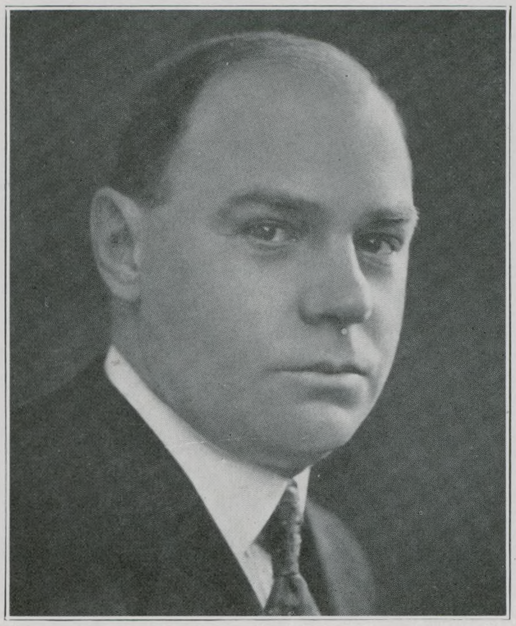
Northwestern BANKER

DES MOINES

March, 1931

The Head of the Stock Yards National, Chicago

(See Page 10)



CHARLES N. STANTON
President, Stock Yards National Bank and Stock Yards Trust & Savings Bank, Chicago

ANNUAL INVESTMENT EDITION

(PAGES 23 TO 71)

Northwestern Banker

Des Moines

The Oldest Financial Journal West of the Mississippi

Number 524 | MARCH, 1931 | 36th Year

Just Between Us

"THE IDES OF MARCH"

Comes the springtime—and what a time it is in the life of the country banker. Farmers and country folk move, March first, things are astir, and Mother Earth begins to awaken from her winter sleep which means a new crop soon.

Speaking of moving, Mr. Macy, perpetual humorist, and country banker, lkewise has experienced that Ides of March feeling. He tells about it on page 16 of this issue. Entitled, "Well-Well-Well-It's Moving Time," it brings you a smile for the month. Be sure to read it.

OUR SPECIAL ISSUE

This issue for March is the annual Investment Edition of the NORTHWESTERN BANKER. Beginning many years ago we began publication of such a number annually, believing that the importance of proper bank investments in every banking institution warranted it.

We feel we were not mistaken. On the contrary, the importance of not only bank investments, but the need of the public for more and better investment advice, has made it necessary for the banker to know more and more about investments of all kinds.

We believe the reader will find this issue fully up to the standards of previous investment editions. Only writers and financial authorities of outstanding ability have been asked to contribute to this number. We recommend every article to the reader knowing he will find them informative, and educational.

In This Issue

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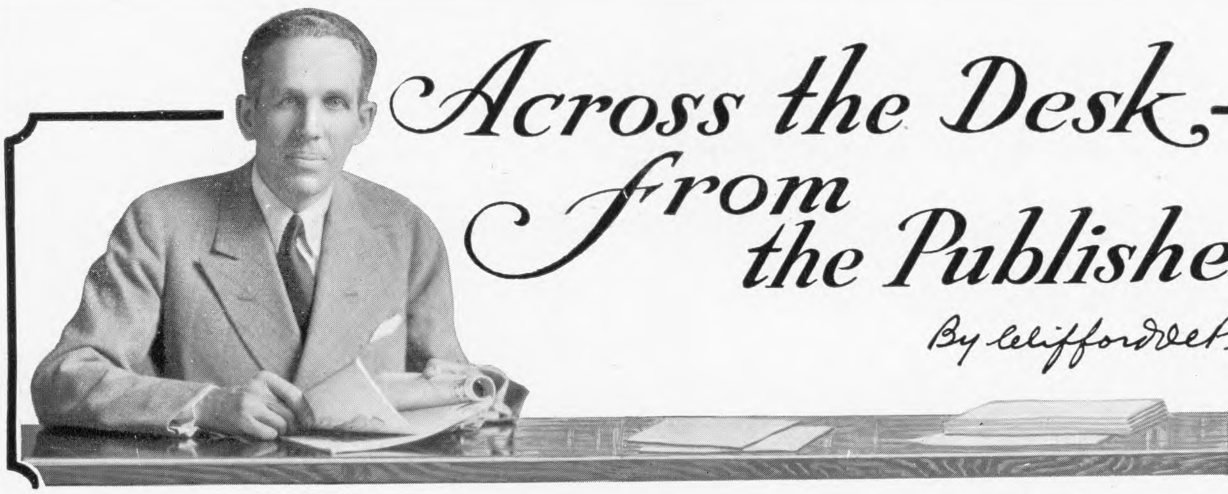

Across the Desk from the Publisher

By Clifford DePuy

The Investment Trust Idea

The Investment Trust idea is growing in America.

It had its original inception in England and Scotland and Investment Trusts in those countries are of long standing and have a most excellent record behind them.

In this issue of the NORTHWESTERN BANKER is a survey of the attitude of middle-western bankers on this important subject.

It is interesting to observe that 84 per cent of those replying to our questionnaire expressed the opinion that the Investment Trust idea is sound and in the opinion of 72 per cent, there was an increasing public interest in Investment Trust securities.

The problem which now confronts bankers is to analyze carefully the various investment trust companies; their management and their method of operation.

An important item to watch is the item of "loading" which covers the expense of management of Investment Trusts.

Obviously there will be some trusts started whose management will not be sound and as a result they will fall by the wayside.

However, the Investment Trust whose board of directors and officers are composed of men of high standing and whose articles of incorporation are such that the investor is protected in every way possible, should make an enviable record of profits for their stockholders.

The big fundamental idea back of Investment Trusts is that they represent diversification in the leading industries of America.

The individual Investment Trust unit which may sell for anywhere from $6 to $15 per share, represents a composite of certain leading industries in the country and this is the great value of Investment Trusts from the investment angle.

That Investment Trusts are here to stay goes without saying. That they are now growing in public favor our survey also indicates, but whether they continue in this favorable position in the minds of the public and in the minds of the bankers, will depend entirely upon the success which trusts have during the next year or so under present business and financial conditions.

Growth of the Trust Business

The twelfth annual mid-winter conference of the Trust Company Division of the American Bankers Association was held last month in New York.

The figures presented at that gathering indicate that the trust business is growing very rapidly in the United States.

A recent survey shows that during 1930 over 560 institutions reported that they had been appointed trustee under living trust agreement in 9,092 cases, whereas the year before they had been appointed in 6,295 cases and that the aggregate value of properties received in 1930 was $1,013,769,436, compared with $603,926,218 in 1929, this being an increase of 44 per cent in the number of appointments and an increase of 67 per cent in the value of properties in new living trusts.

This would be an indication that men and women who have become discouraged with their own investment problems, are more and more turning to trust companies to relieve them of their investment problems.

If this is true, as the figures would indicate, it is more vitally necessary than ever that managers of trust departments and officers who are responsible for handling these funds, must constantly increase their knowledge of investments and of markets in order to successfully handle the vast sums which are being entrusted to them.

Also of the $108,000,000,000 in life insurance now outstanding, more than $4,000,000,000 is payable to trust companies and banks as trustees to be administered in accordance with the terms of life insurance trust agreements.

With greater and greater responsibilities being added to the trust departments of institutions, the burden of satisfactorily handling these vast sums will constantly increase with the years and we are confident that the financial institutions of America will assume this responsibility willingly and satisfactorily.

Cooperating With Correspondents

In testifying before the subcommittee of the Senate Banking and Currency Committee, Melvin A. Traylor, president of the First National Bank of Chicago, said that he was opposed to any plan to force banks into the Federal Reserve System because he believed that there were many problems which the small unit bank has to study which could not be coordinated with the requirements set up for the Federal Reserve members.

Certainly if any one thing has proved itself in American banking it is the fact that the larger banks which have a number of correspondent banks throughout the country, have given them valuable service, valuable suggestions and valuable cooperation in the past, and there is no reason why this same high degree of service will not be continued in the future.

Mr. Traylor also believes that no bank owned outside a particular state should operate branches in it.

Independent Banking Should Be Encouraged

John E. Sullivan, State Banking Commissioner of New Hampshire, opposes branch and chain banks and believes that "The control of a great chain of banks is too large a responsibility to be shouldered by one man or one clique. It presumes intellectual infallibility and moral perfection. I believe that independent banks; banks privately owned; banks closely in touch with the needs and resources of their own communities are the banks which should be encouraged. Their president and their trustees become men of shrewd and penetrating judgment. One man here or one man there may think wrong, but the majority think right. That makes for the public good."

The commissioner believes that diversification of brains is just as advantageous in the banking business as diversification of investments.

Nothing certainly could be more hazardous to the future of the United States than to have a few men or a group of men control the banking resources of the nation.

Women in Banking and Business

Mrs. Lorraine L. Ferrer, president of the Association of Chicago Bank Women, has presented figures which indicate that about 7,000 women are filling positions as executives and managers in banks throughout the country.

The three qualifications which make women successful in banking, according to Mrs. Ferrer, are: first, they must like people; second, they must think mathematically; and third, they must be able to subordinate themselves to their organizations.

That women have been a real success in banks is the testimony of hundreds of banking officials throughout the country who rely extensively upon their women associates in managing the affairs of their institutions.

It is also interesting to observe that women own as high as 50 per cent or more of the stock of our great corporations and that 40 per cent of the investment house customers are women.

The Organized Minority

If you think the organized minority in political life doesn't yield tremendous power, just consider the recent Bonus Loan bill which was passed over the President's veto simply because an organized minority did its effective work with senators and congressmen.

In spite of the fact that the United States Treasury was in no position to assume this obligation and in addition to that the United States was just beginning to emerge from a very severe business depression, congressmen who were more interested in votes than they are in economics, passed this unnecessary piece of legislation.

Dividends From State Police

We have advocated in these columns before the advantage of a well organized state police. Recent figures, comparing eastern and western states, show that there were 20 bank holdups in seven eastern states with state-wide police protection, as compared with 164 similar attacks upon banks in five central and far western states where they do not have the advantage of speedy coordinated action of state-wide police. Certainly these figures indicate that state police represent a valuable asset to the community and if well trained and organized, should produce an operating profit for the state in which they are located.

"MADAM LE BRUN AND DAUGHTER"

One of the most noted of modern portrait studies is that of Madam Le Brun and her daughter done by Madam Le Brun herself. It now hangs in the Louvre Gallery, Paris, where it is universally admired by thousands who view it every year.

"We have given Latin America a political Monroe doctrine—Is not the present most opportune to give our southern neighbors an economic Monroe doctrine?"

Evolution of U. S. Investments in LATIN AMERICA

By MAX WINKLER
Vice President, Bertron, Griscom & Co., Inc.

WRITING for a leading New York daily, a Latin American statesman and economist informs his readers that, in the course of the past hundred years, there have been in Latin America no less than 437 revolutions. This is at the rate of almost 4½ revolutions a year, and is equivalent to about 22 revolutions for each of the 20 Latin American republics. To be sure, not every one deserves to be termed a revolution, because the majority of these so-called rebellions would, if they occurred in the United States, be recorded as elections.

It has been maintained that much encouragement was afforded to disgruntled sections in Central and South America when Washington, as well as leading European powers, extended speedy recognition to the revolutionary governments established in Argentina, Bolivia and Peru. The encouragement was greatly increased when it was learned that, no sooner had Uriburu displaced Irigoyen as the ruler of Argentina, American bankers advanced a $50,000,000 loan to the Argentine Republic. Whether or not Rio Grande do Sul would have postponed its long-planned rebellion against the federal government of Brazil, had it not been for the policy pursued by our government, is open to argument.

Since time immemorial, there have been those who inclined towards blaming the government for whatever difficulties beset the nation. They expect, for example, the party in power to provide employment for everyone, to create profitable orders to industry, to regulate the inexorable economic laws of supply and demand, and to bring about advances in the price of commodities and stocks. Failing to do these things, the government is accused of inertia and negligence, and while we, in the United States, attempt to change conditions by the ballot, our southern neighbors seek to accomplish it by the bullet.

Much at Stake

BRAZIL was the latest addition to the revolutionary or rebellious Latin American countries, having been preceded by Argentina, Bolivia and Peru. Our southern neighbors have not as yet learned to appreciate that it is much easier to let loose the beast than to lasso it. We, on the other hand, are obliged to give serious consideration to future business relations with our neighbors and to the question as to how safe are the enormous funds already invested in Latin America. Doing, under normal conditions, an annual business of about $2,000,000,000, and having at stake, in one form or another, more than $5,500,000,000, it is obvious that every one of our 130,000,000 people is affected by whatever drastic changes our Latin neighbors may decide upon. The United States can no longer view with equanimity economic disturbances in the sister republics south of the Rio Grande.

Less than two decades ago, the overthrow of a government in Argentina; a revolution in Peru or Bolivia; a general strike in Uruguay; a financial crisis in Colombia; civil war in Brazil—would perhaps have given rise to heated discussions in lecture halls or classrooms. A Nordic congressman or senator of the old school would, in all likelihood, have felt called upon to discuss the inferiority of the Latin race. Similarly, to the South Americans, we were still something of a myth as recently as 1906, when Uncle Sam made his dignified and impressive debut at Rio de Janeiro in the person of his distinguished son, Elihu Root, who told South America: "We wish for no victories but those of peace; for no territory except our own; for no sovereignty except the sovereignty over ourselves."

Until 1919, the British pound sterling was the only emblem of credit and currency value for all those nations. Their good relations with London, where a government in need of money could be sure of a square deal, remained steadfast through many financial tribulations, and Paris was the Mecca for all educated men and women.

"The strangest and perhaps, most regrettable thing, is the complete silence on the part of all those American bankers who have underwritten and distributed American bonds. Is it true that a banker's responsibility ceases with the sale of an issue? Would it not be advisable if, from responsible quarters, a reassuring statement were issued occasionally, reminding the investing public that countries, even though they lie south of the Rio Grande do not, as a rule, withhold payment in respect of contractual obligations?"

Three Phases

AN ANALYSIS of the economic evolution of Latin America, and our economic and financial relations with the various Latin American republics, reveals three distinct phases:

1. The preliminary development stage, extending to 1880 and largely political in its aspects. The wars for national independence gave the first occasions for borrowing in foreign markets. Chile and Colombia contracted the first public loans in 1822. The revolutionary governments of Peru and Central America followed. All these loans were underwritten and sold in London, and the terms were rather onerous. The net proceeds were used for munitions and other war materials, and only very small amounts of actual money reached the Latin American countries.

In the forties and fifties of the past century, we witness the beginnings of domestic industry and the investment of private capital from Europe in mines and commercial enterprises. Later, loans were floated largely for the purpose of refunding or adjusting earlier obligations.

The Head of the Stock Yards National, Chicago

(See Cover Photo)

THE Union Stockyards, in Chicago, are an "attraction" for visitors from all parts of the world. Royalty and layman, rich and poor, come from far distant points to see the world's greatest plant of its kind. Immediately, as you enter, you see the imposing structure and replica of the original Independence Hall, which houses the Stock Yards National Bank, largest stockyards bank in the country.

THERE is a human sort of atmosphere felt immediately as you enter this institution. There are no bars or tellers cages. Every officer is "out in front" and at once accessible. The gentleman whose title is president of this bank and its affiliate—The Stock Yards Trust & Savings Bank—is Charles N. Stanton, whose likeness is shown on the cover page of this issue of THE NORTHWESTERN BANKER.

CONSERVATIVE, but friendly to the "Nth" degree, in his dealings with customers and friends of the institution, President Stanton has a wide following and retains a loyalty among his associates which is envied by the heads of many organizations. Born in 1874, his first job after finishing his education, was that of a bank teller at the age of twenty-two years. He started with the old Royal Trust Company and at different times was affiliated with the Cook County State Savings Bank and the West Side Trust & Savings Bank.

HE WENT to the "Yards" in October, 1909, and three months later was elected president of The Stock Yards Trust & Savings Bank. In 1927 he was elected president of the Stock Yards National Bank.

HIS hobby is golf. He has two children, a boy and a girl. He is a member of the South Shore Country Club, Olympia Fields Country Club, Bankers Club of Chicago and the Saddle and Sirloin Club.

Having borrowed on ruinous terms, bonds were destined a priori to go into default. Had lenders accorded more equitable treatment to borrowers, it is more than probable that Latin American defaults would not have occurred with such frequency as they did throughout the second half of the 19th century.

2. The second phase may be regarded as the period of transition, extending from 1880 to the outbreak of the World War in 1914. This period was characterized by industrial development on a larger scale, and by an increasing trade with Europe. It witnessed also the beginning of foreign, mostly European, investments, the accumulation of wealth, and the stabilization of political and financial conditions. Loans to Latin American governments were offered in London and Paris, and, to a less extent, in Berlin. The development of our southern neighbors during this period was almost exclusively under European influence. The participation of the United States was still insignificant.

3. The third stage, commencing in 1914, may be defined as the period of application of scientific and intensive methods to extractive industries. This phase was characterized by the rise of local manufacturing; by a marked advance in both volume and value of foreign trade; the quickening of the domestic interchange of goods; stabilization of currencies; advancing public revenues; and a tendency to increase public debts for purposes of improvement. It was in the course of this period that Latin America was brought into somewhat closer contact with the economic systems of Europe and the United States, especially the United States. No longer a borrowing or pioneer country, but one with surplus wealth and money to lend, the United States became the leading factor in the economic life of her southern neighbors.

The first introduction of the United States dollar on a somewhat large scale was during the war, when American industry made a determined bid for the trade which Germany had built up with South America. Our merchants were inexperienced, and their credit negotiations did little to help the creation of good relations. Therefore, after the war, the tendency was to look to Europe for needful imports.

The "norteamericano" was no longer a myth. He consumed huge quantities of coffee, bananas, manganese, etc., and supplied ingenious farming devices and cheap automobiles which did as good service as the expensive cars from Europe. But he was not popular because his ways differed from all precedents, and he was suspected of contempt for those whom he arrogantly termed "Latin Americans."

A New Era

THEN was born a wonderful new era in which dollars—millions of dollars—tens and hundreds of millions—were offered to the governments and industries of the southern nations by that same incomprehensible "norteamericano" who, not so many years back, would bicker over ninety days' credit on a hundred dollars' worth of merchandise.

Respect and gratitude filled the hearts of Brazilians, Argentinians, Chileans, Peruvians, and the rest, for their manifestation of good will and confidence. For eight years, the golden stream flowed in. Interest rates gradually diminished. Offering prices of bonds grew more favorable for the borrowers. Agriculture and industry in South America boomed. Roads and hydroelectric installations grew apace.

Thousands of young men from those countries came here to learn our language and commercial methods. Our engineers and business experts journeyed south by invitation. Presidents of the United States exchanged visits with the presidents of those republics. Good relations and mutual confidence became firmly established.

Then, suddenly and without warning, a dreadful thing happened. The fountain of credit dried up. The New York foreign bond market, expensively organized through years of educational campaigns,

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Well, Well, Well! "It's Moving Time Again"

By ROSCOE MACY

AS THIS is written, another First of March—moving time on the farm is almost upon us. I can remember when this was a day of hurrying and scurrying; we'd come down to the bank at daybreak, rush all day from here to there and back again, and finally lock the front door about dark, with the whole day's business still to be balanced up after supper.

"Loaded in a late model truck, they can travel as fast as sixty miles an hour and occasionally do."

In those days, the country banker spent a good share of the first of March in making out deeds and mortgages, covering transfers of real estate. More recently, the clerk of court and the county sheriff have been getting all this business away from us—about our only part in the proceedings is the matter of releasing our second mortgage in order to save somebody the expense of foreclosure on the first lien. The sheriff gets twenty cents a mile for driving down and serving the foreclosure notices; we used to cover just as much distance, in repeated trips from the counter to the typewriter and back again, for about the same fee, and we had to do our travelling on foot.

A Lot of Fun

IT USED to be a lot of fun, in the old days, to watch the footings mount on March first. Even in a vest pocket bank like ours, the individual debits on that day would sound like the Chase National, or the Federal Reserve—"000's omitted," you know. This year, we'll probably cash two or three cream checks and sell the barber a package of nickels, and then, about two in the afternoon, we'll yawn a couple of times and put a sign on the door telling any stray customer to phone the house if we're needed for anything before closing time.

Not that the first day of March has lost all its terrors for the country banker. Not a bit of it. The bank that makes loans to farm tenants on chattel mortgage security sometimes finds that around March first, these are the quickest of all its assets. Too darned quick, as a matter of fact. Loaded in a late model truck, they can travel as fast as sixty miles an hour, and occasionally do. Which wouldn't be so bad, except for the fact that they're usually travelling away from the bank, instead of getting closer.

I've often thought that someone with a knack for handling animals could make a fortune training collateral bloodhounds for country banks. Dogs, you know, that could take one sniff at the chattel mortgage in your note case, and then go out and tree all seven of Bill Jones' cows, together with their natural increase, as specified in the mortgage.

We've tried employing a "chattel mortgage detective," to "shadow" live stock on which we hold a lien. This fellow did pretty well, until one day we saw a truck drive through town with Jess Stanley's "1 muley cow, named Betsy," as a passenger. We had a purchase price mortgage on Betsy, but it had been given a long time ago—farther back than Betsy could be expected to remember. Well, we got our chattel detective on her trail, and he did a pretty good job of shadowing. He shadowed Betsy clear to Chicago, and finally wired us, from one of the big packing plants, for instructions; it seems that Betsy was disintegrating too rapidly for him, and he was at a loss to know whether to shadow her liver or her brisket. They were going in opposite directions, and he didn't know which to follow.

Now, that's the proposition that confronts the country banker, these days, when moving time rolls round. How shall we keep tab on our chattel mortgage seworked out to solve this problem, but for some reason, I am more enthusiastic over these schemes than are my associates. Quite a bit more. For example, I can't persuade them to adopt the plan of branding our security when we take a mortgage, the way they do out west. I admit this scheme wouldn't work out so well on a stack of hay—or even a crib of corn. But our directors think it has its objectionable features, even in the case of live stock; they say it's unreasonable to ask any cow to submit to being branded, "Mortgaged to the Merchants-Prudential State Savings Bank and Trust Company." One director estimates it would take no less than three cows, end to end, and that even then some of the "Company" might run over on to the bull. Personally, I can't see any harm in that, but that's the reception my schemes get here at home. They'll be sorry some day, when they see me out branding curity? I have a lot of ingenious schemes mortgaged sheep for the Federal Intermediate Credit Bank.

"Not Complaining"

NOT that I am complaining. I'll soon have my patent Mortgage Jack on the market, leading me to financial independence. You see, it is sometimes the case that our mortgage is so heavy that the poor mortgagor, when he gets ready to move the first of March, finds he is unable to move his property. It is too heavily encumbered. In such cases, my patent mortgage jack, with ratchet attachment, will be sufficiently powerful to lift at least a corner of the mortgage, so the property can be moved.

One of the worries we used to have to face on March first, was the interest payments our customers had to make to real estate mortgage loan companies. This worry has now disappeared; instead of interest, the loan companies are now accepting rent—when the tenants are able to pay it.

Yes, business is quiet—so quiet you can

(Turn to page 19, please)

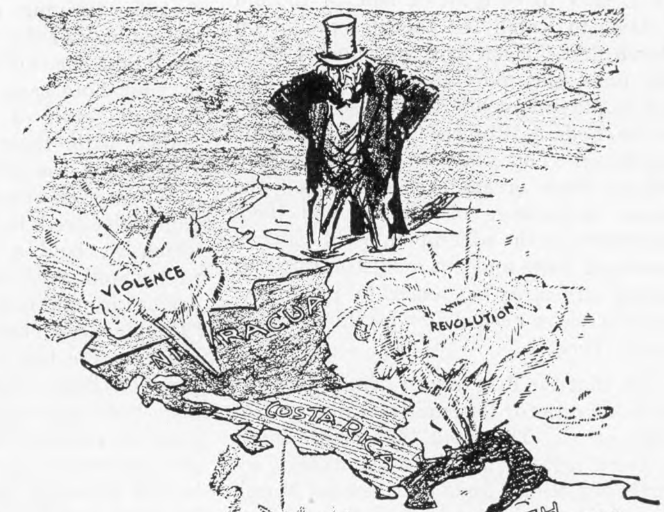
CARTOONS of the MONTH

Copyright, New York Evening Journal, Inc.

The Happy Hunting Ground
—Harding in the New York "Evening Journal."

And What Is This War About?
—Ireland in the Columbus "Dispatch."

Another Wallop
—Byck in the Brooklyn "Times."



His Balkans
—Kirby in the New York "World."

The Bond Outlook for 1931

By H. G. PARKER

Vice President
Standard Statistics Co., Inc.

IT MIGHT just as well be stated frankly at the beginning of this article that to prophesy what the bond market will do in 1931 is a hazardous undertaking. As this is written, during the second week of February, there are several unusually important contingencies whose probable effect on bond prices it is practically impossible to estimate.

On the one hand we have a fundamental situation that is indisputably sound in so far as money market conditions, the amount of funds available for investment and the commodity price situation is concerned. These are three factors which ordinarily have most to do with governing the value of sound fixed interest bearing securities.

Opposed to these influences we have a financial community which does not appear to have fully recovered from a severe case of nerve shock, a Congress which in its expiring days has developed as its main ambition the successful prosecution of raids against the public treasury, and world-wide business depression which, in so far as this country is concerned, is the worst experienced in 60 years.

Constructive Factors

CONSTRUCTIVE factors promise to wield the greater influence. Opposing forces may be considered largely transitory. There is a stronger feeling of hopefulness in financial circles that most of the weak spots in the banking structure have been eliminated.

Considering the fact that 1,134 state banks and 169 national banks, a total of 1,303, with deposits in excess of $900,000,000 were forced to suspend in 1930, which set a new high record for bank mortality, and further considering the severe test that banks generally experienced because of the comparatively high proportion of frozen loans, plus the break in bond values in the last quarter of 1930, it seems reasonable to suppose that mortality among banks this year will be comparatively small.

It is well to emphasize this prospect because, as it now must be generally understood, it was the necessity of banks to increase their liquidity that was mostly responsible for the sharp set-back in corporate bond prices during the closing months of the year. So anxious were banks to switch from long term to short term issues that the bond market at times was practically demoralized.

In connection with the holdings of government loans by member banks, figures on holdings at the close of January make a curious comparison with the same date last year.

From the end of January, 1930, to the end of January, 1931, total security investments of member banks increased from $5,529,000,000 to $6,843,000,000. At the end of January a year ago holdings of government loans represented 45.8 per cent of the total whereas at the close of January, last, the percentage of government loans represented only 41.3 per cent of the total. On the other hand other securities increased their ratio to total investments from 54.2 per cent to 58.7 per cent.

Net Demand Deposits

NET demand deposits of member banks increased $731,000,000 during this period and time deposits $186,000,000, a total increase of $917,000,000. Total net and time deposits at the close of January, 1931, amounted to $20,779,000,000, an increase of $917,000,000 over the same time a year ago. It is found that the ratio of government loans to total deposits decreased from 13.70 per cent to 10.78 per cent and the ratio of other securities increased from 14.30 to 17.80 per cent.

"The pace of recovery in bond prices will then be governed in large part by the size and number of new issues. During the past year issuing houses frequently badly misjudged the absorptive capacity of the market. Because of this, promising rallies were soon checked."

As this is written, there is great promise that whatever bonus legislation is finally enacted by Congress will not be nearly as disturbing to the general bond market as was at first feared; that there will not be an extra session and that we shall be able to go on with a greater feeling of security until next December when the next Congress meets.

It cannot be said that business has yet definitely turned for the better but the worst of the depression has undoubtedly been reached and the foundation for definite improvement is being laid. When we come to the turn of the half year, or to the beginning of the last quarter at the latest, we should see business improvement in progress. This will have a stimulating influence not only on second and third grade bonds which are always affected to a very important extent by earnings, but should favorably affect higher grade issues as well. With the transitory unfavorable influence largely eliminated, the bond market should be able to reflect to a much greater extent the favorable fundamental factors.

In so far as the money market is concerned, conditions could hardly be better. We currently have call money loaning freely in New York at 1½ per cent. There is such a plethora of time money that funds are borrowable for four months at from 1¾ to 2 per cent and for six months at from 2 to 2½ per cent. The rate on all classes of rediscountable paper is now 2 per cent, the lowest figure since the reserve bank was organized. The rate on bankers' acceptances eligible for rediscount at the reserve bank are 1⅜ per cent bid, 1¼ per cent asked for from 30 days to six months. Further indicative of the ease of money is the announcement just made that the treasury department requires only 1 per cent interest on government deposits.

With reference to the commodity price situation, conditions are again conspicuously favorable to the bond market. The index average of approximately 550 commodities, compiled by the United States Bureau of Labor statistics stood at 78.4 at the end of 1930, the lowest figure since January, 1916. At the close of 1929 the index at 94.2.

Taking the matter from another angle it is found that by taking the average for 1926 at 100, the purchasing power of a dollar in December, last, was 127.6. The favorable influence of these factors should not be minimized. Fundamental conditions favorable to an advance in the bond market are stronger than they have been in years. In addition, it is to be doubted whether there has ever been such a large total of idle funds awaiting reasonable assurance that they can safely be placed in the bond market.

Providing no further damaging legislation is enacted at this session of Congress, and there is no extra session, financial confidence will be fortified, business recovery should be speeded and funds again flow into the bond market.

The pace of recovery in bond prices will then be governed in large part by the size and number of new issues. During the past year issuing houses frequently badly misjudged the absorptive capacity of the market.

It is well known that a very large amount of new financing is waiting for more propitious market conditions. It is to be hoped that issuing houses will not again overtax the market's ability to absorb new issues.

FARMS AND FARMING

By C. A. CRAIG
Farm Editor

THE COST of producing an acre of corn remains practically the same whether 10 or 100 bushels be raised.

The cost of producing a bushel of corn varies considerably with the yield. Therefore, the farmers of the middlewestern states are striving to reduce their bushel costs by producing more corn per acre.

One of the outstanding movements along this line is the corn yield contest in Iowa which had 867 entries in 1930. Fred N. Rupp, of Cherokee, won the trophy for showing the highest percentage above average. He crossed Krug corn, originally from Woodford county, Illinois, with an early strain of Reid's Yellow Dent to win first in the open-pollinated class and first over all on a percentage basis.

In each of the 12 districts in Iowa hybrids, produced by crossing two inbred strains, outyielded the open-pollinated varieties.

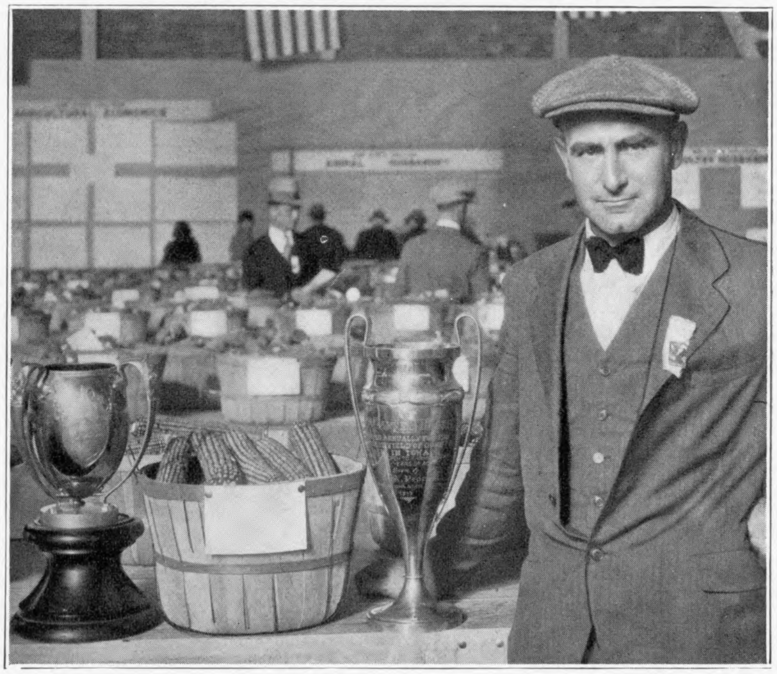
In Nebraska variety tests under direction of the extension department of the University of Nebraska showed that hybrids outyielded open-pollinated strains in some instances but the university people did not consider that the commercial hybrids were practical. Hogue's Yellow Dent proved the most dependable of the varieties tested in Nebraska.

County test plots in Iowa give hybrids the advantage although Krug corn has been a consistently high yielding variety in the southern half of the state.

RURAL ELECTRIFICATION OCCUPIED a prominent place on the program of farm and home week at South Dakota State College. Speakers told of the possibilities of electricity not only for the home but in handling of many farm tasks.

CORN BELT FARMERS have been setting new records in February for starting of spring work. Plowing and disking has been done in many instances while other farmers have been raking cornstalks and getting ready for regular spring work. In some instances tiling has been done preparatory to draining land that ordinarily is too wet to farm.

Most of the farmers have done the work with the idea that more cold weather could be expected before spring actually put in an appearance but with the belief that they would be ahead of the usual routine should the spring prove to be rainy—and most of them are hoping for some good soaking snows or rains before April 1.



Middlewestern farmers are seeking new varieties of corn to produce more bushels per acre. Fred N. Rupp, of Cherokee, Iowa, is shown here with some of the corn he raised and the cups he won in making the highest percentage above the average of all entries in the Iowa state corn yield contest.

THESE ARE TIMES when some farmers throw up their hands and say that farming can't be made to pay while others dig in just a little harder, plan a little more intelligently and work a little bit more diligently.

The annual agricultural outlook report as formulated by the economists of the United States Department of Agriculture and of the various states doesn't hold out much hope for the farmers of the middlewest to ride to prosperity this year on any smooth path.

Commodity prices are at a low level—in some cases below the pre-war level. The outlook for immediate improvement in most instances is none too bright although the economists have held out the hope of probable improvement in general business conditions and consumer demand for farm products the second half of the year and with this trend, if, and when it does come about, should come better prices for farm products.

The note of optimism is strongest for the livestock farmer and grain farming looks none too bright for the year 1931. Hogs and beef cattle look like the farmers best bet for this year with every prospect for some improvement in the now demoralized egg market. The outlook for dairy prices to improve immediately is not good although in the longtime aspects the economists have pronounced the position of the dairy farmer as being fundamentally sound.

Increase in legume acreage has been recommended in almost every section because the growing of clovers helps further a livestock production program, helps build up the soil and helps, too, by producing a crop which is short due to the drought of last year.

In some ways it looks like an off year for the farmer as compared with the two or three years previous and yet the farmers of the middlewest are comparatively well off. In some parts of the south there is actual want and suffering and hunger.

The agriculture of the middlewestern states is certainly on the soundest foundation of any in the nation and the good farmers are going to succeed this year just as they always have done. Intelligent planning, courage and hard work will pull them through even though prices be low and the situation not entirely to their liking.

Take the case of three farmers who have told me of their business affairs the last few weeks.

One man is an extensive cattle feeder. Last year he lost money because he bought his feeders too high. This year he expects to make money on the cattle in his feed lot because he bought them right in the first place and in the second place he is putting on the gain at a minimum of cost and making full use of roughage. He can afford to sell the cattle at present low market levels and make money or could even stand to have the cattle market drop a little more without hurting him. He's not complaining, he's "sawing wood."

Then, there is the dairyman who lives near a middlewestern town of about 4,000. He has a retail outlet for his whole milk. This year he is getting 10 cents a quart for the milk but says that he is making more money than he did last year when he received 12 cents. Cheaper feed is the answer in this case, too.

Another example of what can be done by the right kind of planning is the case of the vegetable grower in northern Iowa who made enough out of his potatoes raised on peat soil to enable him to take a hunting trip to Canada, buy a new car and go with his wife to Florida for a vacation trip. His onions were a total loss or nearly so because he could find no market for them but the potatoes more than made up for it. He is said to spend $150 an acre on fertilizer but his crops are increased enough to make up for that expenditure and more, too.

There are many more instances that might be cited. Practically every cow testing association has several examples of dairymen who have increased their efficiency by weeding out their unprofitable cows. Some of these men are finding that they can make a little money with butterfat at less than 30 cents a pound where with their old methods even 50 cent butterfat left them with no profit.

Lowered feed costs, lower labor and wages and increased efficiency are going to help the farmer who works and plans to make this year a success.

Hogs to many farmers are worth but $6.50 on the farm at the time this was written and corn is worth 50 cents. Many farmers who recall the days when hogs were selling at from 9 to 15 cents a pound in Chicago say that no profit can be made now in pork production. But the corn-hog ratio is 13 to 1 with the prices just quoted and that is considered as a situation in which feeding will pay.

Some farmers are going to give up and quit during the year 1931; others are going to plan so well, work so hard and reduce their production costs so much that the end of the year will find them more firmly entrenched than ever before. It may prove a severe test but the men who emerge from this test triumphant with success are going to set a new pace on middlewestern agriculture when the inevitable pendulum swings back and prices of farm commodities point upward again.

CULTURAL ASPECTS of farm life have come to be an accepted part of the rural organization program. Music by farm men and women played an important part in the program of the annual farm and home week short course at South Dakota during February.

Giving of one-act plays by three county farm bureaus was a feature of a similar program at Iowa State College early in February while a rural orchestra contest and a rural male quartet contest added to the interest of the Iowa Farm Bureau federation meeting at Des Moines in January.

The Iowa 4-H Club boys were given a pretty steady diet of music during the recent convention at Ames and liked it so well that music appreciation will be one of the projects of the Iowa club boys during 1931.

C. L. BLANCHAR of Serburne was declared the champion corn grower of Minnesota when he won sweepstakes on both 10 and 50 ear entries in the state corn show.

Carl Holden of Williamsburg captured similar honors in the Iowa corn show. Despite the dry summer of 1930 corn show entries were above normal.

SEVENTY-SEVEN Nebraska counties had 4-H clubs organized in 1930 and in 49 of them there are full time extension of summer 4-H club agents.

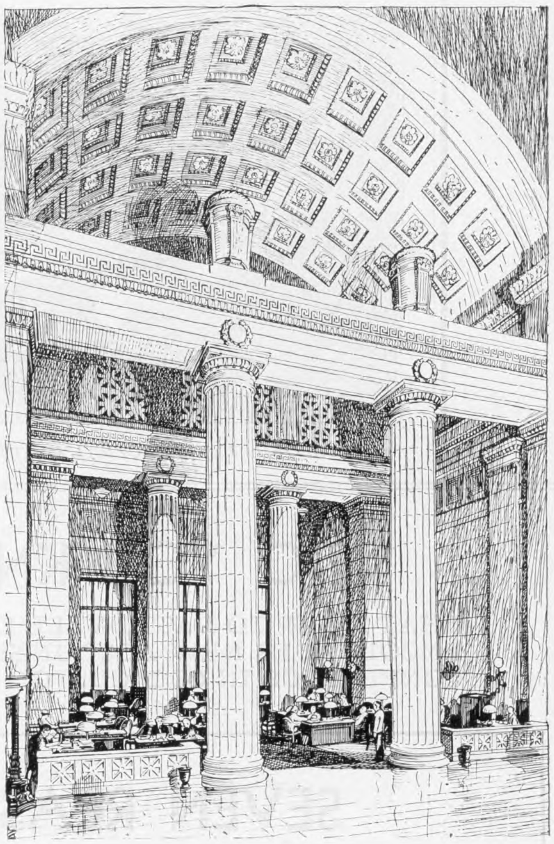
THE DROUGHT OF 1930 has extended into 1931 and threatens to become a serious menace to livestock production and to crops. Many wells and small streams on which farmers depend for water for their livestock have failed and some farmers have had to sell their livestock.

The most serious threat to crops to date has been to winter wheat and to clover and alfalfa seedings. The damage has been due in part to the lack of subsoil moisture and deficiency during the fall months and partly due to the lack of usual snow covering during the winter.

As far north as central Iowa and Nebraska, farmers have in many instances been able to disk and plow in the fields in February although these cases have been isolated and no general field work has been done that far north.

Either the corn belt looks forward to a wet spring or else it looks forward to crops somewhat curtailed by lack of moisture.

Nature may take a hand with the probable wheat surplus for 1931 just as she did in regard to what looked like an almost certain corn surplus in 1930.



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EVERY business item we handle for your bank, receives the same watchful attention from us that you yourself would give.

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208 South La Salle Street
CHICAGO

Evolution of U. S. Investments in Latin America

(Continued from page 10)

collapsed. Underwriting houses, investment corporations, and foreign bond brokers, scrapped their bond departments in order to devote all of their time to a stock market orgy which lasted seventeen months.

South American governments were bewildered by this changed situation, which New York bankers were finding it exceedingly difficult to explain. Relations were still good, but there was an undercurrent of resentment, particularly on the part of provinces with unfinished roads and public works, for which funds were actually promised, subject to market conditions. It cannot be said that there is good understanding, when one of the parties does not understand. Unemployment set in. Demand for native products decreased. Governments were found wanting, because they could no longer keep promises. Discontent grew, and so did the desire to change conditions by the old method characteristic of Latin Americans—a method which, on the whole, had laid dormant for several decades. The unexpected happened: Resort to the bullet!

More than one-fifth of our foreign commerce is with the Latin American republics, and well over one-third of our commercial investments abroad, is in Latin America. It is, therefore, but natural that we should feel concerned over what is happening south of the Rio Grande. It is axiomatic that, to those who have an unimpressive past but a promising future, the present is difficult. This view would seem to be true in the case of our southern neighbors, despite alarming and generally untrue reports from the south.

Wholesale Default Unusual

REVOLUTIONS in Latin American countries have rarely, if ever, resulted in wholesale repudiation or default of governmental obligations. On the contrary, there are records to the effect that, during a revolution in a South American republic, each of the two opposing parties remitted debt requirements to the bankers. The Riograndeses who had been fighting the dictatorship of Washington Luiz in Rio, and the harmful coffee valorization policies of Prestes, are at least as respectable as their fellow citizens from Sao Paulo or Rio de Janeiro. A victory by Rio Grande do Sul does not imply that our packing interests in Brazil, or American-owned public utilities, will cease functioning. As a matter of fact, it is generally preferable that rebels—if we may term them such—should win a South American revolution, because all concerned are then heroes after the event; whereas, if the government wins, the rebels are traitors and are dealt with accordingly.

In the meantime, Latin American bonds held by thousands of investors throughout the country, are establishing new lows each day. Some of the bonds are quoted almost below the coupon which they carry. If an abnormally high yield is a criterion as to a nation's solvency, few, if any, Latin American governments are solvent. Of course, not all Latin American issues may be termed high class investments. However, not all Latin American issues may be termed hopeless speculations. There are among them sound bonds and bonds of doubtful value, just as we have all kinds of obligations in the railroad list, in the public utility division and among industrial securities. What we merely lack, is a source of dependable and impartial information concerning the status of the various Latin American issues.

The strangest, and perhaps most regrettable thing, is the complete silence on the part of all those American bankers who have underwritten and distributed Latin American bonds. Is it true that a banker's responsibility ceases with the sale of the issue? Would it not be advisable if, from responsible quarters, a reassuring statement were issued occasionally, reminding the investing public that countries, even though they lie south of the Rio Grande, do not, as a rule, withhold payment in respect of contractual obligations? And, if our bankers identified with Latin American finance are unable, or unwilling, to correctly appraise the situation, I am definitely of the opinon that Washington should assume the leadership. We have given Latin America a political Monroe Doctrine. Is not the present most opportune to give to our southern neighbors an economic Monroe Doctrine?

"It's Moving Time Again"

(Continued from page 12)

almost hear a quotation drop. But maybe we're just lucky and don't know it. There were a few years when this section of the country appeared to have a corner on bank prestidigatory ability. We were the champion sleight-of-hand bankers. On Monday evening, Grassville, for example, had a bank. Tuesday morning, Presto! The bank was gone! Just like that—and a notice pasted on the front door to prove it. The hand was quicker than the eye, and the liability was quicker than the asset.

Now, though, we seem to have lost some of our cunning, but the public for which we used to perform has learned our best tricks. Arkansas, Florida, and a dozen other states, have taken the spotlight away from us. Maybe it's a good thing we aren't having quite so much to do this first of March.

Benevolence is the distinguishing characteristic of man. As embodied in man's conduct, it is called the path of duty.

—*Mencius.*

NEWS AND VIEWS OF THE BANKING WORLD

By Clifford De Puy

I JUST RETURNED from a three weeks' trip to New York where I called on investment bankers and financial institutions and I am happy to report that there is a distinct feeling of improvement among practically all of the men with whom I talked.

At least the suicide statistics seem to be less and the stock market for the first time in about a year proved that it could climb out of the depth of despair and that is something.

I ATTENDED TWO BANQUETS the same evening in New York and by multiplying the number of guests present by the charge per plate, I realized that over $20,000 had been invested in these two banquets, so perhaps the depression isn't as severe as some people thought.

The first banquet was the annual Trust Company blow-out given at the Hotel Commodore, where 1,100 people sat down to the tune of $10 per plate and the other was the New York Patent Law Association annual banquet given at the Hotel Astor, which was presided over by my brother-in-law, Richard Eyre, who is president of the association.

Of course I only partook of the food at the Trust Company banquet and got over to the Patent Law Association in time to see the General Electric Company present some of their very latest inventions, —the most recent being an automatic fire extinguisher.

In case your wife would like to see just what we did have to eat at the Hotel Commodore, I am printing the menu below. Also don't ask me what the "Intermission of Ten Minutes" was for because I am still on a ginger ale diet.

Coupe of Fruit Sultane

*

Potage Florida
Paillette Palermitaine

*

Celery   Salted Nuts   Olives

*

Broiled Delaware Shad with
Roe Maitre d'Hotel
Potato Marquise

*

Intermission of ten minutes

*

Grilled Fresh Mushrooms on Toast Colbert

*

Roast Poussin a la Broche
New Pease au Beurre

*

Salad Margot

*

Courrone of Strawberries Melba
Douceurs

*

Java

*

Apollinaris   Perrier
Cigars   Cigarettes

If you don't think—

ROME C. STEPHENSON, president of the American Bankers Association, knows how to win the women, you should have heard him reciting poetry, love sonnets and telling the life story of Dorothy Dix at the annual dinner of the Association of Chicago Bank Women at the Union League Club not so long ago.

When Rome goes a-roaming he has the Romans beat a mile.

I HAVE JUST finished reading *"Morgan the Magnificent"* and if you haven't read it I recommend it to you highly.

The most interesting part of the book to me was the early history of the American railroads and the part that Morgan played in financing them.

When you recall that between Buffalo and Albany there were ten different railroads with about as many different gauges for their roadbeds, you can realize the chaotic condition that existed "way back when."

I WAS INVITED down to Washington last month to have a visit with the *Federal Farm Loan Board* and strange as it may seem, I found them a regular bunch of fellows. They are sincerely trying to assist the Federal Land Banks and the Joint Stock Land Banks in working out their problems, which in turn will benefit agriculture and the American farmers.

The members of the present board include Paul Bestor, chairman; Floyd R. Harrison, John H. Guill, Lewis J. Pettijohn, Albert C. Williams, George C. Cooksey and Chester Morrill.

THE TESTIMONY furnished during the examination into the affairs of the Bank of the United States, furnished front page copy most of the time while I was in the skyscraper city.

Among other interesting things brought out was the fact that the former banking superintendent of the state of New York, George C. Van Tuyl, Jr., and at the time the bank closed, a director of the institution, saw nothing wrong in granting the name to the bank "Bank of United States," although many people were misled into believing that the institution was a part of the United States government.

Of course we have a law now which prevents any bank from using any name similar to this one.

THE BEST INVESTMENT TRUST story which I heard when I was in New York, was told by the vice president of a fixed trust organization who had called on the president of a large southern bank.

The president had agreed to take on the trust and had purchased a substantial block to start the ball rolling. The same day that this was happening in the president's office, one of the bank's customers came in and asked the cashier about the advisability of buying this particular fixed trust and the cashier said, no, he didn't think it was a very good investment and advised him against it.

I TRIED VERY HARD to check up on the unemployment situation on Broadway and I found that most of the unemployed were lined up going to the theaters, the speakeasies and waiting to pay "a dollar per" to see Charlie Chaplin in "City Lights."

TRUST BUSINESS, unlike many others, suffered no drop during 1930, but on the contrary the year brought trust companies distinct advances in all lines, according to figures presented at the 12th midwinter trust conference by Gilbert T. Stephenson, president Trust Company Division American Bankers Association.

"The growth of trust business, in both number of items and value of assets constitutes the brighest page in the history of American business during 1930," declared Mr. Stephenson, who is vice president of Equitable Trust Company, Wilmington, Delaware.

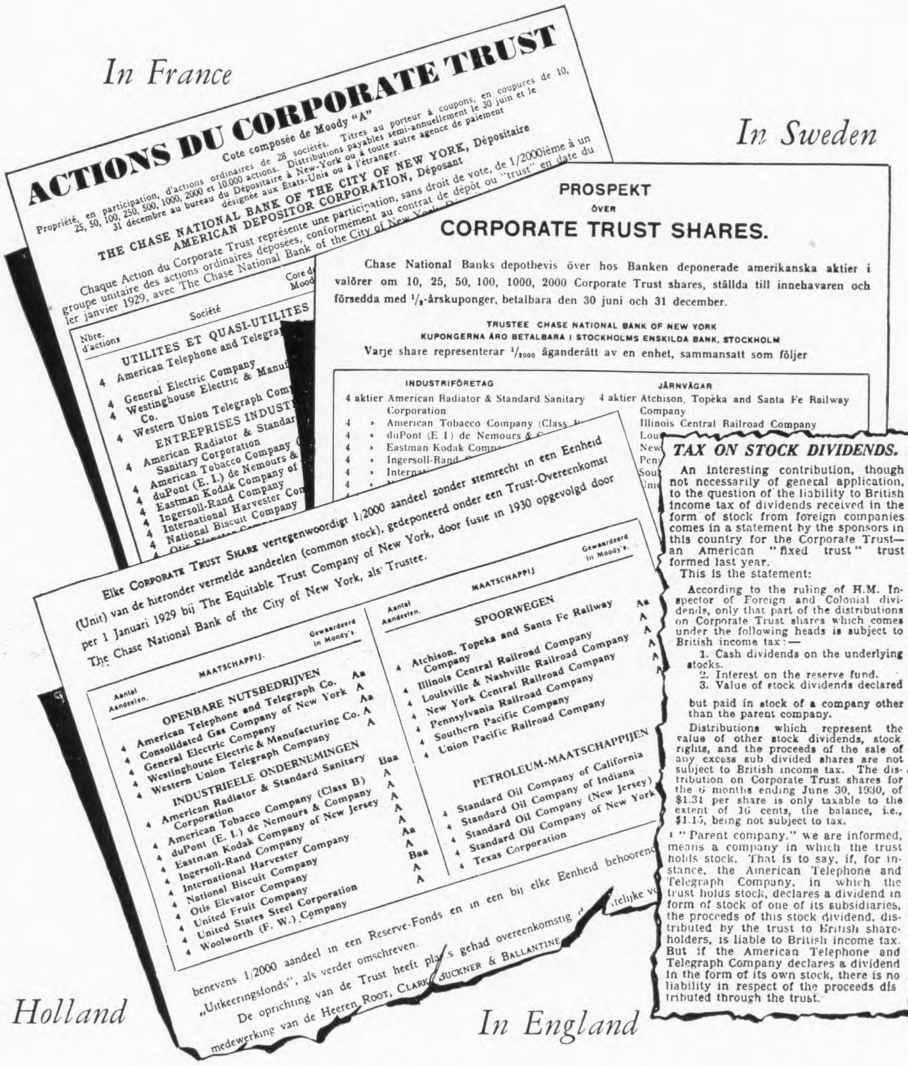
The results of a just completed survey of the business done by trust companies during the past year show that 48,812 trust companies and banks reported being nominated as executor or trustee or both under wills that have not yet become operative, as compared with 36,193 in 1929, he said, representing an increase of 35 per cent. The same rate of increase was maintained in the number of appointments as executor or trustee or both under wills offered for probate during the year. These rates of increase were the same as for 1929 over 1928, Mr. Stephenson said, showing that the trust companies and banks maintained their momentum.

"The number of appointments to executorships or trusteeships or both under will has not been materially affected by business conditions because they are really the result of nominations made in previous years," he said. "In fact, the stress and strain upon men of affairs during 1930 may have increased the mortality rate which may account in some measure for the increase in appointments."

INTERNATIONAL

In France

In Sweden



In Holland

In England

CORPORATE TRUST SHARES

are internationally advertised, internationally sold and enjoy an international market. In the year 1930 alone, more than 12 million shares* were issued and sold—a volume exceeding that of any other trust.

Price at the market

SMITH, BURRIS & CO
Central Syndicate Managers
120 South La Salle Street, Chicago
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**Does not include duplication resulting from resales.*

SPECIAL INVESTMENT SECTION

(PAGES 23-71)

THE BOND MARKET OUTLOOK

By LEROY D. PEAVEY

President, Babson's Statistical Organization

LEROY D. PEAVEY

THOSE investors who feared the bond market had gone into the discard and become passe, while the stock market boom of 1928 and 1929 was raging, have been pleasantly surprised. Naturally the stock market became the center of interest during this period in view of the sensational advances in the various stocks. In fact, the so-called "new era" idea became so firmly established in the minds of some that many felt that the bond market would never again become of interest. These "new era" ideas have been heard before, but eventually the Law of Action and Reaction has asserted itself and the cycle has been completed in more or less the same manner as usual.

The decline in the bond market which began in the early part of 1928 lasted for nearly a year and a half. The Dow Jones average of 40 bonds, with which you are all undoubtedly familiar, declined from around 99½ to below 92, a very substantial decline for bonds. As all students of investment know, the bond market usually declines some time in advance of the stock market, as a result of high money rates. This steady decline in bonds which usually warns speculators that a turn in stocks is in prospect failed to excite any great comment. This was due to the fact that the stock market continued upward so long after bonds started to decline, and also to the feeling that in the "new era" we were in, the old economic laws were obsolete. The smash in the stock market in 1929 shows clearly that the cycle theory still operates.

Bonds began to work upward during the latter months of 1929 and this trend continued until October, 1930. Then rumors regarding the dangers in the banking situation began to be heard. The situation became so unsettled that many banks sold bonds to get in a more liquid position. As a result of such sales we witnessed a very severe decline in bonds for some weeks. Banks and other institutions are our largest bond buyers and the decline became more or less of a panic in bonds due to a lack of bids for the bonds which were being thrown over. After the year end difficulties were safely over, the bond market again resumed its upward trend as would naturally be expected with the existing low money rates.

The recovery in bonds from the December lows, which by the way, represented unusual bargain prices, was again interrupted before the end of January. This time the veterans' bonus plan was the disturbing factor. If the plan were put through in its original form and it became necessary for the government to raise some $3,400,000,000 it would obviously have been an adverse factor on the bond market. In fact, the competition with corporation and other types of financing in prospect would naturally result in unsettling the bond market for some time. A more logical viewpoint is now being taken and the proposal to increase the immediate borrowing power of the service certificates seems far more logical than the original plan. The present bonus bill should cause no material disturbance to the bond market, and if this goes through we may look for a more orderly bond market which is logical under present conditions.

Of course, we are all more interested in the future than the past and nowhere does this apply more forcibly than in the securities markets. Whether we buy for income or profit it is desirable, and for that matter essential, that we buy with an advancing trend of security prices in view, if we are to be successful in our investments. Barring unforeseen developments in the bonus bill and assuming that the present plan passes, this should result in relieving the pressure on the bond market. With the purchasing power of the dollar steadily increasing, the outlook for bonds appears promising. In fact, present low price levels in many commodities and products should furnish a distinct stimulus to a strong bond market. We believe that bond investors can look forward with confidence to the prospects for this form of investment.

How Bankers View Investment TRUSTS

Northwestern Banker survey shows rapid development of this type of investment

CHART NO. 1

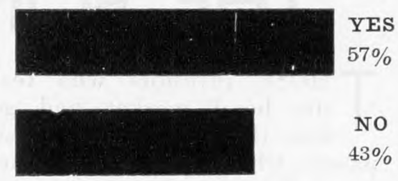
Do you think that the investment trust idea is sound?

CHART NO. 2

In your opinion is there an increasing PUBLIC interest in investment trust securities?

CHART NO. 3

Do you understand the distinction between the fixed type of trust, the management type, the trading corporation and the holding corporation?



IN THE entire investment history of the United States, no development has been so rapid and far-reaching as that of the investment trust. Obtaining the investment trust idea from Great Britain, where it has been used for many years, American investment houses only a few years ago transplanted it to American soil after adapting it to different conditions and changing its features to conform to the wishes of the American investor.

That they have evolved a type of investment that has a strong appeal to investors of this country is evidenced by the amazing growth of the investment trust during the past few years. The year 1930 was outstanding in this respect.

In order to analize the popularity of this new type of investment, the NORTHWESTERN BANKER last month made an extensive survey of investment trusts. Information was obtained from two thousand banks in Iowa, Nebraska, Minnesota, North and South Dakota, Wisconsin, Indiana, Illinois, Kansas, Colorado and Michigan. Bankers were asked the following questions:

1—Do you think the investment trust idea is sound? 2—In your opinion, is there an increasing public interest in investment trust securities? 3—Do you understand the distinction between the various types of investment trust—fixed, trading corporation, management and holding corporation? 4—Which types do you favor? 5—For your customer's investment are you more favorably impressed by investment trust securities than you were a year ago? 6—Are you inclined to feel that you will soon be selling investment trust securities to your customers?

The answers to these questions appear in chart form on this page, and are self explanatory. A brief comparison, however, of these answers with answers to some of the same questions asked a year ago in the NORTHWESTERN BANKER investment survey, are very interesting.

In answer to Question No. 1, "Do you think the investment trust idea is sound?" —67 per cent last year answered yes, and 33 per cent no. This year 84 per cent answer yes, showing many converts to the investment trust idea.

In Question No. 4, which asks bankers to express their favorite type of investment trusts, last year's answers brought these percentages: Fixed, 35 per cent; management, 35 per cent; holding corporation, 29 per cent; trading corporation, one per cent. This year's figures show a striking trend toward the fixed trust, with 63 per cent favoring it. The management type this year shows 28 per cent preference, a loss of seven per cent over last year. The holding corporation lost in public favor, slipping from 29 per cent to five per cent. The trading corporation showed a three per cent gain, a total of four per cent of the bankers favoring it.

CHART NO. 5

For your customers' investment are you more favorably impressed by investment trust securities than you were a year ago?

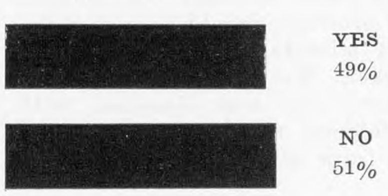


CHART NO. 4

Which of the following types of trust do you favor?

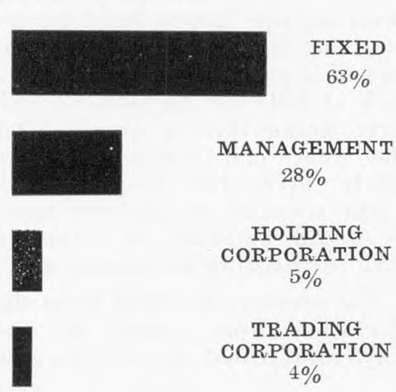
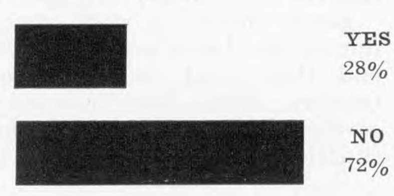


CHART NO. 6

Are you inclined to feel that you will soon be selling investment trust securities to your customers?



RAY VANCE

When Our "Business Headache" PASSES

By RAY VANCE
Chairman, Yosemite Holding Corporation
New York City

BUSINESS and finance throughout the world is, today, in the mood of a man who wakens after a night of revelry with empty pockets and a splitting headache. We are in a state of disgust with what we have done in the past. Most of our thoughts begin with "never again" and end with a description of almost any past activity.

Probably such periods are good for our immortal souls; certainly they are an inevitable aftermath of the revels. However, we have all noticed certain characteristics of the resolutions formed in such a time. In the first place the violently negative ones tend to disappear with the headache itself. In the second place forward plans conceived in a throbbing head rarely stand the analysis of a brain which has had time to clear up.

Let us take a look at some of our standing "never agains" which are likely to disappear when the headache gets better:

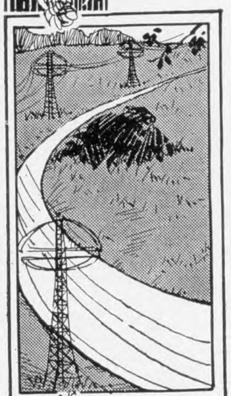
1. Never again will we have a wild orgy of speculation. We resolved the same thing with equal violence and equal sincerity in 1921. Probably some individuals kept the resolution and probably some others will keep it this time but, for the community at large, it is still more likely that we will do the same thing over again before another ten years have passed into history.

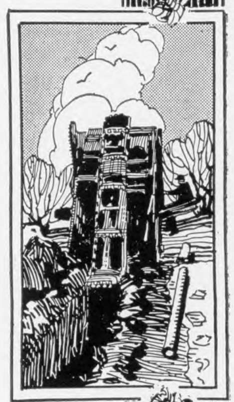
2. Never again will we countenance the extension of practically unlimited credit for speculative purposes. Well, nobody ever did countenance it under just that name. In 1919 we found an excuse in the necessity of floating the final liberty bond issues. In 1927, 1928 and 1929 we were helping the rest of the world to get back on a gold basis. Next time we shall find some other equally plausible excuse to cover up the real operation and the borrowers of the credit will attend to its speculative use.

3. Never again will we deceive ourselves with a belief that, through the superior wisdom of our generation, we have placed our business and financial situation beyond the danger of another panic and depression. Probably, we shall never again use the same arguments to deceive ourselves. In 1919 we relied on the Federal Reserve System and on the turning of the United States from a debtor to a creditor nation. In 1929 we spoke of a "New Era" in which big business guided by a combination of its own executives and of government officials could never cease to be prosperous and to make the rest of us prosperous with it. When we get ready for the next spree we shall find some new illusion to which our faith will be pinned.

As indicated in the immediately preceding paragraphs, I give little weight to these "never agains" for the simple reason that human nature is the least changing thing in a constantly changing world. That human nature seems to be the source of so many troubles that it might be better if we could eliminate it. I do not know, for neither personal observation nor history can give me any light on the subject. It is equally possible that without it we should lose the urge and drive which have changed the rest of the world to our decided advantage. At any rate it is here and we must make our plans with it as part of the background.

The three ideas discussed up to this point have no very serious bearing upon our plans or our actions for the near





future but in our present "morning after" mood we have acquired another set of ideas which have a very immediate effect on action and are, therefore, to be taken much more seriously. Each of the ideas in this group comes so close to being a specialized expression of one general idea that they may well be discussed as a group rather than separately. For that matter my list is by no means complete and should be taken as illustrative rather than all inclusive. Briefly, I would list them as follows:

1. Never again will we provide or assist in the financing of housing accommodations beyond the demonstrated needs of existing population.

2. Never again will we buy articles or qualities of goods to which we have not been accustomed—nor will we encourage others to do so.

3. Never again will we build or assist in the financing of factories, utilities, mines or any other establishment to furnish goods or services for which immediate and demonstrated demand is not in sight.

4. Never again will we buy a stock or other form of security at a price which is not easily justified by both its current earning power and its record.

5. An underlying basis of all these ideas, never again will we allow our business success to become dependent upon improvement in either the current level of business or the general standard of world living conditions.

From the long range outlook this group of "never agains" may be left to the reactions of human nature just as safely as can those of the group previously discussed. However, from a practical viewpoint they must be considered as essentially different. The first group has to do with what action we now think we shall take at some time in the distant future when an actually present prosperity tempts us to become careless, extravagant and greedy. The second has to do with immediate actions and plans at a time when millions of self-respecting men and women are feeling the bitter pinch of unemployment and other millions watch their capital slip away through the expenses of businesses whose gross incomes have fallen below even the most rigidly reduced expenses.

SOME "NEVER AGAINS"

1. Never again will we have a wild orgy of speculation. We resolved the same thing with equal violence and sincerity in 1921.

2. Never again will we countenance the extension of practically unlimited credit for speculative purposes. Well, nobody ever did countenance it under just that name.

3. Never again will we deceive ourselves with a belief that through the superior wisdom of our generation, we have placed our business and financial situation beyond the danger of another panic and depression. Probably we shall never again use the same arguments to deceive ourselves.

Briefly stated, this second group of ideas centers around the one idea that the world in general and the United States in particular has entered a long period or "major cycle" of stagnation or even regression in which the measure of outstanding business success will be not the acquisition of new wealth but the conservation of that which we already have. The quick and at least superficially satisfactory answers to this question have already been expressed. It is contrary to the very nature of human beings and it is contrary to the history of either the United States or of the world in general.

It would be foolish to lose sight of these basic points. Recently "realistic" historians and biographers have rewritten both our histories and our biographies and have proved to their own satisfaction that the human race has never produced a really great man and that the race, instead of having a glorious past, has really wasted its time on earth in a series of sordid or meaningless squabbles. Yet in it all they fail to explain how men have come from a position little better than that of beasts to their present state. It seems to me that all they have done is to lose the value of historical perspective and to lose us in the mass of past details just as the mass of present details clouds our vision of the future. As a matter of fact, history says in unmistakable terms that, when we are uncertain we must give the benefit of the doubt to an expectation of progress rather than to an expectation of stagnation.

Basis for Expansion

I REALIZE very keenly that to many the foregoing will sound like an indefinite and idealistic way of looking at a very definite, practical and pressing problem. It is, however, a very practical part of the problem of getting the wheels of prosperity into motion for it leads to and conditions the most immediate and practical method of business expansion.

No one seriously doubts that the supply of our every day wants at an average and steady rate would mean a great expansion from present employment condition and profit levels. But we have had abundant proof that neither an artificial expansion of public construction nor the hectic urging of "buy now" campaigns is sufficient to restore normal conditions. The size of any probable public building program is hopelessly too small for the problem. A "buy now" campaign fails through the twin difficulties of lack of purchasing power among a large percentage of our population and a failure to arouse the motive of self-interest on the part of those who have purchasing power.

The buying which springs from a motive of self-interest has always been the buying which has terminated a period of depression and will almost certainly be the chief factor in ending the present one. It is a motive which makes some section of the population buy more than current needs through a belief that bargains are offered today as they will not be offered again for several years. That buying gives employment and purchasing power to those who do not have it today and prosperity naturally restored in a degree which can never be even approximated through artificial means. Therefore, this theory of a period of stagnation, this attitude of "never again" will we act on an expectation of "improvement" is not a theory to be disregarded but the most powerful and most practical force holding back the beginnings of business improvement.

Is New Expansion Possible?

I FIND many men whose thinking goes this far but who find it impossible to see any basis for a period of new development and expansion. It is easy to see that the practically unlimited demand first for military supplies and later for immediate peace replacements supported the 1915-1919 expansion. It is apparent that the great building shortage, the development of radio, the expanded use of motor transport and the electrification of domestic appliances and productive machinery supported the 1922-1929 prosperity. Where then can similar supports for a 1932—? period of expansion be found?

In all honesty a part of the answer to this question must be taken on faith. How many people knew in the early part of 1914 that war was about to bring us a great period of prosperity? How many appreciated its significance during the second half of 1914? We sincerely hope that our next prosperity will not be due to military demands but, even if our present diplomatic muddles end in open war, we have learned that our present surpluses of commodities, labor and productive capacity would soon be profitably employed.

INVESTMENT TRUSTS

Investment Trusts of the proper type offer the most attractive investments in America today embodying safety of principle, marketability and attractive yearly appreciation.

WE RECOMMEND THREE NATIONALLY KNOWN INVESTMENT TRUST SHARES

NATION-WIDE SHARES

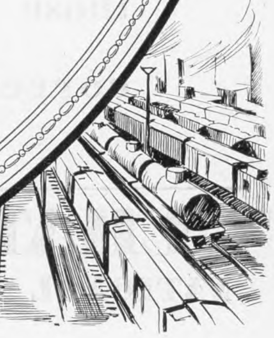
For the 9 years ended May 1, 1930, NATION-WIDE would have shown an average yield of 13.19% on the original investment and in addition to this yield it would have shown an appreciation of over 26% per annum.

UNITED STATES ELECTIC LIGHT & POWER SHARES

For the 10-year period ended February 1, 1930, UNITED States ELECTRIC LIGHT & POWER SHARES would have shown an annual yield of over 8% on the original investment and in addition to this yield it would have shown an appreciation of 37% per annum.

SELECTED INCOME SHARES

(A distributing type trust.) For the 10-year period ended December 31, 1929, SELECTED INCOME SHARES would have shown an average yield per year of 21.45%.



Victor J. Silliman

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But let us take the more reasonable supposition that the world will remain relatively peaceful. How many men believed in 1921 that radio would become a great industry within a very few years? How many truly appraised the coming growth in domestic and industrial use of electric power? How many even approximated the truth about the coming motor boom? If your memory answers these questions with larger percentages, go back and read the 1921 files of newspapers, business publications and economic services.

We may suggest today a resumption in the development of transportation and use of gas which was interrupted by the panic of 1929. We may at least guess that the radio and airplane industries are not really overgrown but are set for amazing growth as the motor industry was in 1921. We may say the same thing of dozens of household or business appliance industries. No matter how far we carry the list we may be sure that the next period of expansion will be supported by dozens of factors which we have never considered or have considered and rejected as too new and uncertain.

One Outstanding Probability

BUT not all of the supports for a new era of expansion need be taken on faith. Great business expansions are based on development of mass demand and these developments may be seen by careful analysis before they get much public recognition or have widespread effects. One of these mass movements which was under way before the panic and which bids fair to work something of a revolution in American life during the next ten years is the surge of population from congested urban areas into less congested suburban areas.

For at least a quarter of a century prior to 1925 the great movement of American population was from rural areas to urban areas and always the density of population grew greater. Detached houses gave way to solid rows. One family houses gave way to two or three family flats. These in turn were superseded by apartment houses and, finally, the newer housing projects abandoned the four to seven-room apartment in favor of the one to four-room type.

This crowding together arose from a variety of causes. Opportunity to make money or to have pleasure was greater in the cities. Commuting over railroads primarily designed for long distance travel was slow, inconvenient and expensive. But within the cities land values soared and the building trade in a machine age stuck definitely to hand labor with ever rising wage scales. Under these elements of economic pressure the space standard of American housing fell lower and lower until today it is as noted in the preceding paragraph.

Even before the panic a reverse movement which is clearly shown by the latest census had begun. The movement is so pronounced that we need not guess at its existence. We can only estimate its causes. Undoubtedly, one of the greatest is the automobile. Positively, it offers a quick and comfortable means of transportation to and from business. Negatively, the families who keep cars in the congested areas find their enjoyment curtailed and their storage expenses high. Then there is the spread of the high class picture theater closely approximating the central houses. The radio brings good music or frivolous entertainment to the most remote home areas. The spread of golf makes many choose between commuting to the city or commuting to the country club. The railroads have made great strides in reducing the time and trouble of commuting. All in all, pleasure and culture are moving to the suburbs and, while most business clings to the congested areas, the trouble of making the daily trip grows less.

Right up to the panic of 1929 one tremendous factor tended to restrain the suburban tide. That was the cost of building. From 1910 to 1929 the cost of food, clothing, motor cars and practically every item on living costs fell but declining prices of building materials were offset by ever mounting labor costs and without any increase in labor output so that the old pressure to live in smaller space was actually increased as other costs of living declined. Now that the last barrier has been modified the tide of flow from city to suburb will have fresh impetus.

Better Customers

THIS is not merely a matter to shift land values. The urban families moving to the suburbs will not only demand new houses, they will demand houses using more building material than went into each city apartment. They will need more furniture, will use more electric light and power and more heat in these more spacious homes. More automobiles will be needed and more frequently used, therefore, more quickly replaced. More labor saving devices will be needed in larger homes where servants are scarce or not part of the living standard. Schools, roads, sewer systems, churches, neighborhood stores; all these must be built. A hundred things which do not suggest themselves here will follow this apparently certain migration.

In short, although it is commonly accepted that American residential building is overdone and although that may be true at 1929 costs, it can hardly be denied that from a space standpoint our housing equipment is far below our other living standards. Practically every factor which produced this unbalanced situation has been removed and it requires little faith to believe that a mass movement toward better housing conditions will be a tremendous factor in our next prosperity.

Financing Is Possible

NATURALLY, the question arises, how can a population just impoverished by a great panic carry on a mass movement toward high living standards? Like all similar questions it might be answered by a reference to the movement which followed 1921. Fortunately, it can be answered much more positively than that. Interest rates are at low levels and money seeking investment is available in large amounts wherever risk is reasonable. Real estate mortgage bonds based on speculative building and high costs are not in good standing but installment mortgages on small homes occupied by their owners have been and still are a prime form of investment. When we add to this the great lowering of building costs the conclusion that the movement is financially possible can scarcely be avoided.

Foreign Possibilities

PROBABLY, the final argument of every man who fears that we are entering a long period of stagnation arises from the fact that the present depression is world wide. As a matter of fact, in that respect it differs from no other great depression which has ever affected the United States. Certainly, to take the illustration most familiar to this business generation, one cannot conceive of the present depression in Europe as more severe than the post-war prostration in 1921. Even the Chinese difficulties with silver prices are much the same. Silver was worth almost twice as much per ounce at the bottom of that depression but the price from which it fell was more than twice as high at its level before this decline so that the percentage of decline was actually larger. Furthermore, the world level of commodity prices at bottom of the 1921 depression was so high as to reduce the purchasing power of an ounce of silver to very near its present level.

In one part of Europe there exists the possibility of opening new markets beyond anything this generation has ever seen. That possibility lies in Russia. I am fully aware that to many Americans, Russia means nothing but unfair and ruthless competition. I am even inclined to believe that under present conditions the appraisal is justified. But there is no other country in the world whose present indicates so little of her future. In Stalin's own words, Russia has set out to starve, freeze and deny her people everything except bare existence for a period of five years (three of which are past) in order that they buy and build within that five years the equipment to equalize seventy-five years of progress by other nations. During the process her artificially created surplus must be traded for foreign machinery, no matter what the cost in prices of the Russian goods.

What the outcome for Russia will be, I do not pretend to know but it takes little gift of prophecy to say that it must be one of three things:

1. The whole experiment may collapse through the failure of human beings to stand the strain. Negatively, that would be to our advantage for Russian dumping would cease but no positive good would come of it during the next few years.

2. The experiment may end in civil or international war. The immediate and long range effects would be like those of any other war.

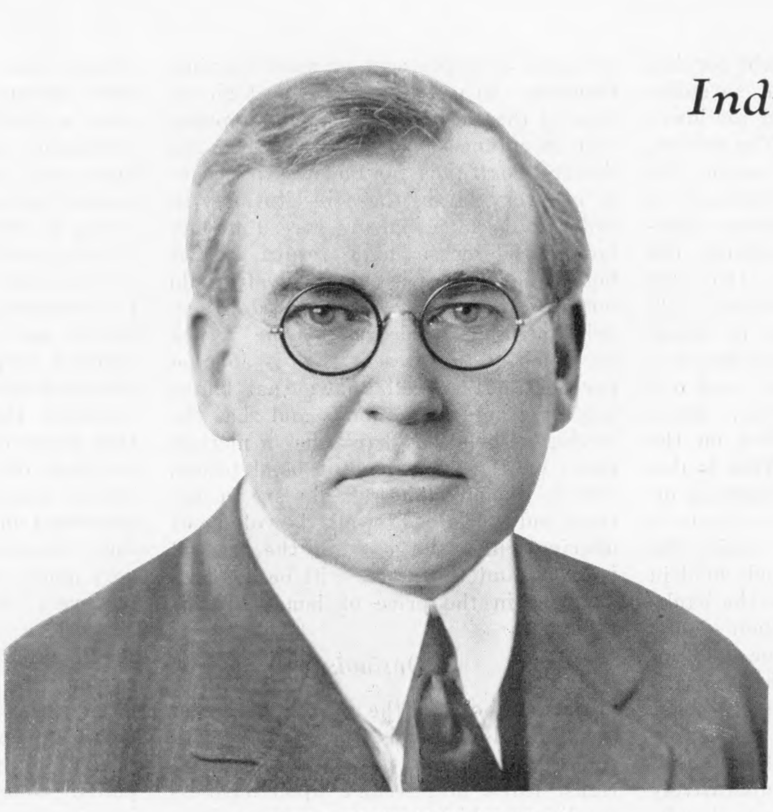
3. The operation may be a success—and if that happens the patient will probably die. By that I mean that, if the Russians starve and freeze through to even approximate success for their plan we may expect to see one of those reactions which affect nations as well as individuals. Production will lag, consumption will rise without much regard for cost and, incidentally, communism as we know it today would be killed more surely than by any other method which could be devised.

Whatever happens in Russia will apparently mean a cessation of current dumping and lead to benefits ranging from a halt to dumping of goods on the markets of other countries up to the possibility of creating a great market within Russia itself.

Summary

COMING back to the point from which we started, business and finance in the United States are today in a mood of repentance for the excesses of 1929. Naturally, but very unfortunately, most of the ideas growing out of the mood are of a negative character. Some of them may be dismissed fairly lightly because they have no real effect on immediate action and will probably be forgotten before they have a practical bearing on any business action.

However, along with them goes another set of ideas which centers around the one basic idea that the economic life in America and, for that matter, in the whole world has entered a long period of stagnation or possibly even of retrogression. I have no fear that these ideas will not disappear over a period of years but, in the meantime, they are very seriously influencing immediate plans and actions in a way to prolong the widespread misery of the current depression. In fact, I think the attitude of mind is well expressed by the title of the article, "Never Again." They are not justified by the true picture of current conditions but their influence on action lays a brutal and needless burden of suffering upon the unemployed and I have tried to show what I firmly believe; that they are costing individuals who have capital or the control of capital one of the great opportunities such as occur not more than once in a decade.



A. WELLINGTON TAYLOR

Interest Rates and the Bond Market

By DEAN A. WELLINGTON TAYLOR
New York University

FOR a long time it has been an accepted theory of investments that low rates of interest have a beneficial effect on bond prices, and that whenever interest rates go down there is a general tendency for bond prices to go up. This theory is based on the observation that whenever short term interest rates go down, institutional buyers of bonds such as commercial banks, savings banks and insurance companies, increase their holdings of bonds with the result that the price of the latter tends to go up. As a matter of fact, during the last year investments of reporting member banks have increased by over $1,300,000,000 as may be seen from the table below.

Investments of all Reporting Member Banks
(In millions of dollars)

End of—	*U. S. Government Securities*	*Other Investments*	*Total Investments*
January, 1930........	2,722	2,807	5,529
June, 1930........	2,877	3,204	6,081
December, 1930........	2,992	3,701	6,693
January, 1931........	3,231	3,612	6,843

This table shows that the holdings of government securities increased by $509,000,000 from January, 1930, to January, 1931, while other investments increased by $805,000,000. In spite of the purchase of large quantities of bonds by banks, bond prices on the whole did not rise.

A careful analysis, however, of the movement of bond prices in recent months indicates that the movement was not uniform. High grade bonds rated as Triple A, have shown a substantial increase, while second grade bonds have shown a substantial decline in many instances reaching a new low.

Movement of High Grade Bonds

THE upward movement in prices of high grade bonds shows that they were affected to a large extent by the low rate of interest. Interest rates in the New York Money Market throughout 1930 were very low and in many instances lower than for a number of decades. The movement of interest rates in New York may be seen from the table below.

Movement of Interest Rates in New York City

	Commercial Paper—4-6 Mos.	*Treasury Bills, 3 Months*	*Call Loans, Renewal Rate*
January, 1930........	4¾-5	3⅞-4	4.64
June, 1930........	3¼-3¾	1⅞-2⅜	2.62
December, 1930........	2¾-3	1⅞	2.23

The low rate on call money was the result of a slackening in demand for funds to be used for stock exchange purposes, clearly shown by the sharp decrease in the volume of broker's loans. The banking institutions, not being able to find an outlet for their surplus funds in the call money market, endeavored to place these funds in bonds which could be liquidated at any moment without substantial loss to the bank. This is the reason for the purchase of the high grade bonds and explains in turn the upswing of these prices.

The movement of second grade bonds, however, was downward. This decline may be attributed to a number of factors. First, the world wide business depression has affected the earning power of a number of corporations and in many instances it was believed that if this depression should continue, the earnings of the corporations would decline to such a point that the corporations in some instances at least would not be in a position to meet their debt service. Just what corporations might so suffer could not be foretold, so all of the lower grade bonds were affected. The second, and perhaps more important reason, for the decrease in second grade bonds, is to be found in the abnormal banking situation which prevailed throughout the country during the past year. It is well known that bank failures during 1930 were very large, amounting to about 1,300 banking institutions, including one large institution in the South and one large bank in New York City. Bank failures have an adverse effect on the movement of bond prices. This is due to the fact that whenever a banking institution is in difficulty, or its liquidity is impaired, it endeavors to rectify the situation by the selling of bonds held in its portfolio. Similarly, after the banks have been forced to close their doors, the Superintendent of Banks or the Controller of Currency sells those assets which can be easily liquidated in order to obtain ready cash. The above explanation would imply that the weaker institutions have held a comparatively large number of second grade bonds. While it is impossible statistically to prove this statement, the following facts would seem to substantiate the above statement. Interior banks as a rule have a large volume of time deposits on which they pay a high rate of interest. It is quite customary throughout the country for smaller banking institutions to pay a return of 4 per cent or more on time deposits. In order to earn this high return at the time when commercial paper and acceptances are low and when the demand for funds for business purposes is not very large, these institutions, in order to break even, are forced to buy bonds yielding a high return. Most bonds, however, with a high return do not have the same safety and stability in price as high grade bonds, the return on which at the present time is about 4 per cent. It is well known that banks are large holders of bonds and that the buying of bonds by banks has a marked effect on the movement of bond prices. Hence, whenever these banks are in distress and are forced to sell, the volume of offering will be large, while the demand is light, and the result will be a sharp decrease in the price of bonds of this type.

Outlook

THE outlook for the future movement of bonds depends upon two conditions. First, upon the movement of interest rates, and second, upon business conditions which will prevail throughout the country. Interest rates at the present time are very low, but it is to be expected that any improvement in business conditions will result in an increased demand for funds and in consequence a slight increase in interest rates. If this takes place, one may assume that high grade bonds, the return on which at the present time is very low, will remain at their present point or at least will not show a further increase. Second grade bonds, on the other hand, have such a high yield at the present time that an upward movement in interest rates, even of one or two per cent, will have but little effect on their prices. The movement of the prices of these bonds will, therefore depend primarily upon business conditions and the earning power of the respective corporations. If business conditions should improve, and it is generally expected that some improvement will take place during the present year, the earnings of most corporations will increase, which in turn will have a favorable effect on the price of these bonds and their movement in this respect will be very much like the movement of prices of preferent shares. Another factor in connection with second grade bonds is the banking situation. It is generally agreed that the banking situation in the larger cities has been cleared up and that no recurrence of events similar to those which took place last December is anticipated. Similarly it is believed that the interior banking situation has been stabilized to a very large extent and that the improvement in business conditions will favorably affect them.

One may, therefore, conclude that while high grade bonds will remain at their present high level, second grade bonds should show a substantial improvement during the present year.

Safeguarded Speculation —The Short Term Fixed Trust—

By JULES I. BOGEN

Associate Professor of Finance, New York University, Technical Advisor to the Glass Committee investigating banking and finance for the U. S. Senate

THE fixed investment trust device, which has enjoyed a phenomenal growth in popularity since the stock market break in 1929, has hitherto been almost entirely restricted in its appeal to long-term investors. Its adaptation to the wants of more speculative buyers, who seek rapid appreciation in the value of their security holdings through judicious purchasing, constitutes a particularly interesting recent development.

The fixed trust can be made to fit the requirements of the speculator through its organization for a short period of time at the bottom of a major reaction in security prices. Buyers of such short-term fixed trust shares, by holding them through the period of the rise in general security prices, will thus be able to take advantage of holding a group of selected common stocks during an upward movement in the security market cycle without running the numerous risks which attach to speculation in individual common stocks.

Major Advantages

THERE are several major advantages derived from limiting the life of a fixed trust of this type to three years or less. The most basic of these is the cumulative experience of the past, which indicates that major cyclical movements in stock prices last an average of five years, and that a period of about two and one-half years is approximately the shortest major upward move experienced over a period of decades. Hence, to extend the life of a short term fixed trust beyond such a period is to run a distinct risk of the buyer's carrying them on the down-grade, when the security markets are in the midst of general liquidation.

Another major advantage in the short term of such a fixed trust is the difficulty of foreseeing trends in individual companies and industries, outside of the limited number of great basic enterprises of the country, over a longer period. The long-pull investment type of fixed trust, by picking only such outstanding and basic issues, can afford to extend its maturity over two decades or more. But the fact is that maximum possibilities of appreciation frequently inhere in comparatively smaller and less well-seasoned enterprises, whose shares during a period of rising prices will usually enjoy a relatively greater and more rapid advance marketwise. However, once such stocks

have advanced in the market to discount favorable developments, their sale may be immediately advisable, for in modern industry changes are frequent and rapid, and the rise and fall in the prosperity of individual corporations may all take place within a period of several years.

While a short term is thus one necessary qualification of a fixed trust designed to interest the speculative security buyer, very careful diversification is of equal importance. Diversification is a necessary safeguard in all security buying. Even the most experienced and expert financiers can foresee the future only in a partial and uncertain fashion, but by spreading one's funds over a series of different commitments, larger returns from some may be counted upon to offset disappointing results in any one or more other cases.

In the short-term trust designed to secure maximum appreciation, it is even more likely that one or more of the issues included will act disappointingly. On the other hand, past experience shows that the majority of any group of selected common stocks purchased after a major general price decline will show large returns. Hence, as long as the individual issues in such a trust are chosen with a special view to picking stocks that have undergone a large measure of deflation in the market, and the principle of a *balanced* diversification is carried out to cover various industries and types of enterprises, adverse developments in any one issue will not interfere with the success of the trust as a whole.

Diversification

THE short term of life of such a fixed trust, together with the application with special care of the principle of diversification, give its sponsors a wider degree of latitude in choosing their portfolios. For example, the Enhancement Series of ABC Trust Shares was made up with particular emphasis upon the following factors:

1. Substantial deflation marketwise shall have been completed at the time of inclusion of any given stock in the trust. In this way, hangover liquidation during the early part of a period of rising prices is avoided. Also, those securities which, because they have not been subject to heavy liquidation, are not in the bargain class are also left out.

2. Prospects for early recovery of earning power as business conditions in general improve. The earning power of a corporation during a period of depression is often a very inadequate clue to what it can do in the event of a general upturn in activity. Hence, the fact that current earnings are small is not as significant for the inclusion of stocks in a short term trust as the likelihood of a rapid upturn with the return of pros-

perity, *even though such higher level of earning power is not held indefinitely.*

3. In addition to short term and balanced diversification, a third important feature of a fixed trust designed for speculative appreciation is the elimination of individual stocks in the trust after a short rise in their market prices has occurred. The nature of the stock market is such, that various issues reach their high prices at different times during a general advance. Thus, in the bull market of 1928 and 1929, numerous individual stocks touched their high points in the early months of the rise, and declined persistently thereafter. About the time that the market was considered as being at its peak, in the early fall of 1929, a majority of listed stocks were selling lower than they did at the beginning of that year, a survey at the time showed. Hence, some device for automatically eliminating issues as they enjoy a major advance because of pool activity or otherwise, is desirable.

One system devised is to require the immediate and automatic elimination of an issue when a certain percentage rise has been attained. However, it is very difficult to secure the best results by such an absolute automatic device. Hence, it has been thought best in one case, ABC Trust Shares, Series E, to compel elimination of issues which show an enhancement of 150 per cent in value from the price prevailing at the inauguration of the trust, while after a stock has appreciated 100 per cent the trustee may sell on the advice of an investment board which includes independent experts in close touch with changing market and business conditions.

We might ask, what will be the experience of the security buyer with this device over the life of the trust? By making past experience our guide, we can trace it in this way. He will, of course, get the dividends paid by these companies, which should give him a 6 per cent return at the start, which will increase as improving business brings larger earnings and thus larger corporate distributions. As security prices move upward furthermore, various issues, especially those deflated to an especially low level, will rise to prices where they will be eliminated from the trust and the proceeds turned over to the holder of the short term fixed trust certificates. Such special distributions will involve capital appreciation of at least 100 per cent on his investment to the holder. Finally, at the close of a three-year period, when presumably the major reaction in security prices has not yet gotten under way, the stocks remaining in the trust will be liquidated, so that the security buyer is automatically taken out of the market, and can then wait until the next period of general deflation creates a similar, safeguarded buying opportunity.

Decline in Inventories

Inventories of 644 corporations in twenty-seven different lines of industry and miscellaneous at the close of 1930, amounted to $1,016,213,746 and were in the aggregate 17.64 per cent less in dollar value than at the close of 1929, and 5.65 per cent less after adjustment for estimated price recessions, according to a preliminary survey made by Ernst & Ernst, accountants. The dollar value of sales of the same companies for 1930, the survey shows, was $6,411,904,456, a decline of 15.12 per cent from 1929.

The study is of interest, it is said, in consideration of possibilities of any business improvement which might come through a necessity of replenishing such inventories as have been depleted below requirements for current business levels. No conclusions are attempted, the bulletin states, because of the inadequacy of the data in some respects, especially for certain lines of industry.

Strong Medicine

Two farmers met on the road and pulled up. "Sam," said one, "I've got a mule with distemper. What did ye give that one of yours?"

"Turpentine. Giddap."

A week later they met again.

"Say, Sam, I gave my mule turpentine and it killed him."

"Killed mine, too. Giddap."—*Montreal Gazette.*

Protecting Your Bond Account from INVENTORY LOSSES

By WARREN F. SARLE,
Assistant Manager, Bond Department, Northern Trust Co., Chicago

WARREN F. SARLE

NOT many years ago bankers outside of our large business centers gave little consideration to bonds as a suitable investment for a portion of their banks' deposits. Little, if anything, was ever heard of the classification of a bank's reserves into primary and secondary. Particularly in the rural districts, funds for which local commercial demand was not immediately anticipated were invested in mortgages secured by improved local farm and town real estate. Many bankers, and particularly those in small communities, looked with disfavor upon most investments outside of their own immediate localities.

Times have changed. Today assets of a well managed country bank include cash on hand, cash deposited with a number of correspondents in other towns and cities, money on call, bankers acceptances and commercial paper of various companies enjoying a good credit standing. All of these are liquid to a high degree and therefore can be relied upon when funds are needed on short notice. However, the normal return from these assets is relatively low and at the present time is substantially below the rates which many banks pay on time deposits. The bank's investments in local enterprises are in the form of customers' notes, both secured and unsecured, from which the return is larger. In no case are they of long maturity nor do they, according to good banking practice, represent loans for capital expenditures. Because of short maturity and in some instances being payable on demand these assets should be relatively liquid.

For that portion of the bank's funds not invested in the assets mentioned above, the bank must find employment which is profitable and from which they can be readily withdrawn in an emergency. During late years many banks have turned to bonds for this purpose, some with considerable success while others would perhaps be in a better position today if they had purchased no bonds whatever outside of those of the United States government.

In reviewing the bond lists of banks which have been less successful in this phase of their business, it is readily apparent that little thought has been given to definite programs taking advantage of additional safety by employing the principles of diversification. Security and marketability have either been ignored or possibly misrepresented at the time the bonds were purchased. Invariably much consideration has been given to yield as reflected by numerous bonds bearing high coupons and selling at a discount under present market conditions and the scarcity of United States government, railroad and high grade municipal bonds which ordinarily give a lower return.

"The truth of the old proverb 'a little knowledge is a dangerous thing' has been demonstrated in the management of bond accounts of many banks and in some cases has been responsible to no small degree for serious difficulties resulting in substantial losses on the part of the depositors!"

Yield Is Important

MOST assuredly yield is an important consideration in purchasing bonds and one of very satisfactory proportions can readily be obtained with all the necessary safety and liquidity for the investment of bank funds if sound investment judgment be exercised in formulating an investment program and bonds be carefully selected to meet its requirements. Under present market conditions an average return of between 5 and 5½ per cent is easily obtainable from a well diversified bond account without a single bond in the list of lower security or marketability grade than is ordinarily reflected in a rating of "A."

In the following table is set forth average yields at market prices as of February 2d, for 40 bonds of outstanding security and marketability grade, ten in each group, respectively, railroad, public utility, industrial, foreign and municipal. The diversification percentages, while hypothetical, are conservative. It will be observed that the average yield from an account diversified according to these percentages and containing only high grade bonds could at the time of these quotations be around 5.43 per cent.

Percentage	Group	†Yield
25%	Railroad	5.18%
40%	Public Utility	5.03%
15%	Industrial	5.61%
10%	Foreign	7.88%
10%	Municipal (4.36)	*4.95%
	Average	5.43%

† Average for 10 bonds in each group.
* Taxable equivalent yield.

Furthermore there are bonds in these respective groups perfectly suitable in safety and marketability for bank accounts which are currently selling to yield somewhat more than the averages stated above but they must be selected with great care. The proper selection of bonds as well as the formulation of an investment program is a technical task and should be done by a trained investment banker. If this talent is not available locally, the city correspondent should most certainly be consulted.

Unlike customers' notes, commercial paper and bankers' acceptances, bonds usually represent loans for capital expenditures and are, therefore, made for longer terms. Fluctuations in the market prices of prime bonds are usually the result of changing rates for money. In a declining money market the prices of prime bonds tend to be stronger and vice versa. Obviously the number of years before maturity determines to a large degree the range of price fluctuation which takes place in sympathy with money rates. A 5 per cent bond selling at 100, due in one year, needs only to decline about one point to raise its yield to maturity to 6 per cent while a 5 per cent bond selling at 100, due in 25 years, must decline 12.86 points to increase the yield to 6 per cent. Therefore, as a protection against serious inventory changes, a bond account should include a substantial percentage of short term bonds.

A Further Safeguard

AS A further safeguard against declining prices during periods of high money rates, it is a more or less common practice among conservative bankers to set up a reserve against their bond accounts. This account is credited with all so-called profits from the sale of securities and the amounts of interest amortized against bonds purchased at a premium. Then in case of forced liquidation during periods of high money rates when bonds may be sold below their cost prices, the losses are charged against this bond reserve account. As bonds purchased at a premium mature, the premiums can also be charged against this reserve. For accounts in poor condition containing many high coupon bonds having a limited market which are bid at substantial discounts even during periods of low money rates, it might be advisable to credit all interest above 4½ or 5 per cent to this reserve account.

A sound bond purchased at a discount will in theory approach 100 as the maturity date draws nearer. In purchasing bonds for a bank account nothing more than this in the way of appreciation should be sought. If through changing money rates or further improvement in investment status, the bonds should be called at 100 or better before maturity, it can be looked upon as a natural economic result of benefit to the bank. When commitments are confined to only high grade and readily marketable bonds purchased at all stages of the business cycle results of this sort are not at all unusual.

Prices of United States government bonds follow money rates more closely than do prices of any other bonds in that they are the most secure and enjoy the widest market. Furthermore, they are acceptable for rediscount and their return is free from taxation under the federal income tax law as applied to banks. These characteristics stamp them as being particularly suitable for the investment of a portion of a bank's funds.

Many bank accounts today contain numerous bonds which are either convertible into stock or carry stock purchase warrants. Unfortunately most of these were acquired in 1929, when stocks were selling at much higher prices than at the present time. These "hybrid" bonds are generally subject to the same radical market fluctuations as the equity securities into which they are convertible. Therefore, as a rule, when the prices of prime bonds are strong, the prices of convertible bonds are on the decline approaching the time when the market price may more truly indicate their real investment worth. It is extremely difficult to appraise the true investment value of convertible bonds during periods of high stock prices which are the times when they are usually brought out. They are designed to appeal to purchasers seeking speculative profits as such individuals are numerous during these periods. For these reasons in particular, convertible bonds as a class do not lend themselves satisfactorily to conservative investment of banks funds.

Among other classes of investments not generally considered suitable for conservative bank accounts, but which are more or less conspicuous in many lists, are so-called real estate and special assessment bonds. With comparatively few exceptions bonds of this class have a very limited market and periodic checking of their investment status is extremely difficult, if at all possible, even for those living in the immediate locality where the properties are located. For these reasons especially, bonds of these classes are rarely accepted as collateral for loans.

Technical problems involved in the successful development and management of a bank's bond account are indeed numerous. The few principles briefly discussed in this article no doubt seem very elementary to many bankers but, surprising as it may seem, they are among those most commonly ignored. Every banker is entitled to a profitable return for the use of his depositors' funds but he must constantly bear in mind that in obtaining this return undue risks must not be taken. The depositor is justified in demanding that every precaution, including the many phases of diversification as well as expert skill in the selection of bonds be employed in the loaning of his funds which he has placed in the custody of his local banker. The truth of the old proverb, "A little knowledge is a dangerous thing," has been demonstrated in the management of bond accounts for many banks and in some cases has been responsible to no small degree for serious difficulties, resulting in substantional losses on the part of depositors.

Overworked

"Why don't you get out and hustle? Hard work never killed anybody," counselled the philosophical gent.

"You're mistaken dar, boss," replied Rastus, making a touch. "Ah'se lost foah wives dat way."—*Pathfinder.*

Long Drawn Out

Patient—"One dollar for drawing one tooth. You earn your money lightly. A whole dollar for a few seconds' work.

Dentist—"If you like I can draw it more slowly."—Der Wahre Jakob, Berlin.

Features of the New Fixed Trust

By ROBERT L. LEOPOLD

Vice President
General Shares Corporation

(Sponsors, Leaders of Industry Shares)

THE rapid rise of the fixed investment trust to a commanding position in the securities business has been accompanied by constructive improvements in its structure. As a result of this evolution, investors are better enabled to purchase securities which are based on sound investment principles.

A popular fallacy has developed in connection with this rapid growth, manifesting itself in the contention that the portfolios of all fixed trusts are alike. A moment's study, however, shows that this is not the case. While all companies included in fixed trust portfolios are sound, the degree of diversification afforded through the scope of operations of these companies should be carefully considered.

To obtain a wide, geographic diversification, a non-competing network of rails, utilities, and oils, together with a group of industrials serving necessity demands, should constitute the grouping of portfolio stocks.

It is not only what industries are included in the portfolio, however, but how much representation is given each company—and not only what companies in that industry, but how much of an investment in each company?

Balancing the Dollar

JUST as it is necessary to diversify the investment in different industries, it is important to balance the dollar in each company of the group that is ultimately chosen. This balanced diversification is possible only through varying the number of shares of each portfolio company. In this way, the heaviest investment may be placed in the most important companies and the percentage in the different groups may be properly controlled. This is not possible if the same number of shares of each portfolio company is used and in many such cases, therefore, the weighting is out of balance.

Another decided advance in the construction of fixed trusts has been the provision for the elimination of companies. The early fixed trust provided that companies had to be eliminated at some specific time after a dividend had been passed. However, in many cases it is advantageous to retain the stocks of companies which have temporarily discontinued disbursements, provided the outlook for the company is such that it is assured that dividend payments will be resumed. In other cases, to hold a security until the dividend has been passed means that the major damage has been done and a serious loss must be taken in the sale of such security.

A more recent development in the elimination clause is based on earnings and provides that if the earnings of a company are lower than the average of the three or five preceding years, nationally-known statistical corporations may be consulted regarding the retention or elimination of such company. If these statistical organizations favor the elimination of said companies, the trustee then sells the stocks and pays out the proceeds of such sale at the time of the semi-annual distribution. Obviously, such a provision carries all the benefits of the earlier clause and renders it possible to eliminate a stock *before* it passes a dividend, but does not make it mandatory to do so *because* it passes the dividend. Certificate holders are, therefore, adequately protected against unexpected adverse developments that might affect the investment rating of companies comprising the portfolio.

The increasing popularity of the fixed trust has caused banking institutions throughout the country to approve such trust shares for collateral loans. Obviously, fixed trust shares, in representing a proportionate interest in common stocks which are actively traded in on the principal exchanges, constitute as sound a basis for collateral loans as the underlying companies themselves, provided provisions are made for the conversion of such trust shares into cash with the trustee.

This provision has been included in most of the fixed trusts and, therefore, marketability is assured at all times for the certificates which are themselves actively traded in any "over the counter" markets, as well as on certain local stock exchanges.

Cash Conversion Charge

IT IS important to ascertain whether or not a charge is made by the trustee or the depositor for such cash conversion, as in some cases a charge of 25 cents or 50 cents lessens the collateral value. However, with a great many trusts there is no charge whatsoever for this service.

It is generally believed that the popularity of a fixed trust will tend to increase as more of the investing public are each day being educated to the advantages of holding such shares. A single investment in a number of the leading industries of the country certainly affords security of principal, excellent opportunity for liberal income and market appreciation.

In conclusion, the following points for consideration are helpful in deciding upon the proper trust to recommend to clients:

1. How is the investor's dollar distributed between portfolio companies?
2. What safeguards are provided for the elimination of companies before it is too late?
3. What conversion privileges are provided to insure collateral value and liquidation without charge?
4. Are provisions made for the payment of the trustee for the life of the trust?
5. Are the profits of the depositor, both visible and invisible, reasonable?

Answers to the above questions will rapidly eliminate certain undesirable investments and leave a residue of sound securities for final analysis.

Even the Wolf Feels Pity's Pangs

Poet Pete—"Burglars broke into my house last night."

Friend—"Yes? What happened?"

Poet Pete—"They searched through every room, and then left a $5 bill on my bureau."—*Pathfinder.*

"Did I leave an umbrella here, yesterday?"

"What kind of an umbrella?"

"Oh, any kind, I'm not fussy."—*Boston Transcript.*

The Future of General Management TRUSTS

By STERLING PILE

President, Insuranshares Corporation of Delaware

INVESTMENT companies (or, if you like, investment trusts) rode into this country and to enormous popularity on the crest of the greatest stock market boom in history, remained with us, but minus the popularity feature, during the 1930 deflation period, and at the present time may be said to be gathering momentum toward an era of sound appreciation, during which their real usefulness will become increasingly apparent.

General management investment companies did not during 1930 by any means follow the course laid out for them by the prophets of doom. There were almost no failures, and so few mergers as to cause comment. It had been expected that there would be a long list of weak companies in search of stronger sponsorship. The actual smallness of the list is, perhaps an evidence of unexpected ability on the part of general management investment companies to withstand extremely adverse conditions. In addition it is possible to say that the earning record of most of the companies during 1930 was excellent, very few of them suffering heavily from reductions in dividend income, many not at all. Giving due consideration to the steady downward trend of the market during almost the entire period, most of these companies handled their assets with credit.

Year of Readjustment

SO FAR as 1930 was concerned the investment companies must regard it as a year of readjustment—a period of severe trial which was met and is now past history. A very different situation now confronts them, one which gives promise of renewed vigor provided the problems presented can be met successfully. Statisticians point out that the average yield at market prices of all dividend paying industrial common stocks listed on the New York Stock Exchange at the low point of December 17, 1930, rose to about 9.3 per cent as compared with previous record figures for over thirty years of about 9.4 per cent in 1921, 9.5 per cent in 1917 and 7.9 per cent in 1907. Added significance is given these figures by comparing them with the yield of high grade bonds during the same periods. Such bonds yielded less than 4.5 per cent in December, 1930, about 6 per cent in 1920, over 5 per cent in 1917 and nearly 5 per cent in 1907. In other words there was a greater excess of stock yields over bond yields in December, 1930, than at any time in the past thirty years. From these comparisons it appears that the reaction from the highs of 1929 resulted in an extraordinary depression which may prove to have been unjustified.

A comparison of present day economic conditions with those of 1921 will be illuminating and has a distinct bearing on the problems of investment companies. In 1921 production figures went far below present schedules, especially as respects steel and iron, coal, automobiles and kindred industries. Enormous inventory losses were suffered in addition. Due to vastly improved transportation facilities inventories have been enormously reduced in recent years and losses have been reduced correspondingly. In the main leading domestic corporations are in much better financial shape than in 1921. Many of them retired their senior indebtedness during 1928 and 1929 and built up large

(Turn to page 62, please)

The Intrinsic Merits of Public SECURITIES

By B. J. LARKIN
Vice President, Halsey, Stuart & Co.

STATE and high grade municipal obligations justly occupy a pre-eminent position in the field of investment securities. The inherent qualities of safety which characterize civil securities have given them a high standing in the eyes of conservative individual and institutional investors which may logically be expected to be maintained in future years.

The obligations of our sovereign states are dependent for their payment entirely upon the good faith of the issuing state. While state bonds are most frequently payable from taxation, either general or special, the proceeds from which are ample to meet principal and interest charges, a holder has, usually, no legal recourse in the event of a default, since a state of the United States cannot, without its consent, be sued by an individual, to enforce payment of its obligations. However, the desire on the part of our sovereign powers carefully to preserve their credit and the full realization of the dire consequences which would follow the failure to meet their obligations promptly, have in recent years proven sufficient incentives to avoid any possibility of financial delinquency.

Municipal bonds, the obligation of the cities, towns, counties, school districts and other political subdivisions of our states, are fundamentally different from state bonds in that their payment is enforceable through legal proceedings. Municipalities are authorized to incur indebtedness by the constitution and statutes of the state in which they are situated and similarly the state laws prescribed the manner in which payment shall be made and enforced. The obligations of the political subdivisions of the state may be secured by the full faith and credit of the issuing community or may be payable solely out of a special fund without pledge of the community's general credit. Obviously there is a material difference in security between these two types of obligations and the holder can only look to an enforcement of those rights which he possesses. In case a default occurs in payment of a general obligation bond for which a political subdivision's full faith and credit are pledged, suit may be instituted in the proper court to compel payment and if the bond has been legally issued so that no defense based on irregularity of issuance is possible, the bondholder is almost certain to obtain a judgment for the amount he has requested in his suit. It then becomes obligatory upon the proper officials of the municipality to provide means to pay the judgment, which is generally through levy and collection of a sufficient tax. If the defaulted bond is not a general obligation, but is payable only from a special fund, the procedure is substantially the same except that after judgment has been obtained, the municipal officials can only be required to make payment from the special fund and to raise that fund in so far as such is possible. Obviously, legality plays an important part in the safety of public securities, and the necessity for approval of issuance by a thoroughly competent municipal bond attorney cannot be overemphasized.

"Over one billion, three hundred million dollars of permanent (long term) bonds of the states and municipalities of the United States and its possessions have been issued and sold each year for the past seven years. Public financing has increased at a seemingly astounding rate. In this connection it should, however, be remembered that an amount equal to probably one-third of the total new issues sold have matured and have been redeemed!"

Ability to Pay

IT WILL also be apparent that a community's ability to pay its obligations is of paramount significance. An ironclad legal instrument is of negligible value unless it represents a contract made by a responsible borrower. If the bond is payable only from some special fund such as the revenue from a municipally owned public utility, or from special assessments levied upon the specific property benefited by the improvement for which the bond is issued, it must be established that such special fund will during the life of the obligation be ample to meet all principal and interest charges. In the case of a general obligation bond secured by a community's full faith and credit, it is, of course, essential that the issuing political body be of stable character and of adequate resources which, beyond any doubt, will be an adequate basis for taxes necessary to pay the charges on all indebtedness. When legality of issuance is assured, and ability to pay is beyond question, civil loans represent an outstanding type of security and must be regarded as second only to United States government obligations from the standpoint of safety.

There are periods from time to time, such as we are witnessing today, when financial difficulties develop in the administration of some few of our municipalities, which by many are accorded more importance than is justified. We are now, or at least we have been, in the throes of a world-wide depression which has manifested itself by many difficult economic circumstances. We have in this country been harassed by an exceptionally long and severe agricultural depression. Our farming classes have been sorely pressed and in many instances resources have been reduced to a minimum. In our urban communities, commercial and industrial activities have likewise declined and resources impaired. Real estate, which forms the principal basis of taxation in our states, has been particularly depressed, so that in some sections present realty values do not even justify the tax to which they are subject. Abnormally heavy tax delinquencies and greater difficulty on the part of municipal officials in enforcing payment of tax liens are natural consequences of these conditions. In addition to these difficulties there has been an unprecedented wave of bank failures which has resulted in substantial losses not only to individual depositors but also in many cases to municipalities having public funds on deposit.

As a result of these circumstances, several of our less favorably situated municipalities have found themselves temporarily embarrassed financially. The state of Florida, following the collapse of its real estate boom which was of exceptional magnitude, has doubtless suffered more than any other state. Indebtedness, which its political subdivisions willingly assumed when valuations and population figures were at their peak, is very burdensome under present conditions of low real estate values, relatively small populations, and decreased commercial and agricultural activity. Some of the most unfortunate municipalities have even attempted repudiation of their bonded debt, claiming that payment is impossible under present difficulties of tax collections. It is significant to note in this connection, that in those instances of refusal on the part of municipalities to meet their obligations which have been adjudicated the courts have consistently held in favor of the bondholders and have given no heed to pleas of poverty by municipalities. Thus it is established that, although paying ability may be seriously impaired, municipalities must nevertheless do their utmost to fulfill the contract represented by their legally issued evidences of indebtedness.

Where Defaults Occurred

FINANCIAL difficulties have also recently occurred in several communities of other states, particularly North Carolina and Tennessee. In the great majority of such cases, delinquencies in the meeting of payments have been due primarily to the failure of some bank which served as depository for the community's funds. The greater percentage of defaults has taken place in cities, counties or districts where resources are neither large nor diversified so that the loss of any cash on hand immediately disrupted the community's budget.

Much publicity is always accorded the financial difficulties of our communities. Generally speaking, and under ordinary circumstances, a default in payment of a civil loan is a rare occurrence, and it is for that reason, no doubt, that such happenings make good news and are worthy of full comment by the press. To the layman, such publicity doubtless brings a measure of skepticism concerning the safety of all public loans. To those familiar with municipal finance, on the other hand, who realize that the legally issued obligations of a sound community must be paid, reports of difficulties in the status of a municipality's finances are of no great concern unless paying ability is substantially and permanently impaired.

Over one billion, three hundred million dollars worth of permanent (long term) bonds of the states and municipalities of the United States and its possessions have been issued and sold each year for the past seven years. Public financing has increased at a seemingly astounding rate. In this connection it should, however, be remembered that an amount equal to probably one-third of the total new issues sold have matured and have been redeemed.

While state and municipal indebtedness may appear to be increasing very rapidly, consideration must be given the rapid increases which have taken place in population, wealth and consequent paying ability. Today's higher living standards demand extensive public improvements, and public improvements themselves create wealth, and in many cases produce monetary revenues.

New Orleans Office

Smith, Burris & Company, Inc., announce the opening of an office in the American Bank building, New Orleans, La., in charge of William S. Rembert, vice president.

Smith, Burris & Company are the central syndicate managers for the distribution of Corporate Trust Shares and several other investment trusts. Complete wholesale service, heretofore only available in Chicago, Detroit and Omaha for the central section of the United States, has thus been extended to New Orleans.

This local organization has been formed better to serve the many investment houses and banks throughout Louisiana, Alabama and southern Mississippi.

Buy Him a Dish Mop

Customer: "I want a nice present for my husband. What do you advise?"

Shopkeeper: "May I ask how long you have been married, madam?"

Customer: "Oh, about fifteen years."

Shopkeeper: "Bargain counter in the basement, madam."—*Leeds Mercury.*

Why Fixed Trusts Meet the Present Investment Demand

By ROBT. I. RHEINSTROM,
General Manager, Republic Shares Corporation

WE HAVE just passed through an era of several years, duration, which has been full of experiences for the investor. In the long run it will prove to have been a helpful experience and an experience whose results should have an enlightening influence, notwithstanding the many losses which unfortunately were entailed. Many investors, as a result of these experiences, are still bewildered to know why the securities they purchased, often with the savings of a life time, did not behave better. Since they purchased their securities, sufficient time has elapsed for certain inherent deficiencies, either in the securities themselves or in the investor's general policy, to become evident. This applies to bonds, notes, preferred and common stocks.

The investor of average size for years has felt dissatisfied with the meager return he was making as compared with the fortunes being made by the wealthy on their investments.

A large number of these average investors, realizing their need for safety of principal, had purchased bonds. During a period of business expansion and general prosperity, these investors observed the steady increase in value of the common stock of the companies whose bonds they held, while the market price of their bonds remained stationary, or, in some cases, declined. They felt they were not getting a just share of industry's increasing earnings. It was only natural, then, that thousands of these investors turned to the purchase of common stock. The whole public became "stock minded" and financial pages of the newspapers were studied on every corner. For a while, all went well. Then came the turn of the market in 1929 and many investors of moderate means saw their profits suddenly vanish. They were bewildered, for the time being at least, as to just what had happened, and why.

But out of this experience the average investor has drawn certain more or less definite conclusions. He still has full confidence in the future prosperity of American business enterprises and knows that he should share in that prosperity through common stock ownership.

I believe, however, that the era through which we have just passed has proven to many an investor of average size that he is unable to equip himself so as to properly discriminate in the selection of his securities and that because of his comparatively smaller means he is unable to diversify his holdings, which qualities have been two of the main stays in the investment structure of men of wealth.

The average investor has further learned that he cannot with safety rely on the information passed around about this security or that, and that he must confine himself to securities which are sponsored by institutions which have behind them men experienced over a period of years in the judgment of business credits from an investment point of view. Banks are safeguarded in making their commercial loans through having officials, who are in close contact with persons to whom they make their loans and who know how to judge commercial credits. A similarly close range contact with the institutions whose securities are being sold and a knowledge of investment credits is necessary in the judging of securities. The result of these experiences has been that the average investor has commenced to feel that to obtain safety and adequate return, he must place his funds in the securities of large concerns, the position of which concerns in national and international business has over a period of years been definitely established and which concerns have an unbroken record of profit making and dividend paying. Such concerns year in and year out pay dividends on stocks with the same continuity as they pay interest on bonds.

Diversification

AGAIN, the average sized investor has learned that diversification, which is the second main stay in the investment policy of the wealthy man, is equally necessary to his successful program. The demand for a security which would answer all of these requirements led to the introduction of the Fixed Investment Trust. The Fixed Investment Trust, therefore, in form and at this time caters to the psychological demand, the extent of which is evidenced by the hundreds of millions of dollars being invested in this type of security. The demand is here and it should and must be satisfied. The extent of the demand has brought into being many trusts, most of which are distributed through investment banking dealers throughout the country. As the demand grew, so did the science of the grouping of these stocks develop so that some of the trusts offered in the last few months have been able to effect changes in the grouping of stocks and in the balancing of the moneys invested in each stock in the portfolio so as to obtain maximum yield as well as maximum safety. As time goes on there will be other ramifications of the Fixed Investment Trust idea but it is at all times important for the investor to acquaint himself with the features in these trusts and with the standing of the persons who are sponsoring same. There are different types of fixed trusts and in the case of certain recent offerings the sponsors have gone to great length to properly train and equip salesmen who are able to select the type best suited to the requirements of each type of investor.

We are now entering an era, which because of the enlightened methods now being used by modern security distributing organizations will be of great benefit to the investor (be he large or small) in the protection of his securities. Securities henceforth will be merchandised. The merchandise will have to stand up just as do the other items purchased with the public's money. And the salesman whether known to the investor or not will have to have at hand the information necessary to prove that his security is what he represents it to be and that it is suited to the particular needs of the investor whose business he solicits.

Therefore, the experiences which we have lived through recently will in the long run prove to have been for the better and for the enlightenment of the investor. A strong demand for such improvement and enlightenment has already developed and is now being supplied by the Fixed Trust which has behind it proper sponsorship. Such fixed trusts, because of their high degree of investment merit, are certain to become increasingly popular, and, in the writer's opinion, will establish themselves as a permanent feature of American finance.

How the Scrap Began

She: I've just read that a man out in the west exchanged his wife for a horse. You wouldn't exchange me for a horse, would you, dear?

He: Of course not; but I'd hate to have anyone tempt me with a darned good car.—*Passing Show,* London.

Current Questions on Fixed Trusts

By EDWARD P. WELLS

President, Distributors Unified Service, Inc., Chicago

THE placing of common stocks in trust and issuing certificates of interest in them has attained proportions and variations giving rise to many questions of comparison from an increasing number of investors. Most of these questions fall under a few heads.

The kinds of fixed trusts at the present time may be in general classified: Distributive fixed trusts in which stock dividends right and/or split-ups accruing to the deposited stocks are sold by the trustee and the proceeds distributed to the holder of the stock certificate; cumulative fixed trusts in which the stock dividends and split-ups or the larger part of them are retained by the trustee as a part of the deposited property; semi-fixed trusts which have provisions for the sale of a stock from the deposited property and the reinvestment of the proceeds into other stocks in the original portfolio which is more extensive than is found in the more rigid type of trust.

Common to the distributive and the cumulative fixed trusts is the question of the elimination provision. In some a deposited stock which passes its dividend must be eliminated within a recited time in other trusts it may be eliminated in the discretion of the depositor company which notifies the trustee to sell.

In regard to the distributive type there arises the question of a reserve fund designed to stabilize the semi-annual distributions resulting from the accumulated cash dividends and proceeds from the sale of stock dividends, split-ups and rights, at a return figure higher than would result from cash dividends alone.

Common to all fixed trusts is the question of the "loading" or the difference between the actual proportionate cost of the deposited stocks and the offering price of the trust shares.

This subject is somewhat complicated owing to the various methods of setting forth the items of brokerage, between the distribution dates of the trust shares and the different ways of splitting the charge into distribution, issuance and service charges, etc.

In the matter of the selection of the portfolio the companies represented are familiar to the banker and the fundamental factor is diversification for the stability of earning power.

The basis of the marketability of all trust shares is primarily the provision for exchange of trust certificates for the deposited stocks and the accumulations thereon.

The question of interest allowance on the reserve fund and/or accumulations held by the trustee between distribution dates is considered in relation to the total loading costs and the initial payment of trustee charges for the life of the trust. The maximum amount of such interest applicable to each share may be estimated by figuring interest on the average annual distribution.

The two factors which have resulted in the comparatively large acceptance of fixed trusts are diversification of the investment and trust service in broad common stock ownership. In small purchases there may be a saving over the purchase of the individual stocks because of smaller brokerage costs; in large purchases it is a matter of the desirability of single certificate ownership and trust company service.

There has never been such a solicitation of the public to buy the stocks of our greatest corporations nor such a promulgation of equity investment when stocks were at relatively low levels as has resulted from fixed trusts.

Investment Bankers Convention

The twentieth annual convention of the Investment Bankers Association of America will be held at the Greenbrier Hotel, White Sulphur Springs, W. Va., November 1 to 5, 1931. The first two days, November 1st and 2d, will be devoted to meetings of the board of governors and committees. The opening session of the convention will be November 3rd with subsequent sessions November 4th and 5th. An effort was made at the association's 1930 convention to shorten the convention period one day by having the board of governors arrive twenty-four hours before the delegates. This arrangement interfered with conferences between committees and members of the board. The forthcoming convention will, therefore, be one day longer than last year's meeting and members of the board of governors will accompany delegates to the convention on the special convention trains.

The Investment Bankers Association has customarily held its annual May meeting of the board of governors at White Sulphur Springs. A recent addition to the hotel at that place makes it possible to accommodate the larger convention meeting. The association's committee that selected the place of convention is:

Charles D. Dickey, Brown Brothers Harriman & Company, Philadelphia; George N. Lindsay, Bancamerica-Blair Corporation, New York; Albert E. Schwabacher, Schwabacher & Company, San Francisco; Sidney R. Small, Harris, Small & Company, Detroit; Kelton E. White, G. H. Walker & Company, St. Louis; Alden H. Little, executive vice president, Investment Bankers Association of America, Chicago.

Continental Illinois Election

At a meeting of the board of directors of the Continental Illinois Bank and Trust Company of Chicago, held recently, the following changes were made in the official roster of the bank:

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

Woodbury S. Ober, a second vice president of the Continental Illinois Company, was elected secretary and treasurer of that company at a meeting of its board recently. Frank L. King, comptroller of the bank, was also made comptroller of the company.

Roger C. Hyatt, prior to his election as a vice president of the Continental Illinois Bank, practiced law in Cleveland as a partner of Hon. Newton D. Baker. Before that he was a vice president of the Union Trust Company of Cleveland. In 1921 he went to the First National Bank of Cleveland as a vice president and on completion of the work of consolidating that bank with others into the Union Trust Company, he continued as a vice president of the consolidated bank. Prior thereto, he practiced law for eight years with the firm of Tolles, Hogsett, Ginn & Morley, the last four years as a partner. Mr. Hyatt was born in Ithaca, New York, in 1891. He was educated in the public schools of that state and at Cornell University.

Needed Room

"Lady," said the policeman, who had motioned her to stop, "how long do you expect to be out?"

"What do you mean by that question?" she demanded indignantly.

"Well," he replied, sarcastically, "there are a couple of thousand other motorists who would like to use the street after you get through using it."—*Cincinnati Enquirer.*

Answering the Question:

JUST WHAT IS AN INVESTMENT TRUST?

By FRANKLIN L. TORNEY,

Director of Public Relations
Slayton-Learoyd, Inc.
Boston

ASK any man on the street how many investment trusts there are in America and the answer will be anywhere from a few hundred to thousands.

Just what is a true investment trust? A true investment trust is organized for the primary benefit of the investor and so set up that all profits except a satisfactory fee for management are returned to those whose money is entrusted in the fund. A close parallel of such investment trusts is found in the trust departments of our trust companies and banks. So close is this parallel that the voluntary trust associations, organized in the Commonwealth of Massachusetts, are in the main amenable to the same laws, particularly those regarding the liabilities of the trustees.

Imagine if you can a trust solicitor approaching a prospect for a million dollar trust account and in the course of the conversation mentioning that aside from the usual five or six per cent charged for management, the trust company will expect a "rake off" on all profits exceeding a certain amount; also, that there are certain bonds to be issued against the trust's assets which would be a direct lien on his property and these bonds are to be repaid through the money which his account earns. How fast would such a trust department grow?

A recent study of Poor's 1930 Manual of Investment Trusts shows that of 315 so-called investment trusts listing their capital structures, only 50 have a single type of security outstanding which participates 100 per cent in all the assets of the trust. There are a few others who issue a single class of shares but which have management contracts or warrant rights that may cause a dilution of the shareholder's equity. The more popular form seems to be the issuance of not only Class "A" and "B" common stocks, one or the other of which is reserved entirely for the organizers, but several classes of preferred stocks, cumulative, non-cumulative or convertible and in some cases bonds to lend the air of solidity to the entire structure. With the participation of all these other classes of securities in the earnings of such a trust, what is the common stock equity, sold to the public, actually worth?

FRANKLIN L. TORNEY

The True Picture

AN INVESTMENT corporation recently formed stated that Class "A" securities offered to the public were to receive all dividends up to six per cent of the income before participation of the Class "B" securities. It was estimated that "income should average approximately ten per cent per year based on the interest on cash in the portfolio, dividends received, stock split-ups, rights and profits from the sale of securities," all of which were to be sold and applied to income. As it is quite possible that the true income estimated for this company should be about four per cent, that is, the items of interest on cash and cash dividends received, the remaining six per cent may be considered in the nature of distribution of capital itself. This would be so considered in the average bank or trust company. On the expected 10 per cent "income," six per cent of which is actually capital, the Class "A" shareholders will receive the first six per cent in its entirety, the remaining four per cent is to be divided, 90 per cent to Class "A" shareholders and 10 per cent to Class "B" shareholders represented by the management for which presumably no money was paid.

Using their own figures of outstanding Class "A" stock and income expectancy, the shareholders who pay all the money going into this trust, should receive approximately 96 cents per share per year, whereas the Class "B" shareholders will receive $2.66 per share for organization!

Question: "What is the common stock equity worth in this company?"

There has been much talk during the last year about the value of publicity in the publication of portfolios. The full light of publicity should shine on every investment trust. There should be no secrets as to major operations. The trust company renders a report of its stewardship to each beneficiary at intervals. The investment trust should be compelled to do the same. The State of New York takes cognizance of this fact in the following report recently issued:

"While we cannot always prevent breaches of trust in advance, there is every reason why this state should require that those companies which act in a semi-fiduciary capacity should render to their shareholders at frequent intervals a full account of their stewardship, including a detailed list of their security holdings. Examination of the history of a number of these trusts which fall into serious difficulties shows that had the shareholders been advised for three months of conditions, they might have had an opportunity by prompt action to save something from the wreckage. Moreover, the certainty that their management would soon be exposed to a critical review might exert a wholesome influence on the directors and thus prevent over boldness or even actual dishonesty."

Inasmuch as Massachusetts Investors Trust has so many times been used as a model may we be allowed to say that since its organization in 1924, and in the face of openly expressed disapproval from other trusts, this trust has published every 90 days, not only to its own shareholders but to the public at large, the full details of the portfolio, not alone the list of stocks held, but their cost. It publishes

the purchases and sales during the quarter; rights, split-ups, stock dividends, extra cash dividends; in fact, all major points of interest to the investor.

What the Commission Said

SINCE 1928 other investment trusts and corporations have adopted the policy of publishing their holdings. The New York Securities Commission says further:

"When a clear picture of the asset value of investment companies is presented at frequent intervals there is less danger of distortion in the market value of their shares. A cogent reason for the frequent publication of the holdings in these companies is found in the argument most often employed in selling their securities which is that the investor can thus diversify his securities and spread the risk.

"The whole point in this argument fails unless the investor knows what securities are owned by the investment in which he is a stockholder so that he can arrange accordingly his own other individual holdings. The publication of the portfolio permits the stockholder to form an opinion of the way in which his money is being handled and to withdraw if the policy of management does not suit him. It is significant that in a comparatively small number of management trusts which showed signs of fraudulent dealings, there was not one which published its holdings. One very practical reason for the change in policy of 1928-29 when a few trusts published their portfolios is that trust shares are now selling for the most part considerably below their asset value, whereas before October, 1929, they sold at 50 to 100 per cent above it."

Apparently the New York Commission feels that the mere publication of portfolio holdings should be sufficient to maintain the more proper balance between the actual value of their shares and the selling price. Perhaps this is true but the experience of Massachusetts Investors Trust and others operating under similar self-imposed restrictions points very clearly to the value of bona fide maintained bid and asked prices. With this trust the bid has never been withdrawn and is firm for any quantity of shares offered, always based on the net asset value of the portfolio.

The ordinary bid price is maintained by the general distributors. In the event of an extremely heavy sales of shares the trustees of the trust—under the terms of the indenture—would be compelled to buy back any number of shares offered to the extent of the entire portfolio, on a basis of the actual asset value less one per cent. Under this provision it would be possible to liquidate the entire trust within 48 hours and return to the investors 99 per cent of the market value of the underlying securities. Compare this with the forced liquidations of banks which at times run into years before final settlement.

Another Principle

ANOTHER principle which has been recommended is that all securities purchased for the portfolio be selected from Approved Lists. To argue who is to select securities for the Approved List is more or less beside the point. Publish the list and make it available to everyone interested and this fact is its own protection, for each security entering this list is subject to a close scrutiny of those interested in the purchase of the shares of this trust, and doubtful issues have no place in such a list. Such doubtful securities, or those in which the management are patently interested, would certainly start a wave of unfavorable comment which would, in turn, cause an unloading of the shares by investors.

There are many who maintain that the Approved List restricts management. Our reply is, "But why shouldn't it be restricted?" The Approved List idea is common with banks and insurance companies and with trust departments of trust companies, although they are rarely published and there is no reason why it should be included in the investment trust as a protection to the investor.

To those who seek information about investment trusts we say, "Look well to the structure. How nearly does it approach the bank trust department?" After all, the main difference lies in the fact that instead of the maintenance of many individualists of holding, catering to the individual requirements of the investor, the true investment trust sets up a single list of investments under experienced management and invites the investor to place his funds, together with thousands of others, in this one list of well-diversified securities, subject to withdrawal at any time he pleases. The management of investment trust stresses the one investment rather than the individual needs of the investor.

By concentrating on a single list of wide diversification the investment trust can accomplish profitably what is impossible for the trust department; that is, the administration of comparatively small amounts—the accounts that the average trust department does not care for—and render to the investor the same type of stewardship as employed by the banks at approximately the same figure. The true investment trust should operate at the same cost as the trust department of banks, namely, a minimum percentage of income rather than half or one per cent of capital usually charged by investment corporations.

Without doubt the investment trust is a permanent institution but how much legal restriction is to surround it depends entirely on the uses and abuses to which it is subject.

The Science Back of Choosing a PORTFOLIO

By LATHAM B. REED
Fundamental Group Corporation

FUNDAMENTAL value is the determining factor in selecting the companies the securities of which make up the portfolio of a fixed investment trust, because, as far as humanly possible, adequate income must be assured and the element of chance eliminated for 20 years, the average life of a fixed investment trust.

The past history of a company, however excellent, should not of itself qualify its securities for a place in the portfolio of a fixed investment trust. Records alone, although constituting an essential factor in making a choice, cannot guarantee that a company will maintain its stability and continue to expand its business and earnings. In the ebb and flow of modern business, managements, markets, rivalries, tariffs and domestic and international politics bring about changes and vicissitudes, but where values are fundamentally established, where they are integral with the foundations of this country's commercial pre-eminence, other considerations may be regarded as subordinate.

A Large Undertaking

HOW to determine where fundamental values exist, and where they do not exist despite figures eloquent of past and present prosperity, is an undertaking which demands comprehensive study, critical analysis and meticulous appraisal of a host of factors, many of them obscure and apparently irrelevant. Because the future of many companies in many industries must be considered, a serious responsibility attaches to the investigation and decision. But the task is simplified, taken out of the dim realm of prophecy and brought within the scope of modern methods of statistical study by the fact that the cornerstone of the fixed investment trust is faith in the future of this country. What remains to be studied is the indicated course of the major industries in relation to the country's normal progress and the status of the leading companies in the great industries.

In the case of Fundamental Trust Shares, a fixed investment trust with the details of which I am familiar, the selection of the 40 companies represented in its portfolio was entrusted to a pioneer organization in scientific economic research directed by Dr. Albert J. Hettinger, Jr., formerly Professor of Statistics at the Harvard Graduate School of Business Administration and economist to the Federal Reserve Bank in Boston.

This organization undertook a general and specific economic study for the purpose of selecting from American industries the most attractive investments based both on underlying values and promise for continued progress in the future. The survey was predicated on the theory that while investment ratings of securities based on past performances should be taken into consideration, the vital factor was the future of the companies selected. In other words, the companies chosen would be required to pass every test of past and present stability and, in addition, be representative of industries which are fundamental to the future growth and development of the country.

The survey divided itself into two sections, the study of industry in its broader classification, and a specific study of certain companies within each of the major industries which seemed to be in a position to benefit most from economic trends and from the continued development of the industry itself. In addition to a complete library of statistics on industries in general and the companies within them, the organization had made its own individual studies of hundreds of representative companies which have been continuously supplemented and kept up to date. Accurate information, comprehensive study and intelligent interpretation of facts cooperated to arrive at a decision in regard to the fundamental values represented in the portfolio finally selected.

An interesting and additional provision for the future which had weight in the selection of this particular portfolio was the relative worth attached by the companies studied to scientific industrial research. In the portfolio are included companies which maintain research departments with personnel ranging up to 5,000 technicians, for the general purposes of improving quality of output, service and operation, reducing costs, developing new products and creating new markets. Regarding the status of science in industry, Dr. E. E. Free, lecturer on science in the School of Commerce, Accounts and Finance of New York University, said in a recent address to the New York Electrical Society:

"New businesses or old ones stand on three legs like a three-legged stool. One is finance for every stable business must have a sound financial structure. A second is public relations, including law. The third is science and technology, for no business can be stable nowadays without adequate scientific basis. If any one of these three legs is weak the business is in danger. Usually it is the scientific leg which is weakest for the average business man knows much of finance and something of law but very little of science or technology."

Business is awakening to a realization that science has become the mainspring of industry. Ten years ago there were not more than 200 industrial research laboratories in this country. Today 1,500 American enterprises maintain laboratories for scientific research at an estimated cost of $200,000,000 a year.

Trend to "Equity," Securities

Harold E. Wood, vice president of the Foreman-State Corporation, speaking at the annual meeting of The La Salle Street Cashiers recently, said "The trend of public demand for securities is toward 'equity' securities. In 1929, 70 per cent of corporate financing was in common stocks; and even though corporate financing in common stocks dropped to 32 per cent in 1930, the public did not purchase bonds, 70 per cent of the bond sales in 1930 being to institutions and not to individuals."

Mr. Wood said further, "The bonds issued in 1930 were largely of the convertible type because investors demanded a right to the future of the corporation in which they were investing. Fixed trusts came into prominence in 1930 because of this public demand for equity securities, but the present trend is toward a modification of this fixed trust to the semi-management or management trust, which will prove an unusually important factor in future financing."

The association elected the following officers: President, Thomas J. McHugh of Lester, Carter & Company; vice president, E. L. Milwick of Paul H. Davis & Company; secretary, Sidney L. Parry, Chicago Association of Stock Exchange Firms; treasurer, Lester L. Brons of Russell, Brewster & Company.

That Explained It

Diner: "Here, waitress, take this chicken away; it's as tough as a paving stone."

Waitress: "Maybe it's a Plymouth Rock, sir."

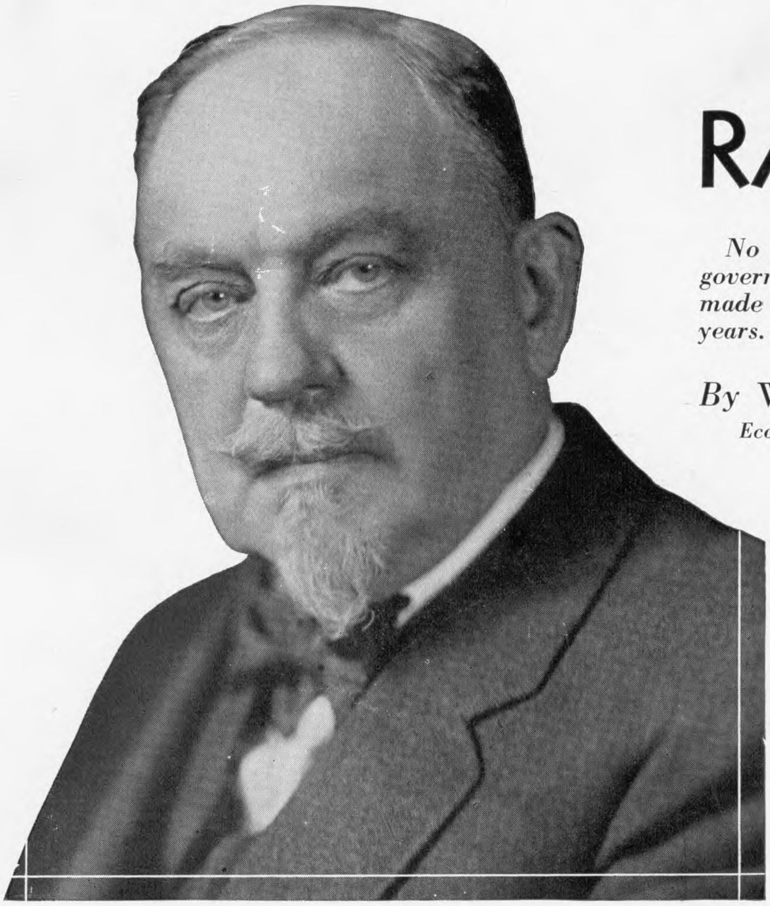
"There is my friend Cohen, I wanted you to meet—the one talking to the two men."

"It's too bad he has the palsy."

"That's not palsy. He stammers."

Government Bonds

We're Cutting Our U. S. Debt too RAPIDLY



WILLIAM C. CORNWELL

No further payments on our government debt should be made for at least another ten years.

By WM. C. CORNWELL

Economist, J. S. Bache & Co.

IT HAS always been considered a virtuous thing for an individual to pay his debts as rapidly as possible, but this does not always apply to the debts of a government.

For instance, the United States government has been paying its war debt to an extent far beyond the requirements of the law on the subject.

This law was established by congress. Soon after the termination of the war, that body took up deliberately the consideration of what amount should be set aside each year out of government receipts as a minimum sinking fund for the purpose of reducing the government debt.

This law established the fact that the war debt should not be drawn all at once from the present generation. If the treasury had adhered strictly to the minimum requirement of the sinking fund, as originally determined upon by congress, it would have reduced the debt in the ten years under consideration by the amount of $3,187,468,300. As a matter of fact, debt retirement had been effected during the ten years in an amount exceeding $8,000,000,000.

It will thus be seen that during the last ten years, the taxpayers have been paying into the treasury a very much larger amount for the reduction of government debt than was required by law.

This excess of reduction has been in accordance with the policy of the treasury and the administrations up to date.

Once in the ten years, in 1926, the President unexpectedly advocated rebating the whole treasury surplus to the taxpayer. This reversal of policy conflicted with the treasury's previous attitude. The secretary gracefully acquiesced. He even went so far as to say (it is reported):

"I believe in debt reduction along the program settled after the war. I do not believe in the payment of a public debt to the undue burdening of productive industry. A balance should be maintained for the debt reduction and tax reduction which is fair to all interests in our country."

This was certainly sound theory, but it did not prevail in the following years.

As shown above, during the period under discussion, the treasury has paid down the United States debt nearly $5,000,000,000 more than was necessary, and a large part of this excess was obtained by heavily taxing the people of this generation.

A Questionable Policy

THE wisdom of the policy of loading such an unnecessary strain upon the taxpayers has often been questioned. Some people believe that it is unjust to add to the burdens of the present generation vast amounts not required by law.

It is true that the war brought to the United States amazing benefits. It placed this country in the highest financial position in the world, developing its resources tremendously and showering prosperity upon us, while all the rest of the world was under the shadow of acute depression and suffering.

It is argued that these great benefits will extend into the future, possibly the very far future, and benefit future generations accordingly.

Why, it is asked, should the burden of the war debts be placed so oppressively upon present American populations, and future generations allowed to go free?

Aside from that, it is fair to ask why the sinking fund, already heavily over supplied with funds, should not be suspended in times like the present when business is bringing burdens enough, due to the depressed period through which we are passing. Especially may this question be asked when the sinking fund has been largely increased beyond minimum requirements, as shown above. Whether such payments, unnecessarily absorbing larger taxes, were wise or not, the country is certainly entitled to receive a present benefit and relief from taxation in these serious times.

But this is a temporary condition of things, and the rebound of business is sure to correct them when it comes. A comparatively small treasury deficit is negligible when we consider that the treasury has, in a sense, already overpaid many hundred millions of dollars on the debts and the further fact that this is no time to increase taxes. There is another fact to be considered—namely, that there is no real advantage to the public in retiring the debt further.

THIS has to do with the usefulness of government bonds in banking and other financial transactions.

Every bank in the country, by owning government bonds, obtains definite advantages and benefits which cannot be obtained in any other way. This applies also to the commercial community at large. Government bonds constitute the only long-term security acceptable any time for rediscount. They have all the advantage of currency without any of its weaknesses. *They should not be cancelled at all any further.*

United States government bonds furnish a means by which, through buying and selling, the federal reserve banks have one means of regulating the demand for credit. They furnish a market upon which savings banks can sell bonds when all other securities are depressed, and buy them back again as the most stable asset in their portfolios.

There is nothing to take their place and there is no need to levy taxes to provide the sinking fund with cash to further continue the bond retirements.

However large the present treasury deficit may become in this emergency, it has back of it at least a moral reserve of many billions of dollars, a goodly part of which might have been used to relieve the country of overburdening taxation, instead of retiring debts ahead of time.

The government debt of the United States has already been reduced enough to allow an interim of at least another ten years to elapse before any further taxation for the purpose is levied upon the present generation.

Convention at Boston

Boston in 1931—That is the decision made by the Financial Advertisers Association. The sixteenth annual convention will be held in the historical New England city, September 14-17. The Statler Hotel will be the convention headquarters. Plans are already being made so that this conclave will always be remembered as one of the most enjoyable and instructive on record. Various local committees have already been selected. Ralph M. Eastman, vice president of the State Street Trust Company, is chairman of the general committee.

Appropriate in name and ability, Myles Standish, direct descendant of the illustrious figure of Colonial days, will be chairman of the historic trips committee. This will be a committee which will prepare some of the most interesting trips in the history of the association, as Boston is a center of historic interest.

Announcing their intentions, the Boston members of the association state: "We shall endeavor to blend the traditional New England hospitality with a modern cordiality to make your visit a memorable one. We believe that everything possible will be done to make your visit enjoyable and instructive."

THE RISE OF THE FIXED TRUST

The strength and conservatism of the sponsors is the important factor in judging fixed trusts.

By WILLIAM C. FREEMAN,
Executive Vice President
The National Republic Co.
Chicago

TWO years ago not one investor in a hundred—and not one banker in ten—had ever heard of the type of investment known as "fixed trust" shares. Today, these shares are talked about on every hand, and their popularity has constituted the one outstanding exception to the recent dullness prevailing in the securities markets. So widespread has the fixed trust business become that an analysis of the financial advertising in one of the metropolitan newspapers recently showed that fixed trust advertisements led every other classification—both in size of space and in number of advertisements.

The remarkable growth of this type of security, in so short a time, places upon bankers the obligation to analyze and thoroughly understand this type of investment. Hundreds of banks throughout the country are selling such shares to their customers; and even those bankers who have no intention of distributing such securities are certainly placed under the necessity of making an intelligent recommendation to their clients.

WILLIAM C. FREEMAN

Different in Principle

ALTHOUGH the classification of "investment trusts" has been loosely used to cover both the management and fixed type of trust—they are in reality entirely different in principle, and the fixed trust is something entirely new in financial annals. The development of the holding corporation during the past few years has accustomed the public to think of corporations not only as business enterprises, but also as investing institutions, and the development of management trusts—which are corporations whose business is investing—was a natural and logical step. The fixed trust, however, is essentially a *plan* of investment — supervised by a trust company—rather than a business enterprise.

"It is usually the aim of corporation managers, when shares are split up, eventually to put the added number of shares on the same dividend basis as the original stock; and this policy, of course, works to the advantage of the fixed trust which holds all such accruals."

In brief, the fixed trust plan is simply to select a certain list of securities—usually all common stocks—and to invite the public to buy shares in a trust deposit composed of these securities. Management thus ceases to be a factor, and the principles which apply to the selection of other types of investment do not apply. For example, we have often been told that in buying common stocks an important factor is the "dividend record" of the stock purchased, and investors are cautioned to choose "seasoned stocks." However, in the fixed trust field, today's newest offering—if it is properly set up—may be on a parity with the oldest fixed trust on the market, since it automatically takes the character of the stocks composing it, and its "dividend record" is the record of these stocks.

In most cases, well known statistical organizations are consulted with respect to the trust portfolio, and there are a considerable number of fixed trusts whose selection of stocks is very much the same. Naturally, the stocks selected are the market leaders and those which appear to have the best chance for future appreciation, and such a selection does not leave room for very great variation. The difference, therefore, between one fixed trust and another does not usually lie so much in the portfolio as in the provisions of the trust indenture. In this respect, there are some rather important variations.

Perhaps the most important of these variations lies in the distinction between the "capital accumulation" type of trust and the "maximum distribution" type.

In the typical capital accumulation type of fixed trust, stock dividends and split-ups are retained so far as is mechanically possible. In the distribution type, these accruals are sold as soon as received, and the proceeds distributed to the investors.

A Concrete Example

AS A concrete example of the working out of these opposed policies, let us suppose that a fixed trust held in its portfolio one share of American Tobacco, which was recently split two for one. The capital accumulation type of trust would hold the additional share and its investors would in the future have the benefit of the earnings on that additional share. The distribution trust would sell the extra share received and distribute the proceeds to its investors. This would mean an augmented income to the investor—but would involve the sacrifice of the future return upon the share sold.

The proponents of the capital accumulation type of trust claim that the sale and distribution of the split-up share is, in effect, nothing but a return of his original capital to the investor. They also point out that if the portfolio was properly selected and well balanced in the first instance, the sale of one-half of its holdings of American Tobacco can only result in a disturbance of such balance and an unfavorable change in the ratio of diversification.

In this connection, it is perhaps fair to point out that it is usually the aim of corporation managers—when shares are split up—eventually to put the added number of shares on the same dividend basis as the original stock; and this policy, of course, works to the advantage of the fixed trust which holds all such accruals.

While I consider the capital accumulation plan distinctly preferable—some of the most popular fixed trusts represent the distribution plan; and it is not hard to understand why this should be, since the latter plan enables the trust to make a very attractive rate of current distribution to its investors. However, the present tendency—as the public becomes better educated with respect to the fixed trust idea—is toward the capital accumulation type, and the majority of the newer trusts have adopted this plan.

With the increasing development of the fixed trust idea, the strength and conservatism of the sponsoring bankers has become perhaps the most important factor in judging these shares. The security affiliates of one of the larger Chicago metropolitan banks and one of the more conservative Chicago bond houses have recently sponsored the distribution of such a trust, and several important and well known eastern institutions have recently entered the field. Such sponsorship may well bring about a permanent popularity for fixed trust shares—putting them on a sound and conservative investment basis.

A Prosperous Industry

The annual report of the Cudahy Packing Company gives a clear-cut picture of a large company that has markedly increased its profits during the past year. Cudahy, though it does not approach the magnitude of Armour or Swift, is one of the Big Four, and to a considerable extent its report typifies the experiences of its leading competitors and of the packing industry as a whole. Further, it sustains the general rule that the welfare of the packing industry is sympathetically linked with that of the live stock producers, who throughout the past year have fared much better than most other divisions of agriculture.

On November 1, 1929, when the fiscal year embraced in the Cudahy report began, the stock panic was going strong, though it had not reached its summit. Thus everything set down in this report has happened since the stock market broke. Nevertheless the report shows a gain of more than 16 per cent in net profits.

It is true that net sales have decreased; but this is chiefly due to the decline in the prices the company has charged and it is offset by a proportionate decline in the prices the company has paid for live stock. Reckoned according to volume, the sales are almost equal to those of the preceding year. Incidentally, the mail-order houses have met about the same experience—their volume of sales has been well maintained. Cudahy in 1930 charged less and paid less. However, as it remarks in its report, "the farmer received relatively higher prices for hogs and cattle in 1930 than for any other products of the farm."

The increase in profits was the result of new manufacturing and merchandising economies, many of which are of a kind that have also been effected in other lines of business which lack the inherent advantages of the packing industry in a time like the present. Naturally the opulent report of the Cudahy Packing Company is by no means an example of what any business under capable management could have achieved in 1930. But it does emphasize the highly important fact that some lines of business have prospered. It is an unmistakable spot of brightness in the general picture.—From Chicago *Journal of Commerce.*

It is easier to act, even to act heroically, than it is to sit down and have an idea.—John Erskine.

Aimin' high means nothin' if you're a rotten shot.

Common Stocks for Bankers

By PAUL CLAY,

President, Clay's Economic Service New York City

PAUL CLAY

A CENTURY ago the only investments that were considered high grade were national government bonds; 80 years ago even municipal and state bonds were regarded as speculations; 60 years ago the best railroad bonds were so regarded; and as recently as 20 years ago industrial stocks were thought to be unfit for any real investor to hold. But how the times have changed!

Now, gray-haired investors, whose grandfathers would not buy a municipal because it was too speculative, are actually showing a preference for common industrial stocks rather than bonds of any class. It was Edgar Lawrence Smith in his epoch marking book on "Common Stocks as Long Term Investments," who first clearly and convincingly pointed out the merits of investing in the future growth and prosperity of the nation; and then came the greatest of all bull movements lasting from September, 1921, to September, 1929, to demonstrate the investment character of good common stocks.

The Banker's Dilemma

INCIDENTALLY, this improvement in the merit and quality of one class of securities after another, when taken together with the ever widening activities of banks and bankers, have had the result of placing many a banker in an embarrassing dilemma. He has found himself practically forced to give to his depositors advice on their investments. This was not so difficult as long as those investments were bonds the qualities of which could easily be read; but during the past few years since the public began turning toward common stocks, the banker, to meet the demands of his clientele, must be not only a banker, but also analyst enough to discriminate between common stocks which look just alike, valuation expert enough to tell which are worth the price, and economist enough to foresee any really great change in the economic situation which might affect stock values as a whole.

In brief, the complexities of modern life have made the banker the financial leader, the investment expert, and the economic advisor to his community. How then shall he fulfill this quadruple role? Being human, it presumably takes him most of a lifetime to master any one of these four subjects; for this is the rule of human powers. Hence it is plain that he must seek the assistance of experts in the handling of nonbanking problems such as analysis of stock values, and forecasting of economic trends. Each of these subjects is itself so highly complex that success in it is a life undertaking.

One cannot forget the summer and autumn of 1929 when Wall Street men of the highest position and presumable understanding were unqualifiedly recommending many individual stocks respectively upon the claim that each represented what was called a "special situation." This phrase was used to mean that the given stocks possessed such high merit and such powerful financial backing that whatever the stock market might do, it would keep on going up. The fact that every previous bear market had carried down with it all classes and grades of stocks and bonds was not then thought to have any significance. Furthermore, the claims regarding "special situations" were made so positively and by persons of such high prestige that they came to be generally accepted. The practical lesson of that experience, now that the air has cleared, appears to be that the banker, in order to give the investment advice which is demanded of him, should have two particular types of expert knowledge:

First, knowing of expert valuation of common stocks; and

Second, knowledge of the best methods of financial forecasting.

Nature of Value

A GENERATION ago the conventional method of judging a stock was by means of a study of its book value. Later experience has proven, however, that book values contain all the fictions and errors which get into balance sheets either by design or by error. Consequently, they have lost prestige especially during the past ten years. Yet any generally accepted substitute for them has not yet been agreed upon. At different times and in different cases various departments of the internal revenue bureau have used more than 53 different valuation formulas.

However, the drift of recent years has been away from balance sheets and toward income statements—meaning that values are more and more widely determined by earning power rather than by book assets. The writer, in the Ford Motor case and in other valuation cases wherein he has given expert testimony, used a valuation formula resulting from his 25 years of research—which may be summarized briefly as follows:

(1) "Financial Strength" was first determined by means of a whole set of financial ratios;

(2) "Earning Power" was next determined by a study of earnings, of the rate of increase therein and of the variations thereof—so that this earning power might be substituted for the actual current earnings to give more accuracy to the valuation.

(3) "Earning Multiples" meaning the multiples or ratios of values to earnings in the cases of hundreds of stocks over long periods of years were then tabulated and compared.

(4) "Variation of Multiples" meaning the rule of this variation was thus discovered. It was found that the greater the financial strength the higher the multiple; but it was also found that the two did not vary in exact proportion.

(5) "Valuation." The valuation of any particular stock is thus obtained by multiplying its corrected and computed earning power by the particular multiple of value to earning power as indicated by the financial strength of the given corporation.

The merits of such a valuation—of which this is the barest outline with many important factors and details omitted—need only be mentioned in order to be understood. (1) Such a valuation reflects almost every possible feature of both the balance sheet and the income statement, because while many of these ratios used in determining financial strength are drawn from the balance sheet only, many others are based upon items from both balance sheet and income statement. (2) Earning power is much safer as an investment guide than current earnings, since it is not subject to violent changes such as the 20 per cent gain in 1929 and the 30 per cent decrease in 1930. (3) For these and other reasons such a valuation is probably the most accurate possible summary of the merits of a stock. (4) As might be expected, the value of a stock thus determined will often begin rising a long time before the price does so, or begin falling long before the price suffers a collapse.

A Fortified Position

OBVIOUSLY, the banker who provides himself with such detailed knowledge of values, as leading bankers have begun to do in many financial centers, is in a fortified position. He is better able to select stocks for estates under his care or for recommendation to his depositors—in cases of course where such estates or depositors call for common stocks. He is better able also to judge the collateral under loans and to manage his own personal and investment accounts.

Financial Forecasting: To many it is not apparent that a banker even in his advisory capacity needs any knowledge of financial forecasting. Admittedly, he does not need any knowledge of what has so often passed under this name. Nevertheless, there are times when credits become so inflated as to render it certain that all values will be seriously depressed. Some such times were 1929, 1906, 1902, 1880 and 1856. The most important point is that when such conditions arise they foreshadow a serious impairment of the prices and current values of even the best and most seasoned stocks.

Likewise there are other times when credits and inventories are so thoroughly liquidated and when the foundations of prosperity are so well rebuilt that the prices and values of all stocks, good, medium and poor are bound to enjoy a great appreciation running from one to three years. Some such times were August, 1921, December, 1917, October, 1915, December, 1907, and November, 1903.

Now, since these major advances and drastic declines affect all stocks regardless of intrinsic character—it follows that a knowledge of intrinsic value is not in itself and alone sufficient. The banker needs also a working knowledge of financial forecasting, meaning not the ability to predict all the turns in the market, but rather the ability to identify the great danger signals and the great buying opportunities.

No doubt this very practical need may explain why more has been written upon the subject of financial forecasting during the past 15 years than was written during the previous 150 years. Every university in the country is giving great attention to the subject; many banks, bond houses and industrial corporations have their economic departments; and each federal reserve bank has an excellent research organization. Besides these agencies there are private institutions, some of which have been fairly successful in this work.

In short, common stock investments are for those bankers who are especially equipped either in their own organization or else through outside connections, to know how to evaluate these stocks and how to judge the great danger signals and great buying opportunities. Probably the time will come when every large metropolitan bank will itself be so equipped with economic and valuation departments.

Danger After Age Forty-five

That the age of forty-five years is generally accepted as the limit at which either men or women can be safely sold life insurance without a rigid medical examination is indicated by a survey of this phase of underwriting recently completed by the American Life Convention of St. Louis. This organization is the largest life insurance association in the world. The survey also revealed that the underwriters are more willing to grant this form of insurance to unmarried women than to married women.

Jimmie: Daddy, what was the date of the battle of Waterloo?

Daddy: I don't know.

Jimmie: You don't know! And to think that tomorrow I shall be punished for your ignorance! —*Pearson's.*

Wife: What do you mean by telling Mrs. Crewso's husband you never ask my advice about anything?

Husband: Well, my dear, I don't. You don't wait to be asked.—*The Outspan.*

The Future of General Management Trusts

(Continued from page 44)

cash balances which have served them in good stead.

The foreign situation, which has been widely discussed, is, by comparison vastly better than in 1921, when a complete collapse of currencies was threatened and the most chaotic conditions existed. Economic experts seem to agree that in general economic conditions in all of Europe, with the exception of Great Britain, were better at the worst period of 1930 than at the best period in 1920 and 1921.

Domestic credit conditions during the past year have never reached anything approaching an acute stage, although in 1921 credit accommodation could be had only at exorbitant rates.

Governed by Facts

THE above recital of facts should not be interpreted to mean that another period of rapid development is at hand. A fairer interpretation would be that the uncertainty of 1930 will give way to a more normal state of affairs and that for the next few years at least the country may be expected to respond more intelligently to actual facts than has been the case for some years.

Conditions in truth are such that it will be interesting to weigh the possibilities of the future as they may affect investment companies. There are many indications abroad that the investment companies are determined to overcome the one transcendent error of the past, namely the raising of new capital and the immediate investment thereof in equity issues at boom prices. There are other serious problems which must be met, and it will be interesting to watch the developments of the next few months to note how various managements propose to solve them. Most managements recognized the existence of such problems long before the deflation began, but none regarded them seriously, in the mistaken belief that other considerations were of primary importance.

If the American public can readily be persuaded to put new capital into investment companies of the general management type at a time such as the present, it is more than probable that over the ensuing period such investors will be fully satisfied with the results. But the fact is that unless some strong measures, such as may be looked for, are taken, no new capital will be forthcoming until the cream has already been skimmed from any rise in equity values which may come during the next few years. In other words, investment companies are coming to recognize the fact that it will be necessary to find the means to raise capital at a time when investments can be made advantageously, and furthermore to avoid the immediate use of capital that is raised in boom periods, except as it may be invested in senior securities. At the moment these appear to be practices comparatively obvious and likewise easy to put into operation. But the truth is that the American public will need to be persuaded to invest new capital today, and later, when such capital can be raised more easily, managers will be expected, as they were in 1929, to grasp every possible opportunity for speculative profit.

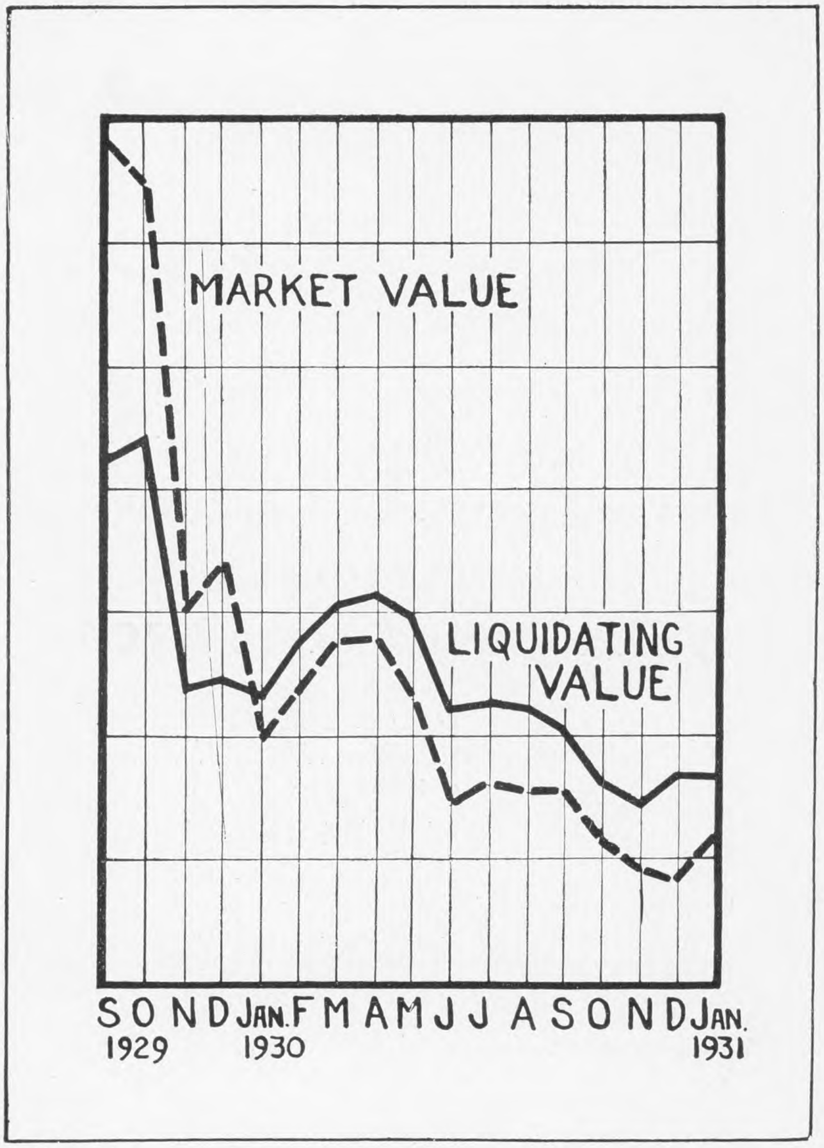
It is encouraging to know that managements are fully aware of these problems, and that constructive efforts are being made to correct the situation in so far as possible. It may be expected that the stronger groups will move far in the desired direction and will be correspondingly successful in establishing themselves permanently in public favor.

Just what steps will be taken cannot as yet be said, although it is believed that many managements are already working toward a more complete independence from sales organizations. Such preliminary measures are likely to be followed by other moves calculated to interest the public in management type trusts once more, and to effect a renewal, on a less spectacular scale, of the normal growth of these companies.

That which "can't be done" is merely something which we have not as yet learned how to do.

INVESTMENT TRUST TRENDS

By C. T. McCREEDY
Manager, Bank Service Dept.
Ames, Emerich & Co., Inc.



Above, the action of a typical management stock compared with the stock's actual liquidating value

DURING the year 1929 American investors saw the greatest development of investment trusts witnessed in any similar period up to that time. The origin of our companies operating in this field began several years earlier, gaining momentum as the great bull market carried them forward so that by the fall of 1929 our domestic companies forged far ahead of their English parents, both in number and volume of securities distributed to investors in any similar period. This new phase of our investment structure started as an off-shoot of well established British institutions, some of which have weathered wars, depressions and all known types of financial crises and have been exceedingly prosperous for half a century.

There is nothing complex about the financial set-up of a typical general management trust which was the first type of investment company to gain wide prominence here. Capital structure usually consists of a substantial portion of long term debentures with the balance in preferred and common shares. A typical English company is capitalized on the basis that for every $100 of debentures $66.67 of preferred and $33.33 of common are issued, the object being to obtain a high ratio of senior money represented by debentures and preferred stocks. Many of the well established companies pay as low as 4.50 per cent on senior capital and in at least one instance such funds have been obtained at even more advantageous rates than the British Treasury. Some of our domestic companies raised their entire capital through the sale of debentures and common stock and those that sold preferred usually made that stock convertible into common in order to facilitate its distribution. As yet funds have not gone so largely into senior capital in our trusts, but as the various companies become established we can expect them to follow the English practice in this respect.

The advantage of borrowing through the medium of long term debentures and of distributing a substantial amount of preferred stock is, of course, to provide a leverage for the common shares, this leverage being obtained by paying only a fixed low rate on money which should earn enough to leave a substantial margin for the common shares. Any soundly managed trust having a ratio of 50 per cent or more of senior capital which calls for the payment of not above 4.50 to 5.50 per cent, obviously should be successful over a period of years. Under anything like normal market conditions there should be a margin of earnings over senior requirements each year. This margin has a cumulative effect and over a long period has given the junior capital of English companies a tremendous earning power. In a rising market it means that the common stock equity will increase from two to ten times as fast as the market for the underlying securities in the portfolio. In a prolonged market decline the reverse is true so that equity in the common stock declines faster than portfolio values.

The reasoning used in the formation of general management investment trusts is that a capable managing board guiding a flow of capital in the world's investment channels can insure a wider distribution of risk and a larger, more dependable income than a single investor can hope to attain. Obviously there is no basis for controversy over the fundamental principles of safety through sound diversification or maximum earnings through the exercise of expert financial judgment in varying a portfolio so as to make the most of changing investment trends. It is the old story of not putting all of the eggs in one basket plus the realization that the business of investing one's surplus to the best advantage demands expert financial assistance.

What then is wrong with our management trusts today? If they were patterned so closely after successful British companies which have weathered the storms of fifty years why do many who sang their praise two years ago criticize them today? A careful study will reveal the fact that while mistakes have been made both in organization and administration the trend of the world's security markets during the last year and a half is largely responsible for the present unpopularity of this type of investment company. There has never been a time when all of the principal markets of the world have been so uniformly depressed and, therefore, so unsatisfactory for profitable investment. Some of our companies were almost completely invested when the break in security prices came so they had little or no cash available to take advantage of lower price levels. Some went back into the market too soon, loading up on common stocks, others used better judgment, swinging from common stocks to high grade bonds in order to insure a dependable income. In spite of errors, the statements of a few companies at the end of 1930 showed depreciations in value as small as one-third of the average drop in securities as shown by published security price indices such as the Dow-Jones averages. Certainly such a record lends some support to the fact that managing boards can be worth many times their fee to owners of investment trust issues in a rising market. A close examination of the 1930 results show that many of the managements have conducted the affairs of their companies exceptionally well, especially when compared with the deplorable results obtained by a majority of the individual investors operating in the stock and bond markets during the same period.

C. T. McCREEDY

The Opposite Extreme

THE lack of interest in management companies during 1930 reflects just the opposite extreme from the clamor for both debentures and shares which was experienced in 1928 and 1929. Just how severe this reaction has been is clearly shown by an examination of the market action of a typical management stock compared with that stock's actual liquidating value. From September of 1929 to about the end of that year market value was higher than liquidating value, at times as much as 62 per cent higher. From December of 1929 to February of 1931 the shares have sold below actual liquidating value as indicated by the chart. This particular stock sold about 50 per cent below its break-up value on one occasion.

During these dreary months the American investment trust appetite has been satisfied almost exclusively by fixed trusts, a type in which a definite selection of securities, usually confined to stocks, is trusteed for the benefit of certificate holders. A certain number of shares of specified stocks are purchased in the market, these shares comprising a unit. Against each unit the trustee issues a definite number of certificates of ownership which are then sold by the distributor to the public at a price approximately 5 to 10 per cent above odd lot prices plus a fixed charge for issue and deposit. Shares comprising the unit are bought as required and the price of the certificates reflects the current liquidating value plus the charges. In some cases certificate owners are permitted to cash their investment by forwarding to the trustee who then sells the collateral stocks in the odd lot market. Holders of the complete unit are usually given the privilege of exchanging the certificate for the deposited stocks, thus withdrawing their investment from the trust. Management plays little or no part in these companies, except in the less rigid type of trusts where a provision is made that a portion of stocks may be eliminated, if in the judgment of the investment committee such action seems advisable. There are fixed trusts confined entirely to banks, railroads, public utilities and chain stores, some operating in oil shares and others whose funds are distributed throughout a well diversified list of high grade equities in all of the principal fields of investment.

Most of the fixed trusts are set up to operate for a period of fifteen or twenty years, although in recent months a few have been organized for the purpose of taking advantage of only one period of the business cycle. These short term fixed trusts embrace a period of from two to five years on the assumption that a substantial recovery in the market for the selected stocks should be witnessed during that time. It is usually found that the conventional long term fixed trusts confine their portfolios largely to "blue chip" stocks, so called because of their present high investment character, which usually also denotes a high price per share. These trusts, therefore, give the investor an interest in very aristocratic stocks, whereas the short term fixed trusts which have been conceived during the last few months choose more of the lower priced shares in which the speculative element is somewhat greater. A comparison of the two types reveals the fact that while the former seems to be more conservative on a long term basis the short term trusts may easily show greater appreciation in value during the space of a few years. In the first place the underlying stocks in the short term trusts are mostly the cheaper stocks in which the depreciation has been relatively greater than in blue chip shares. The opportunity for recovery is, therefore, greater. And it should also be noted that whereas the stocks included in long term fixed trusts are today most conservative it is another thing to say they will retain their aristocratic standing for fifteen or twenty years. Traction company securities were included in the most conservative accounts not so many years ago, but today those that remain attractive can just about be counted on the fingers of one hand. Can anyone say that some of our present leading industries may not follow the same road?

THE swing to this fixed type of investment company can be ascribed, in part, to the disappointment on the part of investors in the record of general management stocks and debentures during the past year and a half. When investors saw paper profits mounting with each passing week many of them lost sight of the fact that the managers of their respective investment companies were not an absolute guarantee against declining markets. No matter how able or how broad their contacts no management should be expected to maintain bull market earnings in such a world-wide collapse as that which we have just witnessed. The leverage provided by cheap senior money works both ways so if a particular management company has a leverage factor of four to one in a rising market the equity in the common stock will vanish about four times as fast as the decline in the portfolio during a falling market.

Probably both fixed and management companies will find a permanent place in our field of investment. Many investors prefer to have a specific selection of issues wrapped up and delivered to them, one which they know will remain about the same in the future. This type of company is new, however, so we have no historical background by which to measure its possibilities. We have such a background for management companies and it is now evident that the typical British type management trust is steadily regaining popularity. It is irrational to condemn all of these companies because a few so far have proved weak and imperfect. It is also unreasonable to presume that the debentures of good management trusts will continue to sell at discounts ranging from 15 to 25 per cent of par, especially when it is considered that the asset value in most cases still is above $1,500 per $1,000 of par value. In at least one instance asset value during the first week of February, 1931, was $2,100 per $1,000 of par value. It is not logical to expect that management stocks will long sell below actual liquidating values and there is already definite evidence to refute the disparity between market price and break-up value as shown in the chart.

The stock market debacle of 1929 and 1930 has taught some valuable lessons and uncovered some unusual opportunities. Among other things it has taught investment trust boards the vital importance of maintaining a portfolio largely in income bearing issues for the protection of debenture interest and preferred dividends. It has convinced them of the advisability of publishing complete statements and portfolio holdings once or twice a year, so that investors are now able to determine quite accurately how their funds are being handled. At least a portion of those investors who have examined the 1930 statements of these companies have decided that there is ample reason for confidence in them.

Shrewd investors who can forego income for a year or two are gradually turning to general management trust shares and the time is not far distant when the most conservative accounts, including the portfolios of banks and insurance companies, will include investment trust debentures in substantial proportions. This means a swing of the pendulum back from fixed trusts which will gain momentum as soon as the leverage of management companies' senior money begins to work again for the common stockholder. Business will recover eventually and forge ahead, earnings will increase, security prices will rise, then the management trusts will have an opportunity to strengthen their equities and build up reserves which will tide them over the next major decline, when and if it occurs.

Financial Conditions Improving

Financial conditions in Clay county, Minnesota, are considerably better than in many other sections of the northwest and a general improvement in business is noted, it was revealed at a meeting of the Clay County Bankers' Association held in Moorhead recently.

Collections are better and the county was declared to be in a more sound condition now than for some time, while nearby counties have not fared so well.

Twenty bankers attended the meeting and every bank in the county was represented. A dinner preceded the business meeting in the New Columbia hotel and Oscar B. Rusness, president of the group and cashier of the First National Bank in Moorhead, presided.

Distribution of the reward offered for the capture and conviction of the three Baker bank robbers was authorized by the association.

The major portion of the reward, $625, will go to a youth who saw two acetylene tanks and a torch in a private garage in Fergus Falls, reporting it to the sheriff. Total rewards offered amounted to $1,250, the remainder to be divided between Sheriff O. J. Tweten of Otter Tail county, and John Henkes, deputy sheriff. The latter two will receive $312.50 each. The Minnesota Bankers' Association posted $1,000 reward and the Baker State Bank $250.

The man and two youths who burglarized the bank on January 4 are now serving sentences.

"What is the matter with that fellow over there?"

"Someone just mistook him for Rudy Vallée."

"No, I'm referring to the one who's so downcast."

"That's the one I mean."

Foreign Bonds

THE OUTLOOK FOR FOREIGN BONDS

By JOHN T. MADDEN
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Dean, School of Commerce, New York University

Certain foreign bonds are selling at bargain prices and should show substantial recovery with improved economic conditions.

JOHN T. MADDEN

UP TO the end of January, foreign bonds quoted on the New York market showed a continuous decline. At times the rate of this decline was very rapid, and to some it appeared that the American investor had lost confidence in these securities or at least that foreign securities were no longer enjoying the favor of the American investment public. It will be helpful to analyze the reasons for this decline and to inquire whether the rapid depreciation that took place in the prices of most foreign bonds was justified. A careful analysis of the foreign bond situation reveals that prices were affected by three specific factors: (1) the general economic depression prevailing throughout the world; (2) the adverse political situation in many states; and (3) the poor bond market prevailing in the United States.

General Economic Situation: It is a well known fact that the world-wide economic depression which set in shortly before the collapse of the New York stock market in 1929 has no parallel during the last three or four decades. This depression was accompanied by a sharp decrease in commodity prices which was particularly severe in the case of raw materials as well as agricultural commodities. The fall in prices was especially detrimental to the South American countries, all of which are raw material producing countries. Thus, for example, Brazil and Colombia depend to a very large extent upon coffee. Bolivia's welfare depends almost exclusively upon the price movement of tin in the world's market while the welfare of Peru and Chile depends upon such commodities as copper, oil, nitrates, cotton and sugar.

Political Situation

THE adverse economic conditions prevailing throughout the world had an unsettling effect upon the political situation in many countries. Political unrest was manifested not only in South America but also throughout the continent of Europe. The German elections of September, 1930, which resulted in substantial gains by the extremist parties, namely the National Socialists (Fascists) and the Communists, were an indication of the dissatisfaction with the existing economic situation on the part of a large number of the German people. The same dissatisfaction existed in other continental European countries, but with this difference: that where political dictatorships prevailed as they did in some of these countries a true expression of public opinion was more difficult. The economic depression in South America was mainly responsible for the overthrow of governments in Argentina, Brazil, Peru, Bolivia, and Panama. It is gratifying to note, however, that in all these countries the revolutions were accomplished with little shedding of blood and the United States immediately recognized the newly established governments.

The Bond Market in the United States: While these factors in themselves would have had an adverse effect on the movement of foreign bond prices, the poor bond market prevailing in the United States resulted in a sharp decrease in the prices in all bonds except those rated as triple A which of course always find strong support through institutional buying, and purchases by trustees and others. The bond market in the United States felt the shocks caused by the large number of bank failures, particularly the failure of a substantial middle-sized bank in New York City, and the threat of the proposed bonus bill. It should be noted in this connection that banks which are in difficulty usually sell first those assets which are most liquid and since the interior institutions held a substantial amount of foreign bonds, these were among the first to be thrown on the market, thereby depressing prices.

Recent Defaults

THE foreign bond market was further affected in a smaller measure (a) by the temporary suspension of interest and amortization payments by Bolivia and (b) by the unofficial announcement emanating from Peru that a moratorium on its foreign indebtedness might be forced in the near future. While both the default of Bolivia and the announcement from Peru had a disquieting influence on the bondholders it is not without profit to compare the present situation with the major depressions of the nineteenth century. In the last century an economic depression of the same relative magnitude as the current economic crisis was followed by a wholesale default of foreign obligations. Furthermore, many countries which declared themselves in default were not in a hurry either to reach an agreement with their creditors or to make a settlement of their obligations. At the present time, the defaults are restricted to countries which suffered most from the economic depression. Thus Bolivia, whose revenues in 1929 amounted to about 48,000,000 bolivianos, $17,414,400, were reduced in 1913 to 35,000,000 bolivianos and in 1931 the estimates show a probable income of only 29,000,000 bolivianos. A similar situation prevails in Peru. Bolivia, however, in contrast with the practice existing in the nineteenth century, immediately sent a commission to New York in order to reach some settlement with the bondholders in the United States, an indication that this nation is doing everything within its power to maintain its credit standing in the United States.

Germany: German bonds are of particular interest in the United States; first, because Germany has borrowed in recent years in the United States more than any other nation, exclusive of Canada; and secondly, because Germany is one of the large purchasers of American commodities. Furthermore, Germany holds a key position on the continent of Europe and any adverse development in Germany finds itself reflected immediately in neighboring countries. The prices of German securities in recent months were influenced by two factors: (1) an impression commonly held that the German government would ask for a moratorium on the conditional part of the Young annuity and (2) the great gains made by the extremist parties. A careful analysis of these factors reveals that they have been greatly overestimated in their adverse effects. The declaration of a moratorium by Germany on the conditional part of the Young annuity should not weaken the prices of German bonds privately contracted abroad but on the contrary, should strengthen them. This conclusion follows from the fact that the declaration of a moratorium by Germany would result in a larger volume of foreign exchange at the disposal of German banks which they in turn could transfer into foreign currencies for the payment of principal and interest on obligations privately contracted abroad. Furthermore, since the possibility of a moratorium was foreseen by the Young plan and since Germany in making use of it would be acting fully in accordance with the provisions of this plan, it is difficult to see how such rumors should adversely affect the German bonds outstanding in the American market. As regards the gains made by the extremist parties, it is also difficult to see how this should have an adverse effect on German securities. With the exception of the Communists whose political credo is well known, all parties in Germany, including the National Socialists (Fascists) publicly declared that it is not their intention to repudiate or default on obligations privately contracted abroad. Hence, regardless of the party that comes into power in Germany, excluding the Communists, there seems to be little danger that obligations privately contracted abroad by German political units or by German corporations should fail to be discharged punctually. As a matter of fact during the last two weeks American investors seem to have adopted these views with the result that German bonds have shown a remarkable recovery.

The Outlook

THE outlook for foreign bonds at the present time depends primarily upon the economic conditions throughout the world. Any improvement in economic conditions would immediately have a beneficial effect on the bonds of most countries. Improved economic conditions would immediately result in an increase in the foreign trade of the various countries, in an increase in the commodity turnover, and hence in an increase in the revenues of the debtors. In practically every country a policy of rigid economy has been instituted. Expenditures have been cut to the minimum so that any improvement in the economic conditions of a country would favorably affect its budget and would facilitate the meeting of its foreign obligations. Secondly, an improvement in economic conditions would immediately result in an improvement in the political situation and, as is well known, stable political conditions always have a beneficial effect on the obligations of a government. When improvement of this character shall take place, is very difficult to say. Most forecasts of leading business men and bankers indicate that world-wide economic improvement will take place during the present year and that toward the end of the year economic conditions throughout the world will have reached a more normal level. If this shall prove true one may conclude that certain foreign bonds are selling at bargain prices in the American market and that the prices of these bonds should show a substantial recovery with any improvement in economic conditions.

Protection of Income

"Protection and stabilization of the shareholder's return from his investment is often as important as safeguarding the principal itself," is the opinion of Cedric H. Smith, vice president of Administrative and Research Corporation, sponsors of corporate trust shares. "Hence the creation of a cash reserve fund as an integral part of the portfolio of this trust, one of the largest of the fixed type.

"For each 2,000 shares of the trust there is paid in not to exceed $1,000 in cash which remains a part of the trusteed property in the form of a bank deposit. So long as the underlying stocks continue to produce a total return equal to or exceeding the base rate of 70 cents per share annually or 35 cents per share semiannually, the reserve fund is not touched, and continues to earn interest at bank rates. All of this interest received is paid to shareholders in cash semiannually as part of the regular trust share distribution.

"If receipts from the underlying stocks for a six months' period should not equal the base rate of 35 cents per share, an amount would be taken from the reserve fund sufficient to make up the difference between the base rate and the amount received. This would then be replaced in the reserve fund from the first excess distributions received from the portfolio stocks thereafter. Records show that, assuming the existence of the trust since 1913, the reserve fund would have been called upon for this purpose in only two years, and in both cases the amounts withdrawn would have been made up in the next following year from payments in excess of the 70 cent base rate.

"This practice is held to follow the sound principal of maintaining a bank account in cash which can be drawn upon to supplement receipts from one's work or invested funds during lean years when assured income is most needed. The same result is attained automatically by the trust.

"It is a well known fact that in normal times high grade stocks often command prices in the market far higher than is justified by the returns they pay in regular dividends. Investors buy these stocks, however, knowing that over a period of years they will produce a total return, consisting in part of extra cash dividends, stock dividends, rights and extra shares issued as a result of splitups or exchanges that will prove equivalent to a handsome rate on the original prices paid for the stocks."

Looking at the Bond Market from BACK STAGE

By FRANCIS F. PATTON
Vice President, A. G. Becker & Co. Chicago

FRANCIS F. PATTON

"The market has shown since the first of the year a good tone, and an ability to digest new issues of large size. All in all, it appears that we are going to have an active season in bonds and that investors will buy under conditions which, apart from the character of security offered, makes investing attractive, namely, a rising market!"

NO SUBJECT is, at the moment, of more general concern to bankers than the bond market. Two factors bearing on the market at this time are of special importance. One is the banking situation itself. The other is the state of credit—more particularly the discrepancy in rates as between long term and short term instruments. There are additional factors entitled to consideration, but these two are outstanding.

The December 31 statements showed the country's banks as a whole to be in what was probably the most liquid condition in their history. It was quite common to see statements in which cash, government obligations and other quick assets amounted to 50 or 60 per cent of total deposits. Such a condition is not only extraordinary but, to bankers, it is, if greatly prolonged, very disturbing, for it means a substantial loss of earning power.

A Typical Statement

ONE statement that is at hand is fairly typical. It represents the condition of a bank whose total resources are approximately $6,000,000. Of this amount cash, due from banks, government and commercial paper total nearly $3,000,000—half the total resources. Cash alone amounts to more than $1,500,000. The net return on the sum total of these quick assets is probably not greater than 1½ per cent. If this bank's cost of funds conforms to the general bank average—usually placed at 2½ per cent or more—it is obvious that the burden placed on the other earning assets is greater than they can safely bear.

There is, certainly, no criticism to be made of the fact that banks are in this ultra liquid condition. Rather, it is an occasion for the country's very lively gratitude. The statements show that bankers, recognizing the tension in financial circles during the latter part of 1930, promptly put themselves in position to meet emergencies, possibly taking losses on some of their investments in order to attain an end which was distinctly in the nation's interest as well as their own.

Why Banks Will Buy Bonds

BUT banks are business institutions. They must earn a reasonable profit. To fail in this common business goal is at once to threaten their success as business concerns and their continued usefulness to their communities. It is hardly conceivable, therefore, that they will continue in this costly state of abnormal liquidity longer than conditions require. The tension that led to their unusual concentration of liquid assets has already very largely passed. Bankers are now looking about for safe and profitable employment of funds on which they have already lost substantial income. Bonds appear to be the logical solution of their problem.

Once this great reservoir of capital begins to flow steadily into the bond market we may be sure that prices will strengthen. And, since the transfer from low-yield to higher-yield assets will presumably be spread over a period of many months, the effect of the movement is likely to be fairly durable. As a matter of fact, economists who follow closely the influences affecting the bond market, are very generally of the opinion that this movement of banks funds, in combination with other forces operating in the same direction, will serve to maintain a strong bond market for a year or eighteen months at least. (This prospect is subject, of course, to fluctuations due to transient or artificial influences.) It is anticipated that in the course of the coming bond market, prices will reach a level comparable to that of the great bond market which attained its peak in 1928.

Local Loans

SOME question may arise as to whether, in the event of a strong business revival, the demand for commercial loans will not very materially diminish the funds available for bond purchases, and make these purchases, therefore, of small market significance. This does not seem probable, on examination of the facts and the reasonable prospects. In the first place, business, as a whole, is in very good cash position and not in need of extensive bank support to finance a moderate increase in activity. Moreover, even the most optimistic hardly expect the increase in activity to amount to more than 25 per cent for the year. The federal reserve index of industrial production, which rose to 127 in 1929, had fallen in November of last year to 84; the year end figure, when compiled, will possibly show the index as low as 80. A full 25 per cent increase this year, consequently, will hardly bring the index to a maximum of more than 105. At the rate of activity represented by that figure, banks will be under no strain in taking care of local loan demands, and will continue to have a lively interest in bonds.

Discrepancies in Yields

THE situation with respect to interest rates is closely allied to the banking situation just described, but is worth reviewing on its own account. The variation between the yield on short-term and long-term obligations at this time is most striking.

The rates for short-term credits now are approximately half what they were a year ago. At the time this is written prime commercial paper names are being offered at 2½ per cent; as a matter of fact, the firm with which I am identified has just sold paper at 2¼ per cent—the lowest rate at which we have offered such investments in the 38 years we have been in business. A year ago good names were moving readily at 4½ per cent and 5 per cent. And bankers will easily recall the days of 1929 when prime names virtually went begging at 6 per cent and 6¼ per cent.

The decline in yield has been even greater in some other short-term instruments. Call money, 90-day time money and prime 90-day acceptances are currently quoted at rates 50 to 75 per cent lower than prevailed at this time last year; the rates range from 1 and 1½ per cent on call loans to 3⅞ and 3¾ per cent on acceptances.

In contrast with these extremely low yields on short term credits, high grade bonds are selling to yield from 4½ per cent to well over 5 per cent, and issues that offer a very high order of security but lack the extreme marketability of the most sought-after types yield up to 6½ per cent. These yields are approximately on a par with those obtainable 12 months ago.

The explanation of this situation is perfectly apparent. It is found in the characteristic reluctance of capital to engage in long term commitments at a time of general uncertainty about economic conditions. Banks, and private investors, as well, for the past year have sought to keep funds in liquid form, even at the cost of substantial loss of income. As a result, demand has been heavily concentrated on short term instruments, while there has been correspondingly less interest in long term bonds.

This situation is merely one symptom of general lack of confidence. Clearly, therefore, it is temporary. As confidence returns it will be logical to expect that the gap between short term and long term rates will narrow—by some increase, probably, of the one and, very certainly, by a decrease in the other. Evidence that this latter development is already under way is found in the strength which the bond market has exhibited since the first of the year, and by the appearance of new issues bearing 4 and 4½ per cent coupons.

Are Lower Yields Coming?

OF INTEREST to investors—banks or individuals—who are considering the purchase of bonds, is a study recently completed under auspices of the National Bureau for Economic Research. It showed that since 1890 the yield on high grade railway bonds have averaged under 4 per cent during more than half the time. The returns of 4½ per cent and upwards with which investors are familiar appear only during the latter part of the period—from about 1912 on. The peak was reached in 1920; since then the yield trend has been sharply downward, subject to only two important reactions, of which the latter occurred during the great bull stock market.

This study lends weight to the opinion of those who hold that 4 per cent or less represents the real rental value of money in normal times, and that we are now heading into an era in which yields decidedly below those we have been recently accustomed to will prevail.

Whatever shades of interpretation may be placed upon the individual factors in the situation, as a whole the evidence points very convincingly to a strong bond market. Both underlying and technical conditions support that view. The market has shown since the first of the year good tone, and an ability to digest new issues of large size. All in all, it appears that we are going to have an active season in bonds, and that investors will buy under conditions which, apart from the character of security offered, makes investing attractive, namely, a rising market.

At Cedar Rapids

Quotation ticker service of the Chicago Stock Exchange has been inaugurated in Cedar Rapids, Iowa, with the office there of Lamson Brothers & Company, the first to have the Chicago Exchange ticker.

Other cities in Iowa with Chicago Exchange tickers are Des Moines and Davenport.

Cedar Rapids is the first ticker extension to be made by the Chicago Exchange this year.

First New Yorker—I've just seen the worst play of the season.

Second New Yorker—Huh! you should kick—I've just seen the best heavy weight fight!

Veteran Agent Celebrates Long Company Connection

• • •

Royal Union Life Building
Corner Seventh and Grand Avenue
Des Moines, Iowa

For a third of a century John W. A. Staudt of Canton, Ohio, has devoted his entire time to the sale of Royal Union policies.

Mr. Staudt is still just as enthusiastic about his business and the Royal Union as he was on that memorable day—February 22, 1898—when he assumed his duties as Royal Union State Manager for Ohio.

We are pleased to pay public tribute to the long, honorable and serviceable career of this outstanding Royal Union agency executive.

Today the Royal Union presents the same great opportunities to men of the sterling type of J. W. A. Staudt who are looking for permanent and profitable agency connections.

Royal Union Life Insurance Company

Des Moines, Iowa

A. C. TUCKER, President

Insurance

The Why and Wherefore of DEPOSITORY BONDS

By
HENRY SCARBOROUGH, Jr.

OVER one thousand banks have closed their doors during 1930—the greatest number and the largest banking institutions in the history of banking.

The amount of funds on deposit guaranteed by surety companies in the form of depository bonds is unknown at this time but the total loss will be staggering. The loss to the surety companies in the case of the bank failure in Kentucky is well over $3,000,000. The other day one surety company paid $200,000 for its share of state funds guaranteed by bonds on deposit in the Bank of the United States. Four others must pay a like amount, and it takes a lot of premiums at $5 or $10 per thousand of deposits to make up a cushion for such large losses.

The beginning of this year saw the greatest scramble for depository bonds by banks to protect government funds in the history of the surety business, and the scramble is still on. One of the oldest and most conservative surety companies has flatly refused to write another depository bond, nor will they accept re-insurance from other companies.

A prominent chain of banks sent an executive to New York to call upon the presidents of four surety companies and he carried with him full detailed information about each bank in the chain. There is not a single branch office or agent in the country authorized to execute a depository bond without the home office going into the present position of the bank under consideration, and then giving its authorization to the branch office or agent. The next and really serious task is obtaining re-insurance from other companies, for no surety company today carries the entire risk.

Lack of Re-insurance

NOW each underwriter has his own ideas about selection of a risk, and human opinion does not always agree, so many a bank today is unable to get its requirements in depository bonds because of lack of re-insurance.

Then there is some gossip about certain surety companies not being quite so liquid, and of course others will not consider them for re-insurance. Hysteria and fear enter into a situation already difficult, but out of it all the good old sound bank will eventually get its bond from the conservative surety company, and heaven help the rest! In the meantime let's hope that the city or county official who has funds to bank does better than the boys did down in Asheville, North Carolina. The $8,000,000 of city funds went down the river with the Central Bank and left the city flat broke.

Editor's Note: The *Northwestern Banker* is happy to announce early publication of a special series of articles on general insurance topics by Henry Scarborough, Jr., prominent Chicago insurance broker and writer. The article on this page is the first of the series.

Mr. Scarborough, whose firm, Scarborough & Co., specializes in bank and financial insurance, says this about his plans for future articles for *Northwestern Banker* readers:

"In our years of work in the banking insurance field, we have been ever more impressed with the direct value to the insured in taking loss preventive measures wherever possible. We shall have articles from time to time on specific losses, and loss preventive methods, and shall endeavor to show the dollars-and-cents value in using such measures. We shall also seek to have articles of value and interest on life insurance, fire and casualty insurance and insurance trusts."

HENRY SCARBOROUGH, JR.

Just what the small bank is going to do is a serious problem and this is just another added to their long string of problems. North Dakota, where those banks that have survived the battle of the last ten years are tried and proven, and where most surety companies for some time have said "NO" to requests for surety bonds, is seeking some relief by hoping for legislation which will permit the banks to pledge certain collateral to guarantee such funds. The banker who is remote from close contact with the insurance centers might just as well make up his mind that he will have to sell himself and his bank to the surety company if he wants a bond.

A few principles of underwriting used by the insurance companies are not amiss—The particular bank must render a complete financial statement, giving detailed information as to the bank's assets, distribution of the stock of the bank, its correspondent banks, and other connections. The more detailed the information about securities to all loans, and also the bond account, the better. The character of the deposits is considered. Banks having more than a certain percentage of their deposits (25 per cent is the general rule) made up of public funds are not considered desirable risks due to the fact that political changes might bring about sudden withdrawals of funds. Of course, the character and management of the bank, as well as its past history, plays an increasingly prominent part in the acceptance of the risk; and if it shows a consistent decrease in surplus or a falling off in deposits, the insurance company will ordinarily reject the risk.

Locality has been a factor, but after that mess in New York City the underwriters are not giving so much thought to the location of a bank. However, if there have been several bank failures in a given community, it is going to be difficult for the perfectly good and sound bank to convince the insurance company that their doors will remain open. The bond forms are having recent changes instigated by insurance companies for their further protection, and the various states where the depository bond is prescribed to protect public funds have taken some of the teeth out of the contract—there being no other alternative.

Interesting Development

AN INTERESTING development at the moment is the unusually heavy demand by depositors of private funds for depository bonds. These bonds are issued without the knowledge of the bank, and the premium for such a bond is usually double that charged for bonds issued on the bank's application. All companies are demanding the five-day cancellation clause and, of course, the bond is written for the maximum amount of funds on deposit. If it is not, the company is liable for such proportion of the bond as the limit of the bond bears to the total net deposit. If the amount of the deposit exceeds the amount of the bond, there is the usual clause for a pro rata distribution of the salvage, and this is often a point of combat.

At the issuance of the policy, a premium figured on the maximum amount of the bond is due and payable, and at the close of the contract period the premium is adjusted in accordance with the bank's average daily balance for the period. The minimum premium is one-half the annual premium on the amount of the bond, regardless of the average daily balance.

As of January 2nd, new rates were established that will be of interest to all banks. The ruling on life insurance funds and fraternal orders is classified as public funds and, as heretofore, all private funds carry a one per cent rate. The new rates are fixed by the capital of the bank only, banks of less than $50,000 capital pay a rate of $10 per thousand. Where the capital is $50,000 and less than $100,000, the rate is $7.50 per thousand. $100,000 and less than $200,000, the rate is $6.00 per thousand, and where the capital is $200,000 or over, the rate is $5.00 per thousand. Patience on the part of both banker and surety company is required during these testing times, and if the banker can show that the chances will be about 95 per cent for his bank remaining open all business days during 1931 (holidays excluded) the underwriter way up on the 46th floor of some building near old Broadway will authorize his bond, but you must realize that the underwriter in this case must pass upon the solvency of banks over the entire country, and most of these underwriters are from four to six weeks behind in their work. Confidence is established not without some right effort.

Gains $25,000,000

A gain of $25,000,000 in the total amount of insurance in force was reported at the annual meeting of stockholders of the Northwestern National Life Insurance Company of Minneapolis.

O. J. Arnold, president, declared the company had made a most favorable showing in the last year. He said that bonds purchased by the company had shown an increase of $233,187 in value over the amount at which they were carried on the company's books, indicating the high character of the investments the company had made.

E. L. Carpenter, Thomas F. Wallace and Mr. Arnold were re-elected as directors for three-year terms. Other directors of the company whose terms did not expire are: F. A. Chamberlain, E. W. Decker, C. T. Jaffray, A. F. Pillsbury, Frank T. Heffelflinger and Theodore Wold.

Twenty-fifth Anniversary

The Cedar Rapids Life Insurance Company of Cedar Rapids, Iowa, will pass their twenty-fifth birthday in June of this year. This company is one of the companies which substantially increased its business during the year 1930.

It is interesting to note that one of the leading producers with the Cedar Rapids Life Insurance Company is a man who devotes only a part of his time to the business of life insurance, being a cashier of a bank in an Iowa county seat town.

The plans of the Cedar Rapids Life Insurance Company for 1931 carry an expansion program, which will consist of opening a number of new general agencies and vice president and agency director, Jay G. Sigmund, announces that inasmuch as the sales staff of the Cedar Rapids Life Insurance Company has among its most successful producers men of banking experience that bankers will be chosen as far as is possible for several important new agencies, which will be opened in 1931.

Hermann Miller Honored

At the annual meeting of the Iowa Fire Insurance Company of Waterloo, Iowa, Hermann Miller, manager of the company for the past twenty-five years, was elected vice president and manager. His son, Milo H. Miller, who has been with the company for the past few years, was named assistant manager.

With Pan-American Life

Sanford P. Drake, well known Des Moines life insurance man, has been named district manager at Des Moines for the Pan-American Life Insurance Company of New Orleans. The appointment is effective at once and Mr. Drake now has offices at 1113 Fleming Building, Des Moines. His territory includes seventeen counties adjacent to Des Moines.

In Receiver's Hands

The Continental Indemnity Company of America, one of the Darby A. Day group of companies, has been placed by the Circuit Court at Kansas City, Mo., in the hands of Superintendent of Insurance Joseph B. Thompson of Missouri, pending the appointment of a permanent liquidating officer. On January 29 the secretary of the company admitted in court that it is insolvent.

Low Fire Loss

Alliance, Nebraska, has put in a strong bid for the lowest per capita fire loss in the nation, with the report that its total loss in 1930 was only $780, or a per capita loss of 11.33 cents. The city fire department answered fifty-three alarms during the year. The town has been credited with the lowest loss among Nebraska cities of 2,500 population and over.

County Bankers Elect

The members of the Kossuth County Bankers Association held a meeting last month, at the Algona Hotel, at Algona, with most of the banks in the county represented. It being the first meeting held in 1931, election of officers for the year took place.

The following were elected: L. F. Kennedy, vice president of the Farmers and Traders Savings Bank, of Bancroft, was elected president; Ed. Rahm, cashier of the Peoples Savings Bank of St. Benedict, was elected vice president; Wm. Boyken, vice president of the Titonka Savings Bank of Titonka, was re-elected secretary; W. Scott Hanna, manager of the Bank of Luverne of Luverne, was re-elected treasurer.

E. R. Worley, cashier of the Citizens Savings Bank of Lakota, is the retiring president and Frank Williams, president of the Iowa State Bank of Algona, is the retiring vice president.

North Dakota Legislation

North Dakota has an exclusive state fund for insuring workmen's compensation. A bill has just been introduced in the State Senate to permit insurance of this risk in insurance companies also to permit self-insurance by employers who can qualify. This same bill was passed by both houses in the twentieth legislature but was vetoed. The present bill is opposed by the labor commissioner of North Dakota.

Management Conference at Kansas City

The mid-western bank management conference, under the auspices of the Bank Management Commission, American Bankers Association, and of the state bankers associations of Arkansas, Iowa, Kansas, Missouri, Nebraska and Oklahoma will be held at Kansas City March 19th and 20th, it is announced. Fred B. Brady, vice president Commerce Trust Company, Kansas City, is to be general chairman.

Four sessions will be held. The first session the morning of March 19th, will consider the topic "Loan Administration." The general theme of the afternoon session that day will be "Profit Producing Policies." The third session, in the evening, will take up "Investment Policies." The closing session, the morning of March 20th, will discuss "Bank Administration and Management."

Operating details of sound bank management will be presented by successful bankers who have practical knowledge gained from seasoned first-hand experience in bank operation, Frank W. Simmonds, secretary of the Bank Management Commission announces. Major emphasis will be placed on the practical side of bank management especially as applied to country banks.

At the session devoted to loan administration fundamental loan principles will be presented and discussed, comprising diversification of loans, safety, length of maturity, instalment loans, security back of loans, liquidity to correspond with character of deposits, rate of return, analysis of customers' requirements, etc.

At the session on profit producing policies discussion will include analysis of general operating costs to determine and eliminate non-essentials; installation of expense control; analysis of accounts to determine their profit-producing status; service charges to put small accounts on a paying basis; per item charges to take care of excessive activity costs; payment of interest with relation to earning power of bank invested funds and profits against lean years; cooperation through city and regional clearing house associations; credit bureaus and the elimination of duplicate borrowers and other banking menaces.

The third session will consider investment policies in relation to the type of deposits a bank carries and the type of paper making up a bank's portfolio. Subjects will be the factor of liquidity in loans and discounts, and the value of commercial paper, bankers' acceptances and call loans in building up adequate secondary reserves against deposit withdrawals. Essentials of sound bank investment will be treated in the light of types of desirable securities for bank investment and diversification as to quality, maturities, incomes and marketability. The necessity for following and analyzing bond price trends to enable a judicious shifting of holdings at opportune times and comparison of bond yields and short-term money rates under different conditions will also be taken up.

Bankers' Wants

Ask Us

Tell Us

This department of THE NORTHWESTERN BANKER is to assist subscribers in obtaining goods or service hard to find. It is free to subscribers. To non-subscribers the charge is five cents per word. Use it. ASK US, as we can tell you where to buy anything you need in your bank or for your bank. TELL US, as your "want" will be published under the above heading free of charge. In answering classified advertisements which have key numbers please enclose a two-cent stamp. This is used to forward your letter.

Position Wanted—Cashier or Assistant Cashier in progressive country bank. Eight years experience. Age 35. Married. Protestant. Can furnish best of references. Address No. 3160, care Northwestern Banker. 3-T.F.

Position Wanted—In a good Iowa bank. Twelve years general banking experience covering every angle of Iowa banking, Insurance and Real Estate. Ten years as cashier of a $50,000 bank. Age 36. Protestant. Married. Address No. 3158, care Northwestern Banker.—1-TF.

Position Wanted—Assistant Cashier. Nearly six years experience with same bank as Bookkeeper and Assistant Cashier. Well acquainted with country banking. Single. Age 27, Norwegian Lutheran. Salary $125.00. Address No. 3157, care Northwestern Banker.—1-TF.

For Sale—Burroughs automatic return carriage poster in excellent condition. Also other equipment of closed bank. This is your opportunity for good equipment cheap. Tell us what you want. Address No. 3159, care Northwestern Banker. 1-T.F.

Wanted—Position as cashier in good country bank. Twelve years experience with all phases of banking, including farm loans and insurance. Age 32. Married. Protestant. Best references. Address No. 3152, care Northwestern Banker.—11-TF.

Bond Salesman, over eight year's experience, at present employed, desires position with Bank or Bond House in Eastern Iowa. Has established clientele throughout Iowa. Can analyze securities and fully competent to manage or start bond department of bank. Reasonable salary to start, with increased opportunity for advancement. Excellent references. Address No. 3156, care Northwestern Banker.—12-TF.

Wanted—Fixed Trust Wholesale Man. The sponsors and distributors of two successful fixed trusts with a widespread distribution are seeking a wholesale man to contact investment dealers and banks in Missouri, Iowa, Kansas, and Nebraska. Your ability to sell and to produce in a highly competitive field is more important than your financial background. Prefer man who knows dealers in this territory. Salary and expenses paid. This is a real opportunity to become associated with a fast growing trust organization. Write giving a complete picture of your background to No. 3161, care Northwestern Banker.—3-tf.

A Brief Interview

Mr. Prospect: Well, I think I'll take a chance that I won't die in the next year or so. I'm healthy and I'll let the insurance go awhile yet.

Agent: So you're going to take a chance that you'll make enough money to leave your family in good financial condition in the next few days?

Mr. P.: Yes.

A.: Are you a gambler?

Mr. P. Well I sit in at a game now and then. I like to take a sporting chance.

A.: And when you lose you pay up promptly?

Mr. P.: Certainly.

A.: You never ask anyone else to settle for you?

Mr. P.: Of course not, I'd be a poor sport to do that.

A.: That's exactly what you are, a poor sport. Let me explain.

Mr. P.: Yes, I do think you owe me an explanation.

A.: Every day you're betting that you will live long enough to make money enough so your family will be well taken care of.

Mr. P.: Yes, I suppose so.

A.: Well, have you ever thought of what will happen if you lose? You won't have to pay that debt, but somebody will. You'll be the one who took the chance and lost, but you won't pay up. You're not even a good gambler. You're gambling on the safety of your family and if you lose, they will have to pay. They will have to struggle and work, perhaps fail, all because you risked their rights to comfort and happiness. Don't you think it is almost criminal carelessness to go another day without protecting them?

Mr. P. You win. Where do I sign?—*Pacific Mutual News.*

Forest Fires

H. L. Sayre, chief fire warden of the conservation department, in his annual report on forest fires in Michigan, lays half of the 4,593 blazes recorded in 1930 to smokers. Carelessness in use of smoking materials by tourists and hunters is apparently increasing as the percentage credited to this cause in 1925 was only five. A closer check on origins has been kept of late years, however, fires of unknown origin in 1930 being only 3.79 per cent of the total while in 1925 they amounted to 33.62 per cent.

It is those who have tried most frequently who are convinced that marriage is a failure.

A. B. CAHALAN
President

South Dakota Bank News

Officers South Dakota Bankers Association

President..........A. B. Cahalan
Miller

Vice President..........J. W. Bryant
Mitchell

Secretary..........George A. Starring
Huron

Treasurer..........Don W. DeVey
Westport

GEORGE H. STARRING
Secretary

Elected Director

Dr. P. D. Peabody was appointed a member of the board of directors of the Farmers and Merchants National Bank of Webster, South Dakota, to fill the vacancy caused by the death of David Williams of Duluth. Mr. Williams, although he left Webster twenty years ago, was still president of the bank, which he organized in 1888. At that time it was known as the Farmers and Merchants State Bank, having become a National bank later. He also retained his interests in the Williams Lumber Company, which he and his brother, John, also deceased, organized during their residence in Webster.

Gayville Bank Re-opens

The Security State Bank of Gayville, South Dakota, which closed about six weeks ago, opened for business last month under a reorganization which was completed at a stockholders' meeting.

Five farmers of the community were elected to the board of directors as follows: G. B. Wright, Peter J. Dyken, Peder Olson, Peter Mettet, and Harry A. Nelson.

The directors elected Mr. Wright president and Peter J. Dyken, vice president; T. B. Wetteland, cashier, and L. C. Olson, assistant cashier. The reorganized bank is capitalized at $25,000.

H. F. Bottcher of Yankton assisted the stockholders in carrying out the reorganization plans.

Annual Meeting

The annual meeting of the stockholders and directors of the Community Bank, Hartford, South Dakota, was held recently and the business for the year 1930 reviewed and pronounced "very satisfactory."

A 10 per cent dividend for the year was paid to stockholders and several thousand dollars placed into surplus and undivided profits.

The following officers and directors were elected for the year 1931: H. L. Lewis, president; John L. Wood, vice president and cashier; Charles J. Mahl and G. E. Borcherding, assistant cashiers, and R. E. Crooks, bookkeeper. H. L. Lewis, John L. Wood, A. W. Pearson, H. C. Schmidt, E. A. Wendt, C. A. Greeg and L. J. Hannon are the directors. The Community Bank which was started in 1925 has deposits of nearly $300,000 and besides building up a good surplus has paid consistent dividends every year and carries a cash reserve of about 50 per cent which is nearly three times the legal requirement, thus giving the Hartford territory one of the strongest banks in the northwest.

Assistant Cashier

Frank J. Cinkle was elected assistant cashier of the Citizens National Bank & Trust Company at the annual meeting of the board of directors held in Sioux Falls, South Dakota. Mr. Cinkle has been connected with the bank since its organization, five years ago.

Elects Directors

At the annual stockholders and directors meeting of the Buffalo Gap, South Dakota, State Bank, the following directors and officers were elected:

W. H. Schneider, president; W. A. Sewright, vice president; N. B. Streeter, cashier. Mrs. Dorothy Thompson was elected assistant cashier, succeeding Mrs. O. M. Isham, resigned. T. W. Bondurant and C. G. Streeter were named to complete the directory board of five.

At the meeting the regular semiannual dividend was declared. The December 31 statement of the bank showed a 47 per cent cash reserve, exceeding the legal requirements by more than two and a half times. Mr. Streeter states that since that time, the reserved was 50 per cent for several days.

Directors for 21 Years

At the thirty-first annual meeting of the Fairview State Bank of Canton, South Dakota, it was disclosed that the bank has had the same board of directors for 21 years. They are E. O. Swenson, Charles Groth and O. L. Greguson, Fairview, and Louis Anderson and G. J. Moen, Canton. All were re-elected.

Increase Surplus

The annual meeting of the stockholders of the Citizens State Bank of Castlewood, South Dakota, was held recently. This was the fourth annual meeting of the institution since it opened for business a little less than four years ago.

The annual report to the stockholders showed a very good year. The surplus fund was further increased $2,500, making it $10,000, or four times the original amount paid in. In addition the fourth consecutive dividend amounting to eight per cent was paid to the stockholders. The annual statement showed total deposits amounting to $188,294.60, against which the bank held a total reserve consisting of United States and other bonds and cash amounting to $129,774.94. The total resources of the bank amount to $233,408.19.

The officers and directors were re-elected, namely, Dr. J. B. Vaughn, president; Arndt E. Dahl, vice president; C. N. Halvorson, cashier; Minnie Roberts, assistant cashier. Other directors are N. M. Kranz and J. G. Jensen. The outlook for the coming year was declared to be very favorable.

Holds Annual Meeting

The annual meeting of the stockholders of the Redfield, South Dakota, National Bank was held recently and the reports of the past year's business was very satisfactory. Everything points to a steady growth.

The election of officers resulted in the election of the same board of directors as last year, but a slight change in the list of officers. Claude Henry became a vice president and R. J. Crain became cashier.

The new officers are Z. A. Crain, president; W. F. Bruell, C. M. Henry and B. M. Slaughter, vice presidents; R. J. Crain, cashier, and C. C. Crain and Gladys Myers, assistant cashiers.

John Fargo, who has held a position as vice president for many years relinquishes that position but retains his position on the board of directors.

New Organization Fails

Prospects for a new organization of South Dakota bankers failed to materialize when nearly twenty-five independent bankers, meeting in Huron at the call of I. J. McGinity of Lebanon, chose to remain a part of the South Dakota Bankers Association.

Rather than to involve a split with the present association, the bankers who met decided to present their views to the South Dakota Bankers Association through a committee of five which was to be appointed by Mr. McGinity.

This committee will make a thorough study of the effect of chain banking methods upon independent bankers of the state and include its findings and recommendations in its report to the present bankers association.

The meeting of the bankers was prompted by the spread of chain banks throughout the state, according to Mr. McGinity.

The list of bankers present for the session included G. C. Blum, Florence; C. W. Harrington, Wentworth; L. A. Hanson, Nunda; F. J. Simmons, Mansfield; Don W. DeVey, Westport; George B. Cady, Mellette; H. E. Beebe, Ipswich; L. H. Wood, Hartford; H. O. Bard, Miller; J. D. Kaufman, Yale; W. A. Hicks, Carpenter; L. M. Larsen, Wessington Springs; T. M. Brisbine, Woonsocket, and C. E. Barkl, Huron.

Re-elected President

The annual stockholders meeting of the Bank of Winner, South Dakota, was held recently. Robert R. Jones was re-elected president. T. C. Montgomery, vice president; Albert Scheinost, cashier, and Anne Hansen, assistant cashier, were also all re-elected. The board of directors consisting of Robert R. Jones, T. C. Montgomery, P. O. Beaulieu, Theodore Smook and H. A. Niser, were all re-elected.

Officers Re-elected

At the annual meeting of the board of directors of the Mellette County Bank of Wood, South Dakota, all the officers were re-elected, as follows: H. A. Kiser, president; Robert R. Jones, vice president; H. J. Snyder, cashier; Dessa K. Gallagher and Sally Johnson, assistant cashiers. The bank moved to Wood on January 1, 1930, and experienced one of the most successful and profitable years in its history.

Wood is on the terminal of the C. & N. W. Ry. in the Rosebud country of South Dakota and is making a substantial growth in both business and population.

Fighting Unscrupulous Dealers

Unprincipled security dealers have practically abandoned use of the tipster sheet and the purported financial advisory service in favor of the market letter, the National Better Business Bureau disclosed in a report of recent investigations.

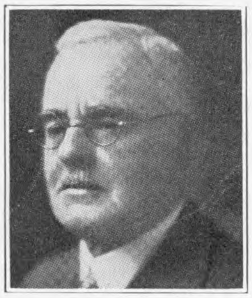
With an increase in market trading, the bureau warned, inexperienced investors should not be influenced by market letters of "fly-by-night" dealers patterned after those of reputable houses, and should investigate the record and standing of all sources of financial advice.

Of 150 tipster sheets investigated by the financial department of the bureau two years ago, some of which were supplanted for a short time by purported financial advisory services, the number now in existence is negligible, the bureau reports. For gaining the confidence of the investor, the unscrupulous dealer has substituted more clever mediums which ape methods of legitimate security houses who have long been informing customers of financial trends through periodical bulletins.

The market letter offers a ready means for the "fly-by-night" dealer to make contact with the prospect, secure his interest and induce him to buy over-rated stocks. These dealers, whose methods in many respects resemble the high pressure tactics of the tipster operator, the bureau states, often make recommendations concerning good stocks as well as indifferent ones. In many cases where the promoter is unable to make a direct sale he may influence the buyer to switch from a good investment to a highly speculative stock. In some cases investigators found a late delivery of stocks which indicated that a bucketing of orders was possible.

Inquiries concerning activities of this type of dealer are received daily by the financial department of the National Better Business Bureau, which has a file of companies previously investigated.

The quarterly report of the department, just issued, shows that investigation of inquiries and complaints concerning security dealers, ranks first among its services, comprising approximately one-sixth of the total work of the department.



J. G. LOWE
President

Nebraska Bank News

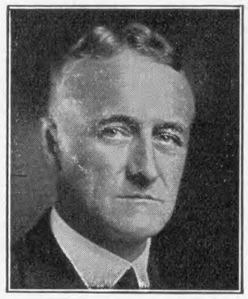
Officers Nebraska Bankers Association

President..............J. G. Lowe
Kearney

Chairman, Executive Council....
................E. N. Van Horne
Lincoln

Treasurer ....Denman Kountze

Secretary...........Wm. B. Hughes
Omaha



WM. B. HUGHES
Secretary

United States Supreme Court Sustains Special Assessments

The United States Supreme Court, at Washington, February 25th, sustained the right of the state of Nebraska to levy special assessments on state banks for the benefit of the bank guaranty fund.

The decision, made in the suit brought by the Abie State Bank and about 700 other state banks, to prevent collection of special assessments for 1928, 1929 and 1930, will result in $3,000,000 becoming available for depositors in failed state banks if assessments are paid.

In all, the decision may result in the payment of about $7,000,000 of the total net deficit in the guaranty fund of $20,000,000.

J. G. Lowe, Sr., head of the Farmers State Bank, at Kearney, Nebr., and president of the Nebraska Bankers Association, said:

"My opinion is that there won't any of this special assessment be paid. I don't think the state banks will pay it, for the reason that I don't believe the state will try to make them; the matter will die out, and be forgotten."

"It is a great victory for the state and for the depositors of failed banks," said Attorney General Sorensen, at Lincoln. "It was the biggest lawsuit the state of Nebraska ever had in the United States Supreme Court."

Mr. Sorensen was assisted in defending the special assessments by Charles E. Abbott, attorney of Fremont.

The state banks, in attacking the special assessments and in general the principle of the bank guaranty, were represented by Frank H. Gaines, of Omaha; Leonard Flansburg, of Lincoln, and S. S. Sidner, of Fremont.

Mr. Sorensen said that the general level of recovery by state bank depositors will be 30 per cent.

The legislature has provided a "set-up" system of repayment, by which first returns from the banks are to be paid to those who have been paid the least from the guaranty fund.

Every depositor in a failed bank, however, is to receive at least 15 per cent before other depositors are paid. All then are to receive 20 per cent of their losses, before any other payments are made.

Johnson Receives Gift

Alvin E. Johnson, vice president of the Live Stock National Bank, Omaha, was agreeably surprised on the occasion of his birthday anniversary when 45 employes and officers of the bank and their families met in Mr. Johnson's home at 306 South Fifty-second Street.

Mr. Johnson was presented with a golf bag and a set of clubs, and Mrs. Johnson with a framed picture.

Afterwards the guests used the clubs to play miniature golf with round pieces of paper serving as holes and hastily constructed hazards placed about the room.

Mr. Johnson has been with the Live Stock National Bank since its organization December 9, 1907, having risen from messenger boy to his present position.

Merger at York

Consolidation of the City National Bank of York, Nebraska, and the Bank of Commerce of York was announced by officials of the City National which has taken over deposits of the Bank of Commerce and purchased its equipment.

The Bank of Commerce was established last March. It had deposits of $302,000 at the time its last statement was issued. The City National's deposits at that time were $375,000.

C. N. Beaver is president of the City National, F. L. Borden, vice president, and J. E. Shrigley, cashier. Officials of the Bank of Commerce follow: W. G. Liggett, president; E. H. Smith, vice president, and Fred Babka, cashier. No changes were made in the personnel of the City National.

Elected a Director

At the annual meeting of the stockholders of the Genoa, Nebraska, National Bank, E. L. Burke, Jr., was elected a director of the bank. Mr. Burke's father, the late Edward L. Burke, was connected with the Genoa National Bank for many years and was one of the principal stockholders at the time of his death.

Cox Elected President

At a recent meeting of the stockholders of The Citizens State Bank of Cedar Rapids, Nebraska, J. W. Cox was elected president of the bank to fill the vacancy caused by the recent death of John S. King, former president.

Other officers elected are: H. T. Jackson, vice president; H. M. Ripp, cashier, and N. F. Lowe, assistant cashier.

The board of directors now consists of J. W. Cox, J. N. Bowers, H. H. Schueth, John C. Sievers, F. G. Walker, Chas. F. Orshek, Peter J. Korth, J. A. Kieve, Henry Vanderloop, Jacob Rutten, E. G. Snyder, C. I. Casper, F. P. Wright and H. T. Jackson. The above officers and directors, with Mrs. Rachel A. King, now constitute the stockholders.

All slow notes, judgments, and a large part of the real estate account have been removed from the bank, thereby placing the bank in a liquid condition and absolutely sound.

Holds Annual Meeting

The regular annual meeting of the stockholders of the Farmers National Bank was held recently in Stanton, Nebraska.

All present directors were elected to serve for the coming year, and they are as follows: Charles H. Chace, Frank W. Scherer, James Doty, Walter R. Chace, Robert Larson and L. E. Bare.

At the directors' meeting after the stockholders' meeting, all officers were reelected as follows: Walter R. Chace, president; James Doty, vice president; Robert Larson, cashier, and L. E. Bare and Walter L. Happel, assistant cashiers.

The regular annual dividend to stockholders was declared.

Cashier Resigns

At the annual meeting of the stockholders of the Fullerton, Nebraska, National Bank, a change in the bank personnel was effected. A. G. Arrasmith, who for the past eleven years has been associated with the bank, is no longer connected with the institution and his place as cashier has been taken by Fred E. Ward.

The new officers of the bank, following the meeting, are J. M. Brower, president; R. C. Brower, vice president; F. E. Ward, cashier, and Leonard L. Lesiak, assistant cashier. The directors of the bank are W. P. Hatten, M. L. Knowles, H. W. Jessee, Mrs. Letitia Kaveney, F. E. Ward, R. C. Brower and J. M. Brower.

Sale of Banks

The sale of banks recently negotiated by The Charles E. Walters Company of Omaha, Nebraska, include the State Bank of Sugar Creek, Missouri, to C. D. Cayot of Ottawa, Kansas; the Farmers State

Savings Bank of Fairbank, Iowa, to G. F. Haas of Woodbine, Iowa, and the Citizens State Bank of Polk, Nebraska, to Arnold Isaacson and M. J. Ferguson of Aurora, Nebraska.

Holds Annual Meeting

The stockholders of the Security State Bank, Holbrook, Nebraska, held their annual meeting last month.

All notes and assets of the bank were carefully checked by all stockholders, and found in first class condition.

The following stockholders were elected on the board of directors for the year 1931: P. Phillipson, August Warner, Otto Warner, Mrs. Emma C. Snyder and S. F. Curry, all of Holbrook.

The board of directors then elected the following officers to serve for the year 1931: P. Phillipson, president; August Warner, vice president; Otto Warner, vice president; S. F. Curry, cashier, and Willie Wilson, assistant cashier and bookkeeper.

Mr. Banwell, having disposed of his interests, will retire from the active management of the bank on March 1, 1931.

Bank Reorganizes

The Center State bank of Center, Nebraska, which has been closed since October 18, 1930, reopened for business last month.

The old stockholders voluntarily paid in a 100 per cent assessment on their stock to help in the reorganization of the bank. The depositors consented to use 50 per cent of their deposits as of the date of the closing, to purchase undesirable assets.

The bank reopens with a new paid up capital stock of $15,000; surplus $3,000, and with cash reserve equal to 90 per cent of the outstanding deposits.

The newly elected officers and directors are: George Gnewuch, president and director; William von Rentzell, vice president and director; William R. McGill, director; Charles Ellingson, director; William A. Pageler, director; G. T. Britt, cashier.

Election

At the regular annual meeting of the stockholders of the Stockham State Bank, Stockham, Nebraska, the following directors were elected: Walter D. Ely, Arthur W. Grosshans and Geo. B. Miles, Jr. Following the stockholder's meeting, the directors held a meeting at which Walter D. Ely was elected president; Arthur W. Grosshans, vice president; Geo. B. Miles, Jr., cashier, and Ruth Griess assistant cashier for the ensuing year. The new member to the board of directors is Arthur W. Grosshans, who replaces the late J. Clark Wilson whose death occurred on November 5, 1930.

Vote to Reorganize

Approximately 225 depositors of the Meisner State Bank which failed in Shelton, Nebraska, in 1928 met to consider continuing collections under the receivership sale of remaining assets to the highest cash bidder, or adoption of the Dalton plan of winding up affairs. By the latter plan all depositors sign over their claims to a committee of three trustees who are empowered to settle affairs of the institution.

Clarence G. Bliss, bank receiver, was present and outlined various plans, explaining in detail how each worked, and then asked the depositors to come to their own decision. After considerable discussion it was voted to adopt the Dalton plan and a committee composed of Max Schiemann, George N. Mortimer and A. F. Bills was named as trustees.

At the time the Meisner bank failed three years ago it had deposits of $625,000. Depositors have received about 60 per cent of their claims.

Sutton Bank Elects

At a meeting of the Sutton, Nebraska, State Bank the following board of directors was elected: W. F. Hoerger, Dr. J. M. Welch, William Levander, F. E. Weston, E. Kirchhefer. A dividend of seven per cent was declared to be paid on the capital stock. At the semi-annual directors' meeting the following officers were re-elected: W. F. Hoerger, president; William Levander, vice president; E. Kirchhefer, cashier; W. Kirchhefer, assistant cashier.

Buy Bank Interest

L. D. Spalding and W. T. Waldron of Omaha have purchased an interest in the Arlington State Bank of Arlington, Nebraska, and will take an active part in the management. A. O. Hawkins and L. E. Peterson are retiring. Mr. Peterson has been appointed district manager for the Mutual Life Insurance Company, and Mr. Hawkins has several propositions in view but has not definitely decided.

The board of directors now consist of H. W. Schoettger, F. W. Smith, Peter Peterson, C. C. Marshall, Dr. R. A. Davies, L. D. Spalding and W. T. Waldron. Mr. Spalding and Mr. Waldron are both experienced bankers and are not strangers to that community. The other members of the board have been with the bank a great many years.

Henry W. Schoettger was one of the original incorporators in the bank in 1890 and will continue actively in the management. The Arlington State Bank has served its community for more than forty years.

Bank Re-opens

The Guide Rock, Nebraska, State Bank, which closed early in December, opened again for business last month.

Officers of the new organization are Lloyd Hunter, president; Ira A. Pace, vice president; S. E. Volger, cashier. The capital stock is $25,000, and the surplus fund is $5,000.

Directors are L. H. Hunter, I. A. Pace, C. M. Taylor, Henry Pederson, S. E. Volger, Martin Meents and W. L. Dyson of Bostwick.

L. H. Hunter, former cashier, will work in connection with the depositors' committee. Bernard Wichmann, former assistant cashier, is assisting at the bank for a time.

"Bandit-Proof" Cages

Cages in the new trust department of the Omaha National Bank, opened a few weeks ago on the second floor of the bank building, are described as "bandit proof." Clerks serving the public are in the outer cage; the custodian of the vault in the inner cage. Bullets cannot penetrate the glass of the cages, which is more than an inch thick. Inside, the walnut cage walls are lined to the floor with bullet-proof steel and steel mesh, which is also used for the ceiling.

Nebraska News

IN A RECENT TALK in Omaha, George W. Woods, bank commissioner for Nebraska, described the condition of the state banks as being distinctly stronger and sounder than it had been for months and even years back.

"The people of Nebraska," he said, "would be astounded if they should learn that stockholders in many instances have had to pay special assessments amounting to as much as 300 per cent of their investment. This has resulted in vastly sounder banking. By classifying each bank's assets and causing the stockholders to take up the poor and lost loans we can now proceed with the knowledge that only Class A and B assets, together with cash, form the basis for future operations."

The number of banks in the state has been reduced by about five hundred in recent years.

Killed by Airplane Propeller

Joe W. Lewis, who was president of the Clarke, Lewis & Company, Omaha brokers, as well as the Midwest Aviation Company, was fatally injured at Spencer, Nebraska, Thursday, February 12, when he was struck by the steel propeller of his plane. His tragic death took from midwest financial circles a man who had made many friends by the force of his personality.

Mr. Lewis, for several years, had made use of the airplane in conducting his business, to save time in travel. He was a pilot, and operated his own three-place bi-plane. The week before his death, he had completed a nine-day trip covering three thousand miles, to the south as far as New Orleans. His fatal trip to Spencer had been made for the purpose of inspecting his company's hydro-electric properties there.

The starter of the plane was out of order. Mr. Lewis was trying to start the plane by swinging the propeller, although he was not accustomed to this practice. With Jack Newell, superintendent of the hydro-electric plant, he had been working at the plane, trying to start it, when the blade got into action, caught and crushed his body.

Mr. Lewis was active in Omaha civic affairs. He was a leader in the aerial transportation committee of the Chamber of Commerce, which has fostered the development of the Omaha airport and has aided in Nebraska air tours. The Chamber of Commerce adopted resolutions of sympathy at his death.

Mr. Lewis is survived by his wife and three children. After funeral services at which pastors of several denominations took part, his body was laid to rest in Forest Lawn Cemetery, Omaha.

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.

Chicago Banker Dead

William G. Strand, fifty-four years old, died recently at his residence in Chicago. Mr. Strand was manager of the foreign banking department of the First National Bank of Chicago, with which he had been connected for thirty-four years. He was born in Denmark, but had lived in Chicago fifty years, and was a member of the Lake Shore Athletic Club and the Rolling Green Country Club.

C. B. BROMBACH
President

Minnesota Bank News

Officers Minnesota Bankers Association

President..........C. B. Brombach
Minneapolis
Vice President.......J. R. Chappell
Winona
Treasurer............W. L. Brooks
Bemidji
Secretary............George Susens
Minneapolis

GEORGE SUSENS
Secretary

Merger at Austin

The First National Bank of Austin and the Austin National Bank, two of the oldest and largest depositories in southern Minnesota, were consolidated recently with the dedication and occupancy of the new First National Bank building. The consolidation perpetuates the name of the First National and gives Austin a depository with resources of approximately $4,500,000. The merged bank is capitalized at $200,000 with surplus of $100,000. Initial deposits are approximately $4,200,000. The merged banks were both affiliated with the First Bank Stock Corporation and prior to their affiliation for many years have been identified with prominent Austin families. The First National Bank was known as the Banfield Bank and the Austin National as the Hormel Bank.

The official staff, as elected by the joint board, is constituted as follows:

J. C. Hormel, chairman of the board of directors; Nathan F. Banfield, Jr., president; Park Dougherty, vice president; Everett C. Banfield, vice president; Richard S. Banfield, vice president; Henry J. Drost, cashier; George H. Ewoldt, assistant cashier; George L. Jennings, assistant cashier; Fred H. Edson, assistant cashier, and Bernard W. Kough, assistant cashier.

The board of directors is composed of sixteen members, including: Everett C. Banfield, Nathan F. Banfield, R. S. Banfield, R. F. Crane, Park Dougherty, H. J. Drost, M. F. Dugan, C. F. Fox, C. L. Freeman, G. A. Guy, Jacob Herzog, Jay C. Hormel, C. F. Lewis, O. W. O'Berg, J. C. Schottler and J. H. Skinner.

Banks Hold Elections

Aitkin's three national banks have elected officers.

There have been no changes in the management of these banks and the business reflects the stable and steady condition of the community. Deposits aggregate $1,726,000 in round numbers.

The First National Bank elected for board of directors: Peter Larson, chairman; G. M. Robinson, Albert Zeese, B. R. Hassman, Norman Falconer, F. E. Frech, John E. Healy. G. M. Robinson was elected president; Peter Larson and Albert Zeese, vice presidents; B. R. Hassman, cashier; Robert Hasling, assistant cashier.

The Farmers National Bank elected as directors: Dr. B. W. Kelly, chairman; W. T. Mount, Fred Nichols, F. H. Osterhout, Dr. J. J. Ratcliffe. Officers are W. T. Mount, president; Fred Nichols, F. H. Osterhout, Dr. J. J. Ratcliffe, vice presidents; H. D. McNeil, cashier; Thornton Getting, assistant cashier.

The National Bank of Aitkin elected as directors: C. P. DeLaittre, chairman; J. B. Galarneault, J. J. McDonald and J. H. McDonald. Officers are J. B. Galarneault, president; J. J. McDonald and J. H. McDonald, vice presidents; Fred Johnson, cashier; Otto Elling, assistant cashier; J. T. Galarneault, attorney and assistant cashier; Miss Mabel Jacobson, bookkeeper.

Heads Eighth Group

R. M. Cornwell of Eveleth, was elected president and Duluth was chosen as the 1932 convention city at the closing session of the Eighth District group, Minnesota Bankers Association annual meeting.

Other officers named are W. F. McLean of Duluth, vice president; R. J. Lewis of Moose Lake, secretary-treasurer; W. L. Spensley of Hibbing and Paul Essen of Two Harbors, members of the executive committee, and H. C. Matzke of Duluth, member of the Council of Administration. The 1932 convention date is February 12.

George Susens of Minneapolis, secretary of the State Bankers Association, spoke regarding a bank officials' law, bank reserves, bad checks, a state banking board to serve in an advisory capacity to the state commissioner of banks, mortgaged property loans and branch banks, in the principal address of the afternoon.

More than 150 bankers attended the session. Other speakers during the sessions were John E. Peyton of Duluth, new state commissioner of banks; D. J. Fouquette, president of the St. Cloud State Bank, and A. Mac C. Washburn, general counsel of the First National Bank of Minneapolis.

Peyton Named Commissioner

John N. Peyton has been appointed commissioner of banks in Minnesota by Governor Floyd B. Olson to succeed A. J. Veigel who recently resigned to become president of the University State Bank of Minneapolis.

Mr. Peyton was born in Duluth and has lived there all his life, except when away at school. He is 45 years old, and graduated from Yale in 1908. He started in the banking business in 1909 with his father, the late H. M. Peyton, the founder of the American Exchange National Bank of Duluth. In 1912, John N. Peyton organized the Citizens State Bank of West Duluth, which, since 1927, has been known as the Pioneer National Bank of Duluth. He has been president of that institution since its organization. He is also vice president of the Minnesota National Bank of Duluth. He is married and has two sons.

JOHN N. PEYTON

Heads County Organization

F. M. Williams, president of the State Bank of Byron, Minnesota, was elected president of the Olmsted County Bankers Association at the annual meeting held in Rochester.

C. J. Leusman, assistant cashier of the First National Bank of that city was named vice president, and A. C. Burgan, cashier of the Union National Bank, was re-elected secretary.

Twenty-six bankers, including representatives of all banks in the county, attended the meeting.

Statement of Condition

According to the statement of condition released on January 12, 1931, of the Citizens State Bank of Tyler, Minnesota, deposits are listed at $362,229.83 with capital and surplus of nearly $23,000. The officers are Hans Lauritsen, president; F. Utoft, vice president; C. A. Lauritsen, cashier, and Vera Kjergaard, assistant cashier.

Election at Elmore

The Farmers State Bank of Elmore, Minnesota, held its annual meeting recently and re-elected all the old officers and directors. The officers are: Mrs. W. O. Dustin, president; G. C. Pirsig, vice president; G. F. Koepke, cashier, and Mrs. Martha Neilson, assistant cashier. The directors are: Mrs. Dustin, G. C. Pirsig, G. F. Koepke, Chas. Anderson and Henry Grimmelmann.

New Bank at Currie

J. N. Peyton, state commissioner of banks for Minnesota, has announced a charter has been issued to the Currie State Bank in Murray county. The institution has capital of $20,000 and surplus of $4,000. Henry Paal, Sr., and Henry Eiselein, both of Currie, are president and cashier, respectively.

Re-elects Same Officers

The board of the First National Bank of Waseca, Minnesota, was organized at the regular monthly meeting with the same officers, namely, C. P. Sommerstad, president; E. O. Herter and J. L. Hanson, vice presidents; J. E. Farrell, cashier; F. L. Manthey and L. R. Peterson, assistant cashiers.

Bank Officers Are Re-elected

All of the present officers of the Blackduck, Minnesota, State Bank were reelected at the annual meeting of the board of directors, according to I. J. Hauge, the cashier of the institution. H. C. Baer of Bemidji, president of the bank, was present at the meeting.

Re-elects Officers

The annual meeting of the First National Bank was held in Roseau, Minnesota, recently. Officers were re-elected as follows: President, L. H. Ickler; vice presidents, W. W. Smith and A. Waag; cashier, A. E. Laufenburger; assistant cashier, W. S. Bell; directors, L. H. Ickler, C. J. Ickler, C. L. Thorson, W. W. Smith and A. Waag.

The bank, according to its last published report, is in a healthy condition. Mr. Laufenburger is optimistic as to the future of the institution.

Becomes Director

Wm. H. Griffin was elected as a new director of the Rock County Bank at the annual meeting of the stockholders held in Luverne, Minnesota. The former directors, Theo. Albrecht, C. D. Millard, John P. Houg, E. H. Canfield and Russell Sherman were all re-elected to their positions.

The directors met following the stockholders' meeting and re-elected all officers. They are, Theo. Albrecht, president; John P. Houg, vice president; C. D. Millard, vice president and cashier, and Russell A. Sherman, assistant cashier. Miss Esther Nuffer was promoted to assistant cashier.

The year's business disclosed an increase of 30 per cent in deposits. Gratifying dividends were paid to the stockholders during the year. President Albrecht, of Minneapolis, expressed satisfaction with the excellent condition of the assets of the bank.

Hold Annual Meeting

The board of directors of the Citizens National Bank, of Faribault, Minnesota, consisting of Ed. Fleckenstein, T. J. McCarthy, John Peterson, H. P. Leach, J. E. O'Neil, Geo. L. Weinberger, J. J. Rachac, Walter Nutting and J. E. Losleben, held its regular meeting recently and organized for the year of 1931 by electing J. J. Rachac as chairman of the board of directors and J. E. Losleben as secretary.

The following officers were elected for the ensuing year: J. J. Rachac, president; J. E. O'Neil, vice president; J. E. Losleben, cashier; R. G. Endres, assistant cashier; C. C. Reineke, assistant cashier.

There was no change made in the personnel of the board of directors and the clerical force of the bank remains the same as in the past. All the old officers were re-elected.

The Citizens National Bank has the distinction of being the oldest bank in Rice county and one of the oldest in the state. It will celebrate its sixtieth anniversary on August 16, 1931, as a national bank.

The bank had a prosperous year in 1930 and declared a dividend in spite of the general business depression.

Election of Directors

The stockholders of the First State Bank of Cambridge, Minnesota, held their annual meeting recently and elected the following directors: J. A. Stoneburg, C. W. Patsold, Eric Moody, Ed. Rathjens, Jack Lewis, Robert B. Gillespie, and T. C. Blumgren.

At the directors' meeting following, the following officers were chosen: J. A. Stoneburg; president; C. W. Patsold, vice president; T. C. Blumgren, cashier, and P. W. Dahlgren, assistant cashier.

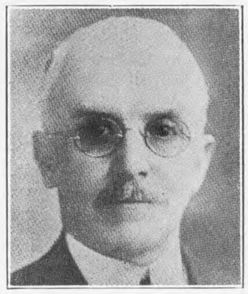
North Dakota Bank News

Officers North Dakota Bankers Association

President................................J. E. Davis
Bismarck

Vice President...................Paul T. Kretschmar
Venturia

Secretary.............................W. C. Macfadden
Fargo



W. C. MACFADDEN
Secretary

Merger at Kenmare

A merger of the two Kenmare, North Dakota, National Banks has been effected to be operated under the title of the First National Bank of Kenmare, with the following officers in charge:

President, J. N. Fox; vice president and cashier, David Clark, Jr.; assistant cashiers, J. H. Sinclair, Jr., and P. W. Dahl.

Both the First National and Kenmare National Banks have been operating for 28 years. The merger gives Kenmare a big, strong bank able to meet the needs of a growing community.

Joins Bancorporation

The First National Bank, Carson, North Dakota, has become affiliated with Northwest Bancorporation, it was announced in Minneapolis, recently.

Capital of the First National Bank, Carson, is $25,000, surplus $5,000 and deposits $203,000.

W. A. Hart is president, L. Ruben, vice president, and O. Tollefson is cashier.

Closed Banks Pay

L. R. Baird, receiver of closed banks, has announced that a dividend is being paid to the depositors of three closed banks in North Dakota.

C. W. Conroy, district manager at Devils Lake, is paying a 10 per cent dividend to the depositors of the Bordulac State Bank.

A dividend of 10 per cent is being paid to the depositors of the Citizen's State Bank of Epping. Payment is being made through the office of J. P. Reeve, district manager at Burlington.

Baird also announces that the five per cent dividend which is being paid to the depositors of the Farmers State Bank of Churches Ferry brings the total dividends paid by the bank to date to 40 per cent. C. W. Conroy, manager at Devils Lake, is making the payments.

In Consolidation

The German State Bank of Zeeland, North Dakota, was consolidated with the Zeeland State Bank, which took over the other institution's deposit liabilities, Gilbert Semingson, state bank examiner, announced recently.

North Dakota News

EDWIN TRAYNOR has been elected vice president of the State Bank of Starkweather, succeeding his father, Mr. Peter Traynor, who passed away recently.

BENJAMIN BAGLIEN has accepted a position as assistant cashier with the Security State Bank, Dunseith, succeeding Mr. H. E. Falk, who has resigned.

S. A. BYE has been elected president of the State Bank of Heimdal. Mr. J. M. Bye has been elected vice president, and Mr. Alfred H. Bakken, formerly assistant cashier, has been promoted to cashier.

THE BANK OF GOGSWELL has changed its corporate name and headquarters to Bank of Sargent County, Forman, and opened up for business January 26, 1931.

THE SECRETARY OF STATE has issued certificates increasing the capital stock of the First State Bank, Venturia, from $10,000.00 to $15,000.00, and renewing its term of corporate existence for a period of twenty-five years. A certificate has also been issued to change its corporate name to read "First State Bank of Venturia."

Bank Unit Elects

O. W. Harrison, cashier of the Citizens State Bank at Brandon, Minnesota, was elected president of the Douglas County Bankers Association at the annual meeting. Other officers elected were M. A. Lukken of Alexandria, vice president, and A. C. Schneiderhan of Alexandria, secretary-treasurer.

Chairman of Board

George P. Tweed has been named chairman of the board of the First and American National Bank of Duluth, Minnesota, after David Williams, former chairman, submitted his resignation to the directorate.

Mr. Williams, who succeeded the late Albert L. Ordean as president of the First National Bank prior to its merger with the American Exchange National Bank, told directors attention to personal affairs necessitated his resignation. He remains as a director of the institution.

Mr. Tweed, in addition to his bank association, is connected with mining activities at the Head of the Lakes.

Stockholders of the bank elected George W. Ronald, a vice president, to the board of directors. The official staff was unchanged with the exception of Mr. Tweed's ascendency to the chairmanship.

The present officers and directors of the bank are as follows:

George P. Tweed, chairman of the board; Isaac S. Moore, president; J. Daniel Mahoney, vice president; Edward L. Palmer, vice president and trust officer; George W. Ronald, vice president; Willis A. Putnam, vice president; William W. Wells, cashier; W. Gordon Hegardt, assistant vice president; Robert W. Hotchkiss, assistant vice president; Hubert U. Moore, assistant vice president and trust officer; Sylvester T. Strain, assistant cashier; Henry E. Grieser, assistant cashier; Colin Thomson, assistant cashier; William K. Alford, assistant cashier; John L. Evans, auditor; John C. Dwan, assistant trust officer.

Directors—A. C. Weiss, Adam G. Thomson, Edward C. Congdon, Ward Ames, Jr., George P. Tweed, T. F. Cole, Isaac S. Moore, Oscar Mitchell, W. E. Magner, Marshall W. Alworth, A. H. Crassweller, E. J. Maney, James W. Galvin, Frank A. Brewer, Carl A. Luster, F. Peavey Heffelfinger, Julius H. Barnes, W. P. Chinn, Edward L. Tuohy, Louis W. Hill, Rudolph M. Weyerhaeuser, J. Daniel Mahoney, Henry F. Salyards, N. F. Russell, George H. Spencer, W. B. Castle, Walter R. McCarthy, George W. Welles, David Williams.

Heads Association

R. E. Bennett of Crosby was elected president of the Crow Wing Bankers Association formed at a meeting held in Brainerd, Minnesota.

Other officers named are Julius C. Nelson of Pequot, vice president, and T. S. Nyhus of Ironton, secretary-treasurer. Communities represented in the organization include Pequot, Crosby, Ironton, Trommald, Cuyuna, Deerwood and Brainerd.

C. C. JACOBSEN
President

IOWA SECTION

Officers Iowa Bankers Association

President..................C. C. Jacobsen
Sioux City

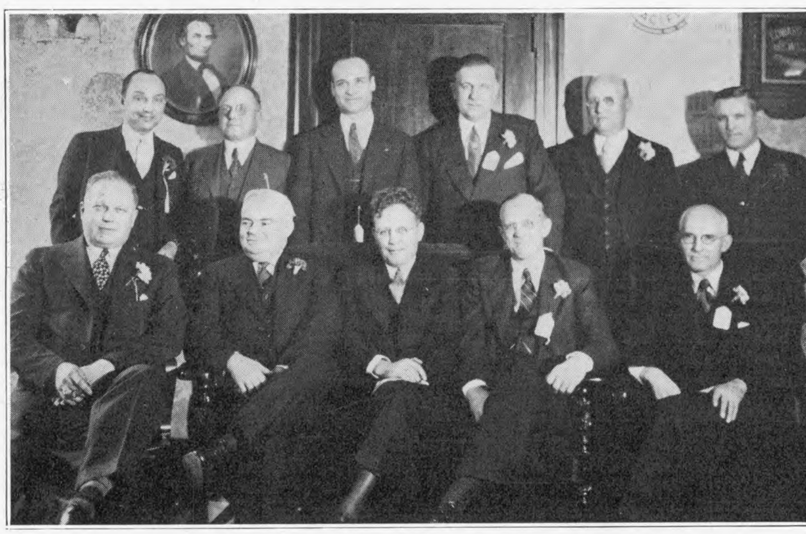
Vice Pres.........Walter T. Robinson
Hampton

Treasurer..................Jos. W. Meyer
Dubuque

Secretary....................Frank Warner
Des Moines

FRANK WARNER
Secretary

Group Eleven Meets at Burlington



Snapped at the Burlington group meeting: Standing (left to right) William H. Maas, Chicago, vice president of Northwestern Banker; R. F. Wilson, Fairfield; H. R. Boles, manager bond department, American Commercial and Savings Bank of Davenport; S. E. Coquillette, vice president, Merchants National Bank, Cedar Rapids; D. J. Ross, cashier, Commercial Savings Bank, Washington; T. T. Warren, cashier, Bank of Winfield, Winfield. Seated, left to right, are Verne L. Bartling, vice president, Foreman Bank, Chicago; L. A. Andrew, state superintendent of banking in Iowa; O. L. Karsten, Kewanee Ill.; F. B. Yetter, vice president, American Commercial & Savings Bank, Davenport; C. A. Diehl, vice president, Iowa-Des Moines National Bank, Des Moines.

A LARGE attendance, due in part to the perfect weather conditions, featured the meeting of Group Eleven at Burlington February 12th. Earl C. Huene of Mt. Pleasant was elected chairman of the group for the coming year, succeeding E. E. Skola of Kalona. Wesley Swiler of Burlington was elected secretary.

Speakers of the business session included C. C. Jacobsen of Sioux City, president of the Iowa Bankers Association; Frank Warner, secretary; and banking superintendent L. A. Andrew. Renewed faith in Iowa and general optimism for the future development of the state were expressed by all three speakers.

Mr. Andrew spoke of the failures in other states, caused principally by the nonpayment of notes given by farming interests which are now in distress, and he pointed out the advantages of Iowa in this regard.

Iowa Fortunate

IN IOWA we have been fortunate in being able to go through this severe drop in prices with only a few failures. The improved banking methods now in general practice in this state are responsible for our fortunate stand at this time. Iowa is fortunate in having gone through this severe deflation with much less trouble than other states. We are now in a position to profit by the return of general prosperity which is expected in the next few months. We have a rich state here ready to respond to hard work, thrift and good banking."

Mr. Jacobsen urged the confidence of the general public in banking institutions, in his address, maintaining that they are safe, constructive and conservative. He pointed out the things which have been accomplished through the dual system of national and state banks and expressed the belief that net bank losses are not nearly so great as individual losses and community failures due to land speculation, stock market and "get-rich-quick" investments.

Censures Loan Agencies

HE CENSURED farm loan agencies for their hesitancy in renewing existing farm mortgages. "In shaping our credit policies," he said, "let us realize that there is a happy medium between a policy too liberal, which invites undesirable business with resultant losses, and on the other hand a policy too conservative with its retarding of legitimate industry and consequent ill will."

Mr. Warner discussed plans of the state association for more efficient service. He outlined policies for the successful resistance of bank robbers and other matters of primary importance to business.

A resolution, recommending that government extend its business ability to aid in the rehabilitation of the farm industry by refunding farm loans at a lower interest rate over a term of years, was adopted. Another resolution adopted opposed the cash payment at this time of all the adjusted service certificates to war veterans, in the belief that such a movement would be unsound business.

Above, left to right, Walker D. Hanna, of Walker D. Hanna Co., Burlington; G. S. Krouth, Iowa banking department; Roy Hutchinson, cashier, Clinton National Bank. Seated, left to right, Earl C. Huene, cashier, State Trust and Savings Bank,, Mt. Pleasant; F. E. Skola, vice president, Farmers Savings Bank, Kalona; and M. E. Tate, vice president and cashier, Security State Bank, Keokuk. This picture was taken at the Group Eleven meeting in Burlington last month.

Earnings High

Proof that a bank in a small town and near large centers can make money is reflected in the statement of the Farmers Savings Bank of Weaver, Iowa, which has a population of 200.

The bank earned 30 per cent on its $20,000 capital the past year. It paid out $15.00 per share and put the other 15 per cent in a reserve fund for depreciation. The deposits are around $300,000.00 with surplus and undivided profits of $30,000.00. The total reserve for depreciation is now $12,000.00. The town is on the main highway between Burlington and Fort Madison, being ten miles from Burlington and eight miles from Fort Madison.

President in Florida

J. A. Bradley, president of the Iowa Trust & Savings Bank, Centerville, Iowa, and also the First National Bank of Centerville, and president of the First National Bank of Eldon, Iowa, is spending about six weeks in Florida. He will visit H. H. Moore at Sarasota, Florida, who is a former resident of Centerville.

Vice President Deceased

I. L. Nedrow, vice president of the Farmers & Traders Savings Bank, Douds, Iowa, died January 27th. He had been suffering from cancer for the past two years.

Elected Director

The Security State Bank of Keokuk, Iowa, has elected J. W. Winger, a dry goods merchant of Keokuk, to the board of directors to succeed John W. Leisy who died the latter part of January.

Made Assistant Cashier

F. L. Beal, Farmers Savings Bank, Carlisle, Iowa, was recently elected assistant cashier. He was formerly at the First National Bank, DeWitt, Iowa, as bookeeper.

Banking Hours Change

Effective February 16th, banks at Fairfield, Iowa, changed their banking hours. The new hours will be from 9:00 a. m. to 3:00 p. m. Heretofore the hours were 9:00 a. m. to 4:00 p. m. and took a half holiday each Thursday afternoon during the spring and summer months. The practice of taking a half holiday on Thursday afternoon will be discontinued.

Bank Re-decorated

The Eldon Savings Bank, Eldon, Iowa, have re-decorated their bank throughout. New paper was put on the walls, the furniture rewaxed, the woodwork varnished, and the linoleum cleaned.

Director Deceased

Homer Cresap, director of the Farmers & Merchants Savings Bank, Ottumwa, Iowa, and connected with the Standard Oil Company, died recently. He was stricken with a paralytic stroke and died in three days. He was 55 years of age.

Keokuk Banker Dies

Howard L. Connable, president of the Keokuk Savings Bank and Trust Company since 1921, died in a hospital after a few days illness with pneumonia.

Connable was born in Keokuk January 14, 1858, and received his education there.

He was in the mercantile business for 42 years and for 20 or more years he has been a director and officer in the Keokuk Savings Bank and Trust Company. He also was president of the inheritance tax board. He is survived by his wife, and two children, Raymond J. Cannable and Mrs. J. S. Wells and two grandchildren.

Excellent Showing

According to the statement of condition at the close of business December 31, 1930, of the Farmington State Bank of Farmington, Iowa, the affairs of that institution are in an exceedingly liquid condition. With deposits of over $175,000, the bank has available as reserve, $187,000. Capital and surplus are given at over $35,000. The bank was founded April 16, 1929.

The officers are W. A. Logan, president; J. I. Annable, vice president, and G. M. Barnett, cashier.

Tama Bank Remodels

The Tama State Bank of Tama, Iowa, has begun the remodeling of what was formerly the First National Bank building as its future home. The investment will be about $15,000 and it is expected that work will be completed in time for the fourth anniversary which will be May 7th.

The Tama State has deposits totaling $571,409 with capital and surplus of $50,000.

Ten Per Cent Dividend

At the recent annual meeting of the Perry State Bank of Perry, Iowa, a dividend of 10 per cent was declared to the stockholders. This was the second dividend since the organization in November, 1927. All of the officers and directors were re-elected.

The capital and surplus and undivided profits are given at $92,870.31 with deposits of $914,379.99. Officers are J. C. Bryan, president; E. P. Dills, vice president, and N. P. Black, cashier.

Vigilantes Capture Robber

Within exceedingly short time after he had robbed the Farmers Savings Bank at Steamboat Rock of $1,000.00, Kenneth Eldred of Iowa Falls, was captured by vigilantes.

Shortly after 3:00 o'clock on February 16th, Eldred entered the Farmers Savings Bank and forced Cashier E. Christians and Assistant Cashier J. A. Holmes to hand over $1,000.00 in coins and currency.

Immediately after he left the bank and hurried to where his car was parked around the corner from the building, Christians seized a gun and fired after the fleeing bandit from a rear window. L. G. Condon and Roy Hathaway, both vigilantes, heard the shots, jumped in a car and started after the youth.

They followed, firing at him as he tried to escape over country roads to the north and west of Steamboat Rock.

Finally Eldred halted his car and climbed out. Condon covered him with an army rifle, but as he started to approach, the youth grabbed for his gun. Condon shot. While he didn't hit Eldred, the youth put his hands in the air and surrendered.

He was wounded, however, by a bullet that had pierced his heel. Another had singed his neck.

In the meantime, Holmes had called Sheriff W. H. Thompson at Eldora, who with a posse started out in search of the bandit. Just northwest of Steamboat Rock the sheriff encountered the vigilantes with their prisoner, took him into custody and returned to Eldora where Eldred was placed in jail.

The money he obtained from the bank was found in the auto in which he tried to escape.

Eldred has lived in Iowa Falls most of his life. He formerly was employed by the Bell Telephone Company, but was laid off a few weeks ago.

Wendell Eldred, brother of Kenneth, was also arrested when he was found following the bandit's car. He is being held for investigation.

Message to Bandits

The Iowa Bankers Association has just finished mailing to each of the banks and county sheriffs of Iowa two copies of a poster which is a direct message to burglars and would-be robbers.

The poster which measures 24x36 inches is headed "To all bank burglars and robbers and would-be burglars and robbers."

Following is given four of the penalties for burglary and banditry. The poster is effectively illustrated by the photographs of thirty-six bandits who have either been sentenced to long terms in the penitentiary or have paid with their lives for the robbery or attempted robbery of Iowa banks.

This is the result of legal activities through the state during the past eighteen months.

The information contained in the poster includes the following data:

Number given *life* in *Iowa* Penitentiary 23
Number given *life* in another State (Minn.) 26
Number *killing self* in *Iowa* to avoid capture 2
Number *dying* of wounds in *Iowa* 1
Number *awaiting trial* in *Iowa* 1
Number given *5 years* in another State (Nebr.) 1

Number given *indeterminate sentence* in another State (Minn.) 1
Number given *5-20 years* in another State (Minn.) 1
Number given *15-20 years* in another State (Wisc.) 2
Number killed in accident in another State (Ky.) 1

Total 36

It is the intention of the Iowa Bankers Association to hang one of these posters in each bank lobby, or in the waiting rooms of railway stations where they are sure to be seen by any gangster who enters the town with the idea of getting the layout for a successful bank holdup.

Altogether the poster constitutes a most effective piece of advertising and should lend its influence in discouraging bandits from entering the State with the idea of finding easy victims within its borders.

Bank Makes Fine Showing

Since its founding in 1900 with $10,000.00 capital the Kinross Savings Bank of Kinross, Iowa, has paid to its stockholders a total of 333 per cent in dividends, or a sum of $33,300.00.

This bank has been most consistent in its declaration of dividends, having in 1930 earned a total of 21 per cent. During its 30 years of existence the bank has never at any time owned any real estate other than its own building.

Officers are: Forrest M. Herr, president; Wm. F. Herr, vice president; E. E. Graham, cashier, and Genevieve Fischer, assistant cashier.

Directors are Forrest M. Herr, Wm. F. Herr, E. E. Graham, Genevieve Fischer and C. M. Herr.

Heads County Bankers

Forty bankers attended the meeting of the Floyd County Bankers' Association at the Hildreth Hotel in Charles City, Iowa, when the following officers were elected: Raymond Reis, Marble Rock, president; E. C. Moody, Nora Springs, vice president; Edgar Ball, secretary, and Horace B. Olds, treasurer, who both live in Charles City. The association went on record as favoring a state police. Sheriff G. E. Cress of Mason City was the speaker.

Dividend Totals $200,000

A 40 per cent dividend, totaling almost $200,000, is in store for depositors in the First National Bank of Villisca, Iowa, according to announcement by Receiver W. R. Payne. Authority to make the distribution has been received from the comptroller of currency at Washington and checks will be returned for distribution March 7, it is anticipated.

The bank closed its doors following a

run last October. To issue a dividend within six months after closing is considered unusual. Stockholders in the institution have hopes that the bank will pay its investors 100 per cent.

Heads Clearing House

J. M. Dinwiddie, president of the Cedar Rapids Savings Bank and Trust Company, was re-elected president of the Cedar Rapids Clearing House Association at the annual dinner meeting last month. This is the eighth time that Mr. Dinwiddie, first president of the clearing house which was organized thirty years ago, has been elected to the highest office in the association.

L. J. Derflinger, vice president and cashier of the Cedar Rapids Savings Bank, was re-elected secretary, an office he has held for fourteen years.

Other officers re-elected are C. C. Kuning, vice president of the Cedar Rapids National Bank, and F. G. Kanak, cashier of the United States Bank, who were named again as vice presidents, offices they have held since 1927; and C. A. Davin, who was re-elected manager of the clearing house credit bureau.

Sixty officers and directors of clearing house banks attended the dinner and meeting which was the largest annual gathering held for several years.

Changes Name

The Morning Sun, Iowa, State Bank opened recently with a new name, the Iowa State Bank, following a meeting to effect a slight reorganization. There was minor change in the personnal at the bank.

W. A. Thompson remains as president, Samuel Baird is vice president, and M. H. McDonald, former assistant cashier, is now cashier. Directors of the bank are Samuel Baird, D. R. Cummings, Glen C. Nichols, L. R. Pierce, C. W. Butler and W. A. Thompson.

The combined capital and surplus stock is $32,500.

Declares Dividend

The Farmers Trust and Savings Bank at Joice, Iowa, of which O. K. Storre is president and S. R. Torgeson cashier, held its annual business meeting last month with 140 shares represented. The business of the past year has been highly satisfactory and all of the old board and officers were re-elected. An 8 per cent dividend, representing $2,000 had been declared several weeks ago and these checks were distributed at the meeting.

The financial statement as of December 31, 1930, shows the capital stock to be $25,000 and the surplus fund $12,500. Individual deposits, savings deposits, and time certificates of deposits total more than $210,782.

Joins Oskaloosa Bank

F. A. Menneke of Los Angeles, Calif., has been elected a vice president of the Oskaloosa National Bank at a recent meeting and becomes an active member of the organization.

Mr. Menneke is an old time Iowa banker who has operated successful banking institutions at Miles and Maquoketa, but more recently has been located at Los Angeles.

The new bank official says that he has returned to Iowa because he believes this state offers opportunities for future growth and development equal to any other section and expressing an abiding faith in agricultural advancement.

Re-elects All Officers

Citizens-Security Trust & Savings Bank of Cedar Falls, Iowa, re-elected all officers and directors at its annual meeting held at the bank.

Officers include J. G. Wyth, president; V. W. Johnson, vice president and cashier; H. W. Johnson, vice president; J. B. Newman, vice president and counsel; W. E. Brown and L. E. Daubenberger, assistant cashiers.

The directorate is made up of the above officers excepting the last two named and the following additional men: Dr. W. L. Hearst, J. H. Byers, LeClair Martin, P. C. Petersen, W. N. Hostrop, George S. Mornin and C. J. Wild.

TRUST CONFERENCE

E. R. Jackson, Trust Officer of the Council Bluffs Savings Bank and Chairman of the Trust Committee of the Iowa Bankers Association; and C. C. Jacobsen, Vice President of the Security National Bank, Sioux City and President of the Iowa Bankers Association announce the date for the second Mid-Winter Trust Conference of the Iowa Bankers Association to be held in Cedar Rapids on Thursday, March 26, 1931.

Buys Iowa Interests

C. B. Kloppe, who has been in charge of the Iowa territory for Lambert-Price & Company for several months, has just purchased the Iowa interests of the latter company.

Mr. Kloppe heads the new investment organization to be known as C. B. Kloppe & Company, with offices at 335 Insurance Exchange Building, Des Moines. The company already has an extensive dealer organization throughout the state and has under way an expansion program to open further connections in all important cities and towns of Iowa.

The company will specialize in investment trust issues and will act as exclusive Iowa wholesalers for the Calvin Bullock trusts, including Nation Wide and Uselps. Nation Wide is a semi-fixed trust comprising seventy-seven basic corporations, and Uselps is a semi-fixed trust embracing forty-four large power companies which generate over 80 per cent of the nation's power at the present time. In announcing his program for 1931 Mr. Kloppe stated that he regards Iowa as one of the best investment territories of the country at the present time.

Officers Re-elected

All officers and directors of the Farmers and Merchants Savings Bank of Burlington, Iowa, were re-elected at the annual meeting of the board.

The usual dividend was declared and it was reported that the institution showed a substantial growth in 1930. Indications show that 1931 has a bright outlook, officials of the bank announced.

Officers of the bank are M. E. Toothacre, president; H. R. Buettner and August Witte, vice presidents; H. E. Simon, cashier; R. A. Haggerty, assistant cashier.

Directors are H. R. Buettner, George Steingraber, Dr. C. P. Frantz, August Witte, Oscar Riepe, Henry C. Koestner, James Kelly, M. E. Toothacre and Frank Barnes. Mr. Buettner is chairman of the board.

Name Officers

At a meeting of the directors of the Henry County Savings Bank of Mt. Pleasant, Iowa, the following officers of the bank were elected for the new year: William Kitch, president; John P. Budde, executive vice president; Wm. H. Evans, cashier; C. Van Brussel, first assistant cashier; G. A. Hallowell, second assistant cashier; Edna Michener, third assistant cashier.

The directors of the bank are Messrs. W. B. Seeley, W. F. Kopp, William Kitch, H. E. Elgar and J. P. Budde.

Bank Open for Business

Closed six weeks ago, the First National Bank of Cherokee, Iowa, opened for business, after culmination of reorganization plans by old and new interests. The new bank is capitalized at $50,000 with $25,000 surplus paid in full.

Officers of the reorganized bank have not yet been named. The stockholders are N. T. Burroughs of Chicago, H. E. Bennett, R. A. Caswell, Wallace Caswell and J. F. Weart of Cherokee and A. W. Jones of Sac City, Iowa.

Hawkeye Merger

Citizens Savings Bank of Hawkeye, Iowa, has announced it had taken over the business of Alpha State Bank and assumed all deposit liabilities.

The Alpha banking business became unprofitable by reason of a decrease in the volume of business, resulting in the merger. The Alpha institution was capitalized at $25,000, with deposits of $50,000.

H. A. Swigard is cashier of the Hawkeye bank and L. H. Hauth its president. They will continue in office under the merger.

Hawkeye Citizens Savings Bank was organized in 1927, following the suspension of First State Bank. It has made great strides in its three years of operation.

Pays Final Dividends

The sixth and final dividend, amounting to $13,469.71, for the Citizens National Bank of Royal, Iowa, is now ready for payment, according to an announcement from C. F. Fiman, receiver. A dividend of 8.4 per cent will be paid.

With the addition of the final dividend a total of 78.4 per cent has been paid or a sum amounting to $125,743.84. Amounts paid in dividends prior to this last dividend were $112,274.13. Payments will be made by Mr. Fiman at the Citizens National Bank building in Spencer.

The Royal bank closed its doors on November 9, 1926, and F. R. Jones took over the receivership which he held until the appointment of Mr. Fiman, early in 1930.

McChesney Re-elected

W. J. McChesney has been re-elected as president of the First National Bank and the Farmers Loan and Trust Company of Iowa City. The new officers of the bank were re-elected by the board of directors.

Other officers of the First National Bank who were re-elected are as follows: Vice president, Charles M. Dutcher; cashier, Thomas Farrell; assistant cashiers, J. E. Gatens, and G. R. Griffith.

The other officers of the Farmers Loan and Trust Company are as follows: Vice president, Marvin H. Dey, and treasurer, Thomas Farrell.

The board of directors consists of Marvin H. Dey, Thomas Farrell, W. J. McChesney, Charles M. Dutcher and Dean Chester A. Phillips.

Organize Vigilantes

As a part of a state-wide movement, bankers and vigilantes met at Muscatine, Iowa, recently to form a county organization. Representatives of the three banks and vigilantes attended the meeting where the purpose and routine of the organization was explained by the state leader.

Ammunition and arms, consisting of riot guns, pistols, and .38 caliber revolvers were distributed. Money for this equipment is furnished by the county supervisors and the banks of the county.

Pays 20% Dividend

Stockholders of the Farmers and Merchants State Bank re-elected the board of directors and loan committee at the annual business meeting at Lake Mills, Iowa. The directors met after the regular session and voted to maintain the same staff of officers. The bank has been organized little more than three years and stockholders were well pleased with progress. The 20 per cent dividend was recently paid to stockholders in addition to adding $2,500 to the surplus fund. A substantial fund still remains as undivided profits.

Monroe Banks Elect

Officers and directors for the two banks of Monroe, Iowa, the Monroe National Bank and the State Savings Bank, were re-elected at the annual meetings of the two organizations held recently.

C. B. Livingston was re-elected president of the Monroe National Bank, Frank Chipps was re-named vice president, Ulrie Clevenger was elected cashier for another year, and Ray Kingdon was again selected as assistant cashier.

Members of the board of directors were re-elected, and one new member was added to the board, J. D. Long. Others on the board are Chet Fennema, C. B. Livingston, Frank Chipps, C. M. Gloyd, O. G. Shaw and Ulrie Clevenger.

Officers of the State Savings Bank were re-elected as follows: R. W. Livingston as president, E. W. Henry as vice president, W. M. Livingston as cashier, and Laurel Buckley as assistant cashier.

The members of the board of directors were re-elected also as follows: R. W. Livingston, E. W. Henry, W. M. Livingston, L. D. Burchinal, D. F. Lewis and H. T. Burchinal.

Heads New Bank

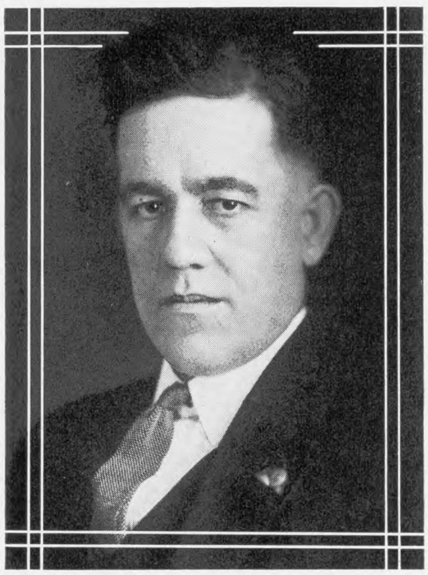
At a meeting of the directors of the Williams Savings Bank, Williams, Iowa, A. H. Graffunder was elected as president, P. W. Peterson, vice president; F. A. Rummel, cashier, and F. J. Counsell, assistant cashier.

The officers of the new institution have been busy making final arrangements for the opening. The bank has received its charter, which has been issued for a fifty-year period.

Heads Federal Surety Company

Hon. Ray Yenter, Iowa insurance commissioner, will resign from that position soon to become president of the Federal Surety Company of Davenport, according to a recent announcement by Percy F. Biglin, vice president and treasurer of the company.

Colonel G. W. French of Davenport is to be elected chairman of the company's board of directors. He will succeed Ira Schiller of New York City.



RAY YENTER

The Federal Surety Company has ceased to operate as a direct underwriting company and will do a reinsurance business. Headquarters will remain in Davenport.

Commissioner Yenter is now serving his third term as commissioner which would have expired in July. At that time the position will be filled by E. W. Clark of Mason City, the new appointee of Governor Dan Turner. Mr. Yenter is at present chairman of the executive committee of the Commissioners' Convention.

Bank Officers Re-elected

At the annual meeting of stockholders of the Citizens State Bank of Humeston, Iowa, the officers were all again elected as follows: President, Geo. McCulloch; vice president, E. S. Williams. Other directors, C. C. Hutchinson, W. R. Richard, Holly Garton, H. D. Hines, D. S. Moore. Cashier, J. A. Courtright; assistants, Geo. R. Garton, L. J. Guinn.

The bank has done well under this management the past year, and has paid a 10 per cent dividend and added $5,000 to the surplus fund.

Becomes Vice President

Hubert Schouten, a member of the board of directors of the Security State Bank of Keokuk, Iowa, was elected vice president of the bank succeeding the late John W. Leisy. The election of Mr. Schouten occurred at the regular meeting of the bank's directors.

Mr. Schouten, associated with the bank for several years, is one of the younger business men in the bank's personnel. He is president and treasurer of Schouten's Bakery, Inc.

New Bank At Sutherland

Sutherland, Iowa, again has a bank. The Security State opened for business recently with a capital of $25,000 and a surplus of $6,250.

Officers of the corporation are Wm. F. Thompson, president; John S. Woolston and Ernest McDowell, vice presidents, and C. W. Lynn, cashier.

Directors of the bank are: James Sweeney, Chas. Green, Chas. Aldred, Jack Woolston, C. W. Lynn, Wm. Thompson, Ernest McDowell.

Mrs. Clubber: How do you control your husband while you are away?

Mrs. Onthego: I leave the baby with him. —*Pathfinder.*

Another alarming disadvantage of miniature golf is that players who make a good stroke are tempted to take the course home and show their friends how it was done. —*Punch.*

Debits Down in 1930

Check payments through Des Moines banks for 1930 totaled $979,692,000, clearing house records revealed.

This is 2.1 per cent under the 1929 debit volume which showed the unusually large sum of $1,019,215, caused largely by the abnormal check transactions which accompanied stock market activity in the fall of 1929.

In spite of this condition, however, four months of 1930 showed larger debit volume than corresponding months of the previous year, while two reached almost record figures.

January started off the year with $87,499,000, which was considerably above the average month's business here. February sagged slightly with $71,544,000, being a short month with two holidays.

March came back strong with $85,936,000 and then came two bumper months—April with $90,198,000 and May with $90,111,000. June produced $82,392,000 and finished the first six months with a total considerably ahead of that of the corresponding period of 1929. The second half of 1930 failed to keep step with the first half, and October was the only month in the latter half of the year to reach or pass the $85,000,000 mark.

As was pointed out before, 1930 was seriously handicapped in the comparison by the inflated debit volume of the last quarter of 1929. October, 1929, set a new high mark when it registered a debit volume of $97,739,000, or more than $12,000,000 above October, 1930, which was a normal month.

Comparative check payments for the two years follow by months:

Month	1930	1929
January	$87,499,000	$84,266,000
February	71,544,000	72,389,000
March	85,936,000	83,051,000
April	90,198,000	83,051,000
May	90,111,000	87,772,000
June	82,392,000	85,914,000
July	80,145,000	85,966,000
August	74,880,000	85,110,000
September	80,188,000	84,506,000
October	85,486,000	97,739,000
November	71,714,000	85,708,000
December	79,599,000	81,005,000

Book on Stock Speculation

The point of view that stock speculation is "no longer the prerogative of the wealthy" and that "fundamentally there is no real necessity of money being lost in stock trading" animates the volume "Successful Speculation in Common Stocks," which has just been published by Whittlesey House, the trade department of the McGraw-Hill Company.

How It Happened

"I've been under the doctor's care for thirty-five years."

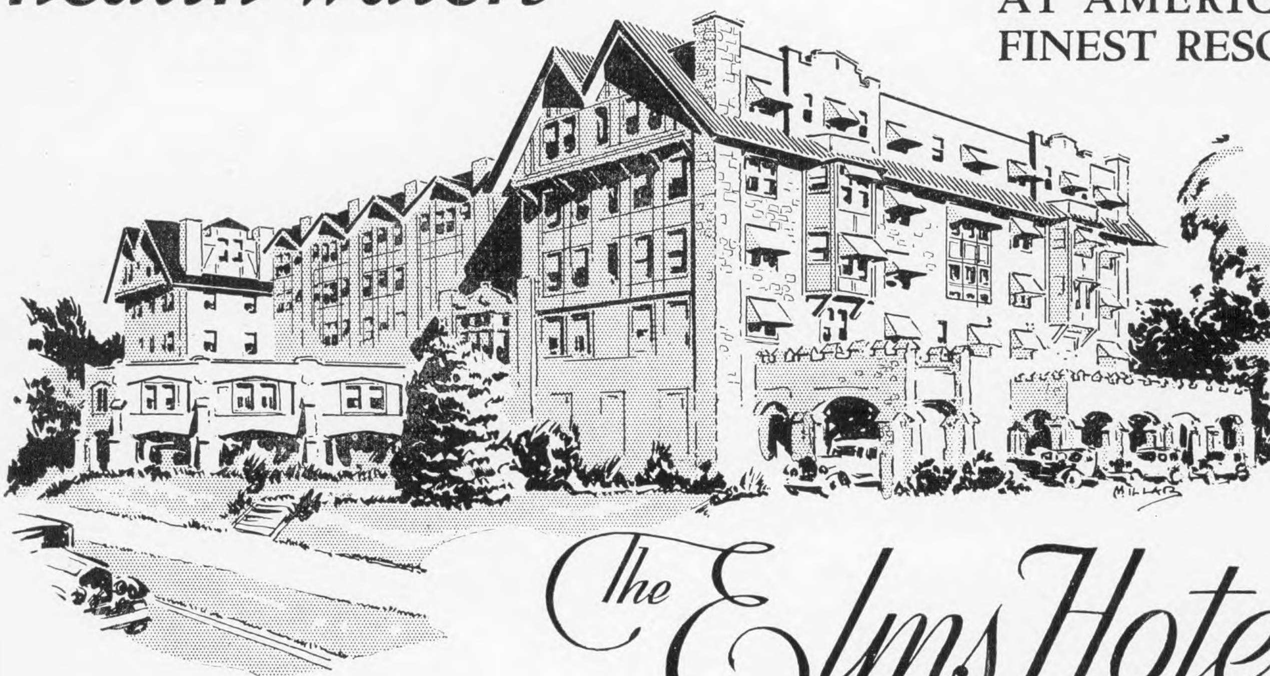
"My goodness, what has been the matter with you?"

"I got very foolish when I was nineteen and married a doctor."

—*Cornell Widow.*

Drink nature's greatest health waters

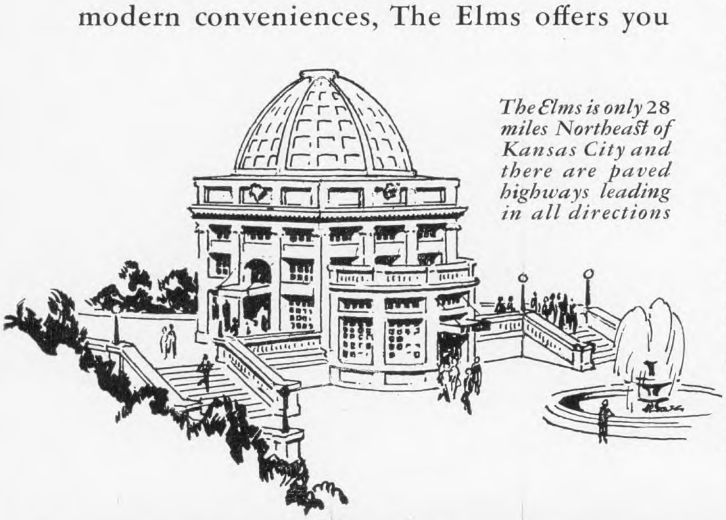
AT AMERICA'S FINEST RESORT



The Elms Hotel

EXCELSIOR SPRINGS MO.

NESTLING among the beautifully wooded hills of Northwest Missouri, amid scenes of natural beauty and splendor, the new Elms Hotel is acclaimed by visitors as one of the very finest resort hotels in America. Newly refurnished and redecorated and equipped with all modern conveniences, The Elms offers you everything to be desired for your comfort and enjoyment.



The Elms is only 28 miles Northeast of Kansas City and there are paved highways leading in all directions

Excelsior's world famous mineral waters, gushing forth from more than twenty bubbling springs, are unexcelled in their curative value in all chronic organic disorders.

Here you can tone up your system, regain your health, and enjoy all the pleasures of resort life. There is horseback riding, boating, bicycle riding, swimming, tennis, and two sporty eighteen-hole golf courses.

A visit to The Elms will pay you big dividends in renewed health. For reservations or a book fully illustrating the many beauties of Excelsior Springs, write, wire, or phone Fred F. Hagel, President and Managing Director.

One of the World's Most Famous Mineral Springs Resorts

Index To Advertisers

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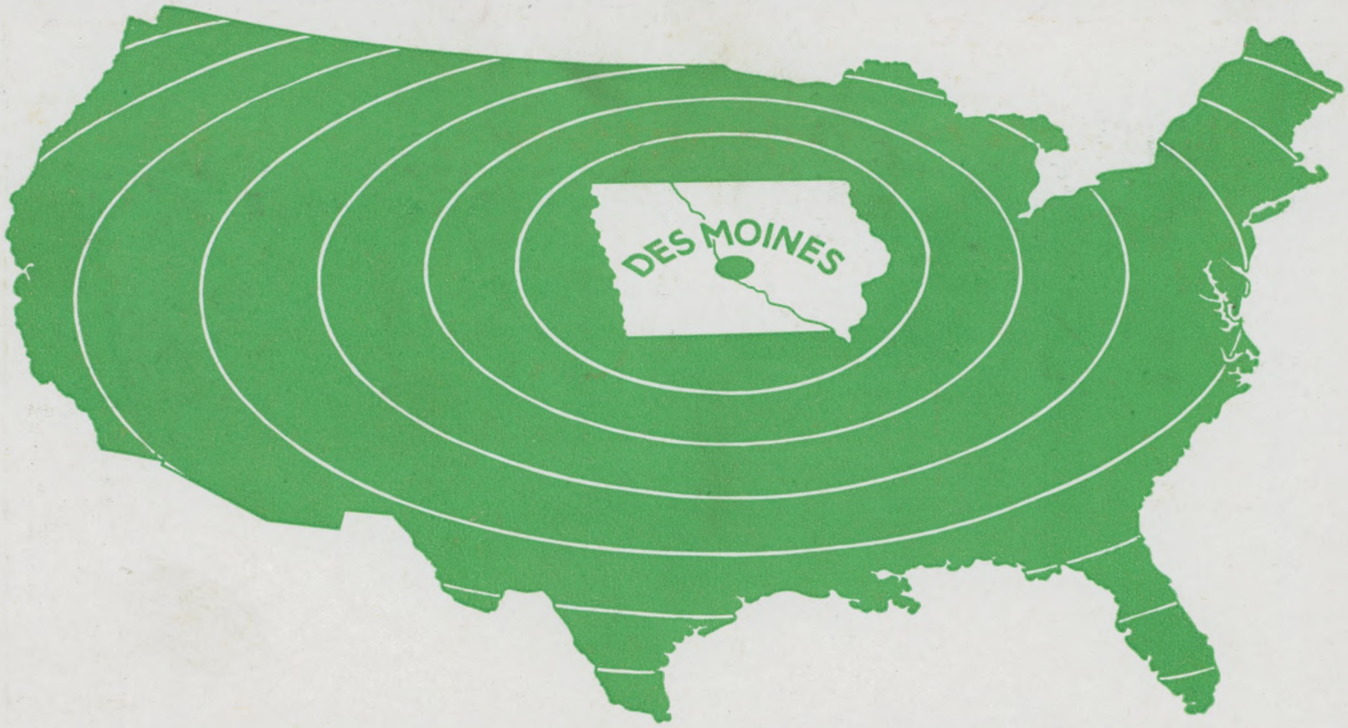
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