks, compare with $1,180,585,309.97 on September 24. The company's capital of $90,000,000, surplus fund of $170,000,000, and undivided profits of $37,442,797.24, give a total capital fund of $297,442,797.24.

LEGAL TENDER

Official Publication of the St. Louis Chapter
AMERICAN INSTITUTE of BANKING

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SHERMAN BUTLER, Editor, First National Bank. A. S. BROOKS, President, First National Bank. A. C. RIEDELL. Executive Secretary, 324 Merchants Laclede Bldg.

Notices intended for publication should be in the hands of the Editor the fifteenth of each month. Write on only one side of paper and double space. **Chapter Headquarters, 316-324 Merchants Laclede Bldg. CHestnut 9280.**

LEGAL TENDER is published to promote good fellowship among Chapter members, to record the activities of the Chapter generally, and to maintain the high ideals of the American Institute of Banking along educational lines of endeavor.

Distinguished Visitors

A number of the officials of the American Bankers Association and the Institute had a brief stay in St. Louis on January 14 while on their way to the meeting of the Executive Council of the A. I. B. in Shreveport. In the party were Rome C. Stephenson, president of the American Bankers Association, Ben Aley, president of the American Institute of Banking, Henry J. Mergler, vice-president of the Institute, and H. T. Jameson, Albert S. Puelicher, T. Hunton Leith, and Carl L. Phillips, members of the Executive Council. It is a real privilege to know these men who have in their hands the direction of the affairs of the A. B. A. and the A. I. B. We hope they may be with us again soon.

Nashville Wins

On Saturday night, January 17th, the St. Louis Chapter debating team in their first effort of the current season came out on the short end of a 2-1 decision after supporting the affirmative side of the question, "Resolved: That the United States should recognize Soviet Russia."

Whether the Nashville side of the case had greater inherent strength or whether Messrs. Parker, Wood, Oden and Williams of that city had greater magic in their persuasive powers might well be the subject of another debate. But we've already lost one decision, so, why bring that up.

But one thing is certain. When the smoke cleared away, there remained in the minds of the St. Louis team a belief more firmly established than any angle of the Russian question; namely, that Nashville representatives, who have long since proven their standing as hospitable hosts and graceful losers, also meet that most rigid of all tests, that of being gracious winners.

In all the above respects, our hats are off to Nashville, though we'll try to trim them next time.

But being the resilient lot that we are, the harder we fall the higher we bounce. We're going after Ft. Wayne on February 20th and Kansas City on March 21st and make them pay for our recent defeat.

Accounting II Begins February Sixth

As was announced in the January issue of Legal Tender, Accounting II will commence on Friday, February sixth. The class in Accounting I has just completed a very successful first semester under the direction of Professor S. A. Marsh, of Washington University, and it is to be expected that all of these students will continue in the advanced work. It would seem sensible to continue while the work of the first half year is yet fresh in mind.

If you have had Accounting I in the past or if your bookkeeping experience has been such as to qualify you for advanced work, this is your opportunity to increase your knowledge of a subject that has grown greatly in importance in the last several years. It is no longer possible to make real progress in the banking field without a definite knowledge of accounting practice.

Those who are interested in Accounting II are urged to apply at chapter headquarters for detailed information.

Remember that you have an engagement on Wednesday, April 22. That is the date of the Thirty-first Annual Banquet of the St. Louis Chapter. No true chapter member will want to miss this event.

The National Public Speaking Contest

It is again time to prepare for the National Public Speaking Contest for the Giannini prizes. For the benefit of those who may not be informed as to the rules governing the competition, E. Francis Devos, chairman of the Public Speaking Committee, has supplied the following data:

Any regular member of the Institute may enter the contest.

The winner in each chapter shall be entitled to enter the elimination contest in his district.

The winner of each district contest will compete in the finals in the national convention in Pittsburgh. As the representative of his district, he will receive his railway and Pullman fare to and from the convention city and in addition will receive $100.00 for his personal expenses.

The prizes in the final contest will be four in number and will be paid at the conclusion of the contest. The prizes are divided as follows:

First Prize, $500.00; Second Prize, $300.00; Third Prize, $200.00; Fourth Prize, $100.00.

The winner in each chapter must be determined not later than April 15; and the district eliminations must be held on or before May 15.

The speeches of all contestants must be original and must require not more than eight minutes for delivery. All speeches for the final, as well as for the qualifying contests will be on the subject, "The Banker as a Stabilizer of Business." Any further information will be gladly furnished by the office of the St. Louis Chapter.

The competition will be keen, but it would not be worth while were it otherwise. Here is a chance to win a great honor and a considerable amount of that which it takes to make the mare go. Why not declare yourself in?

LEGAL TENDER

Why?

By BEN ALEY
President, American Institute of Banking

Babyhood with its wide-open, questioning eyes; boyhood with its instant curiosity and inherent impulse to investigate; young manhood and its purposeful ambitions and aspirations, its tendency to experiment which leads to the approaches of a definite career; from that stage to the end of temporal existence—in each of these periods, the desire to know, to unravel the mysteries of each day as it unfolds before questioning, curious, ambitious, aspiring eyes, dominates every other human attribute, just so long as it is accompanied by the desire to work and achieve. This desire to work and achieve may find expression on physical, mental or spiritual planes; the mental and spiritual, of course, evidencing themselves to an increasing degree from the moment the baby becomes the boy and commences to think for himself.

I might almost say that life itself is a huge question mark. We question everything and everybody. We want to know the why. We're not content with an opinion; we want to know what prompted that opinion. We question so much and so often that we frequently find ourselves on dangerous ground. Now I have no fault to find with this tendency except in so far as it concerns itself with the motives of other people. When we arrive at the point where we find it impossible to credit a man with a single worthy motive because he has inaugurated and carried through a program which appears to be inimical to our own best interests, then it is time to call a halt to our questioning. If that man happens to be an associate or a friend, you may be in a better position to interpret the full meaning of his acts, but unless he has demonstrated over and over again that he is utterly and entirely disloyal to the best that is in him and unfaithful to his associates and friends, don't make the mistake of questioning his motives. Motives concern the heart and the spiritual plane and it is not usually possible for the average man to lay them bare. This comment is even more true of the man you don't know except by report or the casual comment of another. But if a man has shown by his deeds, repeated after frequent warning, that he is working against and trying to harm you, then you can do nothing less than absolutely sever your relations with him as soon as possible. In justice to your own infinite possibilities, you should have a full opportunity to grow and develop those qualities and achieve those successes on the physical, mental and spiritual planes to which you were born.

I have never been given to the habit of making resolutions. I have been inclined to leave that to the other fellow and have tried instead to develop my life program in its twofold relationship, first, to the programs of the other fellows, and second, to my own personal program as a single human unit with a God-given purpose to fulfill. I have constantly endeavored to carry out this idea in the light of the question: "Am I fair to the other fellow and am I fair to myself?" It is just as important to be fair as it is to be true. I say this with due regard for that justly famed saying of the Immortal Bard:

"To thine own self be true,
And it must follow, as the night the day,
Thou canst not then be false to any man."

Essentially, the foundation stone of any man-made institution or organization is man himself. Build better men and you get better results with everything you undertake. Interfere with the normal growth possibilities of man and you weaken the entire structure. He has infinite possibilities and often accomplishes what is seemingly impossible of that quality in him. We say that science has annihilated distance through the radio and similar agencies; but it was really man with his spiritual dynamics and his ability to surmount obstacles who has done this seemingly impossible thing. The spiritual will always dominate the scientific. If it is a mistake to question the motives of the other fellow, it is equally wrong to overlook the constructive phases of a program which calls for a continual searchlight on our personal motives to the point where it becomes clear from day to day that our attitude toward the other fellow and ourself is fundamentally sound, and then there's nothing ahead but work of the kind which brings happiness to others as well as to ourself. Work of the constructive type is the product of maturity, but it is always preceded by the questioning, curious, ambitious, aspiring stages of immaturity. We grow only as we work constructively. If your job doesn't offer you the right chance to grow, make yourself too big for your job in an effort to compel recognition of your ability to handle a bigger assignment. If this plan doesn't give you what you ought to have, then you're working for the wrong man. It's good football for one team to develop its interference; it's equally good for its opponent to develop methods of breaking through that interference. If one set-up doesn't work, try another and sooner or later you'll hit the combination which will click for you and success will come.

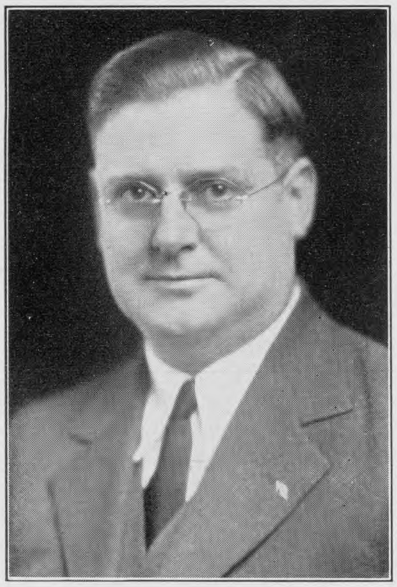
The Institute has never ceased to question its program and build more strongly and wisely on the facts and policies which have come out of those efforts to "get the best and stay at the top." If you haven't found the right combination, let the Institute help you help yourself.

Thirty-first Annual Banquet of the St. Louis Chapter on April 22. It is not too early to talk it over with your friends and to make your plans. It will be a large evening.

Charge for Certificates in Effect This Year

In conformity with the action of the Executive Council of the Institute, a charge of one dollar will be made for all certificates issued to students at the end of this year. This is the practice in schools throughout the country, the purpose being that of meeting only the actual cost incurred in the issuance of these certificates. Further announcements on this subject will be made in the various classes at the proper time.

Our Candidate for Vice-President



FRANK HALL

Who is to be presented as a candidate for the office of national vice-president of the A. I. B. at the coming national convention.

And, Oh! the Women

The ladies of the St. Louis Chapter of the American Institute of Banking are *thinking* again, and silently formulating plans for another big party. The kind, the time, and the place will be announced early in 1931. Miss Katherine Becht, chairman of the Women's Committee, will exhaust her rich store of unique ideas, if necessary, while calling upon every member of her resourceful committee to assist in making the next get-together of bankerettes every bit as enjoyable as the Bridge-Bunco Luncheon which was held November 15, 1930, at the Missouri Athletic Association.

Right here is a reminder that an overflow crowd attended that party; that a generous quantity of food appeased the delicate or ravenous appetites, alike; and that fully one-half of the guests carried away prizes. And oh! the prizes! A beauty make-up box that drew ah-h's of adoration from every feminine heart. And, that wasn't all! There were attendance prizes—two of them—gift certificates of $2.50 each, which the Lafayette South Side Bank and Trust Company supplied. Many, many thanks, Lafayette, for your friendliness toward the Institute.

Prize, or no prize, all went away from that gathering happy. That "a good time was had by all" is proven by the numerous requests for a "repeater" and when the next "bank note" sounds it will be exactly time for all of the eligible bankerettes to make their reservations and get ready for that Women's *Party of Parties.*

Investors Syndicate Makes Large Gains in 1930

Resources of Investors Syndicate, Minneapolis, increased $6,603,777.08 in the year ended December 31, 1930, and total at the end of the year was $38,810,115.81, according to the certified statement of S. H. & Lee J. Wolfe, consulting actuaries of New York City. The increase in resources was practically 17 per cent over the total at the end of 1929. Capital, surplus and reserve increased approximately 29 per cent.

At the same time, the treasurer's report showed that during 1930 a total of $3,256,825.47 was paid out to holders of maturing installment investment certificates in the United States and Canada. This was the largest amount ever paid by the company in a 12 months' period on matured certificates.

"The showing of our company in the last year, which was a severe test for business of all kinds due to business depression and unescapable effects on employment and earning conditions, together with one of the severest breaks in securities on record, was highly satisfactory," J. R. Ridgway, president, said, commenting on the report for the year.

Resources of Investors Syndicate totaling $38,810,115.81 at the end of 1930 compared with $32,206,338.73 at the end of 1929. Capital and surplus account as of Dec. 31, 1930, totaled $1,394,885.12, compared with $1,251,799.99 on the same date of 1929.

First mortgage loans of the company, placed on city residential property in 25 or more leading cities of the United States and Canada, and constituting the great bulk of the assets of Investors Syndicate, were increased $4,346,528.30 during the year just ended. The total was $31,420,446.34, against $27,073,918.04 at the end of 1929.

Bonds and securities legal for life insurance investment in New York state were increased $1,189,509.90 during the year and totaled $2,437,503.50. With $457,139.57 in cash, the liquid position of the company was improved by $1,163,415.68. Total of cash, bonds and securities as of Dec. 31, 1930, was $2,894,643.07 compared to $1,731,227.39 as of December, 1929.

ALABAMA NOTES

The Marengo County Bank and the First National Bank of Linden, Alabama, have merged into an institution which operates under the name of the First National Bank of Linden. The active officers of the merged bank will be the same as those of the First National Bank, except that R. G. Rhodes, cashier of the Marengo County Bank, will be added to the officers of the merged institution. Capital stock will be raised from $25,000 to $40,000.

Dent Green, State Bank Commissioner of Alabama, said that if the people will stand behind their banks "during the current financial depression and stop heavy withdrawals, not a bank in the state will be forced to close its doors the coming year."

MISSISSIPPI NOTES

The Bank of Okolona at Okolona, Mississippi, was opened recently. This new bank is capitalized at $15,000 with $5,000 surplus. R. C. Stovall is chairman of the board of directors of the bank.

Reopening of the Planters National Bank and the Planters Trust and Savings Bank of Clarksville, Mississippi, depends to a large extent upon the action of bonding companies which hold $250,000 in surety bonds on funds of the county, city and levee districts.

LOUISIANA NOTES

The Hibernia Bank and Trust Company of New Orleans, Louisiana, in its sixtieth annual statement as of December 31, 1930, exhibited deposits of $55,955,000, as compared to $51,536,000, last year. Capital, surplus and undivided profits are $6,191,000, which is a substantial gain over the figures for 1929.

The newly organized Continental Trust and Savings Bank has purchased the assets and assumed liabilities of the Continental Bank and Trust Company of Shreveport, Louisiana.

J. T. White has been elected to the office of assistant cashier of the Commercial American Bank and Trust Company of Shreveport, Louisiana.

Third National Continues Remarkable Growth

The December 31, 1930, statement of condition of the Third National Bank of Nashville, Tennessee, shows resources of nearly $1,000,000 more than the statement for June 30, 1930, with resources now amounting to more than $6,965,000. Deposits of the bank are now over $6,038,000. Capital is $600,000, and surplus and profits are more than $256,000.

In July, 1927, the Third National had deposits of approximately $1,000,000. A year later, deposits had grown to more than $3,600,000. In 1929 deposits had passed the $5,000,000 mark, and now they have passed the $6,000,000 mark.

Officers of the bank include: C. A. Craig, chairman; Watkins Crockett, president; N. A. Crockett and F. M. Farris, vice-presidents; W. J. Diehl, cashier; and D. W. Johnston, assistant cashier.

INDEX TO ADVERTISERS

Three Officers Retired by Mercantile-Commerce

THREE officers of the Mercantile-Commerce Bank and Trust Company of St. Louis were retired on January 12 in accordance with an insurance plan adopted by the bank one year ago, which provides for a definite retirement income at the age of 65 based upon years of service and salary.

Those retired are: William B. Cowen, a vice-president, with more than 52 years of service to his credit; Warren M. Chandler, a vice-president, who had seen nearly 50 years of service; and Mrs. L. D. Sultzer, manager of the savings department, who had served nearly 30 years. Mrs. Sultzer lacked several years of reaching the age qualification for retirement but the bank granted her request for an earlier withdrawal.

Mr. Cowen, familiarly known as "Chick," although placed on the retirement list, having been a director for a number of years will continue as such and will attend board and committee meetings in an advisory capacity. It was 52 years ago last October that Mr. Cowen entered the service of what was then the Bank of Commerce at the northwest corner of Fourth and Olive Streets, St. Louis. Starting as a helper at the age of 17 in the passbook department, he passed through various stages of clerkships and was made an assistant cashier in 1898. Ten years later he advanced to vice-president and director. All of his years of service have been with one institution, first with the Bank of Commerce, and then when it became The National Bank of Commerce, finally when it merged on May 20, 1929, with the Mercantile Trust Company to form the Mercantile-Commerce Bank and Trust Company.

Mr. Chandler became a messenger boy for the Bank of Commerce in 1881 and, like Mr. Cowen, remained in service of the same institution. He and Mr. Cowen have been lifelong friends and companions. By successive degrees Mr. Chandler rose to assistant discount clerk, collection clerk, paying teller, receiving teller and finally to a vice-presidency in January, 1919.

Mrs. Sultzer began her career as secretary to the late Festus J. Wade, president of the Mercantile Trust Company, on March 11, 1901. In December, 1915, she was transferred to the Savings Department and became its manager. One of the first women in the country to be made an officer in a bank, she remained during her career one of the outstanding women in her profession. She had long planned to travel here and abroad and it is to carry out these plans that she requested an early retirement from business.

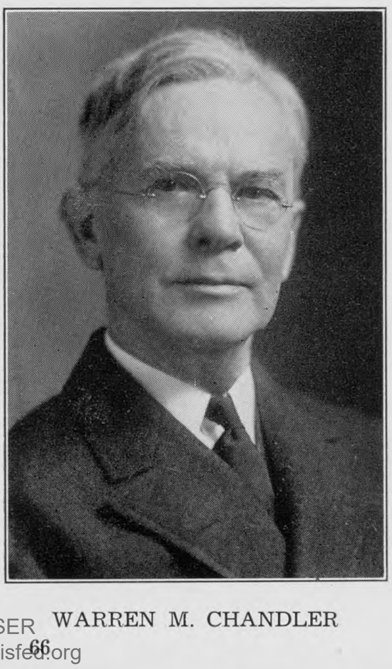
Amortization Is Increasing Security on Loans

Amortization of Federal Land Bank loans in Colorado, Kansas, New Mexico and Oklahoma has reduced the amount due on such loans more rapidly than land values have decreased, according to John Fields, president of the Federal Land Bank of Wichita. Borrowers have paid on the principal of their loans approximately $11,000,000, reducing the amount of unpaid principal to $89,100,317.

The U. S. Department of Agriculture figures, indicating land values by years, show the average decrease in land values in these states, since the loans now in force were made, is about 7½ per cent. The amount of security in proportion to the unpaid balance of loans is actually greater now than when the loans were made, despite the decline in land values.

The recent statement of condition of the First National Bank of Boston shows total resources of more than $750,000,000, with deposits of more than $581,000,000.

The finest endowment policy ever bestowed upon a man is the ability to work and the enjoyment of work. —Brownell.



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