

# NORTHWESTERN BANKER

DES MOINES

DECEMBER, 1934



L. M. LARSON  
President  
South Dakota Bankers Association  
Cashier  
Jerauld County Bank  
Wessington Springs  
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Substitute for Aggressive Management?

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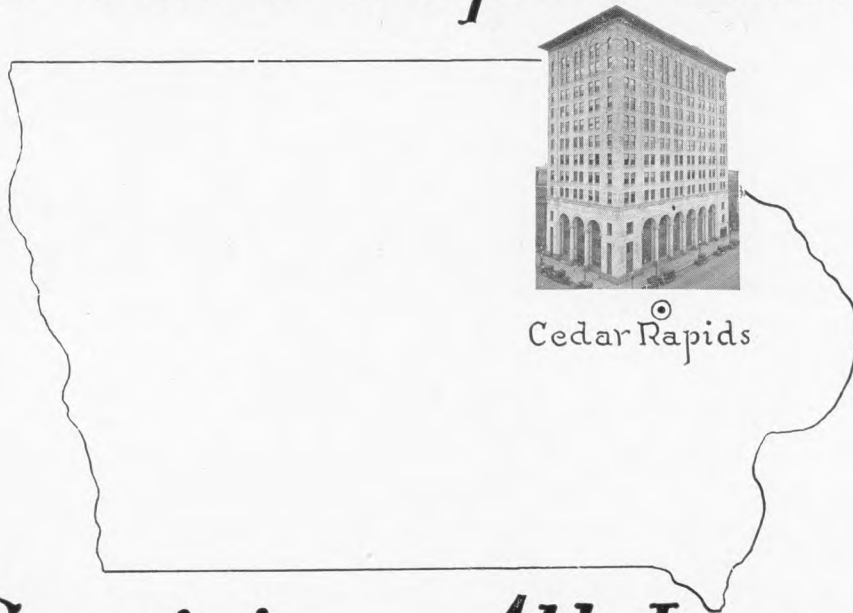
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Property Management and Real Estate Sales

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# *A Cedar Rapids Bank*



## *Servicing All Iowa*

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**Cedar Rapids**

**Iowa**

# Northwestern Banker

Des Moines

*The Oldest Financial Journal West of the Mississippi*

Number 569

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# Across the Desk, From the Publisher

*By Clifford DeLong*

## Make the Ratio Eight to One

I have talked with several prominent bankers in the last month, who have suggested that the ratio of Deposits to Capital should be 8 to 1 rather than 10 to 1, and with a further suggestion that Government Bonds and Cash should be deducted before figuring such a ratio.

For example, supposing a bank had a Capital of \$100,000 and Deposits of \$1,000,000 and had \$500,000 in Cash and Governments. By deducting the \$500,000 of Governments and Cash you have \$500,000 of Deposits left, which would give you a 5 to 1 ratio in comparing your Deposits to your Capital. This, many bankers believe, is much fairer than the present government ratio of 10 to 1, which by all rules of logic should not be applied to Cash and Government securities, as they are in the super liquidity division of any bank.

Bankers are suggesting this new ratio, and this deduction of Governments and Cash from their Deposits, because many of them are in a position now where their Deposits have increased to a point where they feel they should not accept additional Deposits unless they increase their Capital, and this they do not wish to do, especially since they have been generously purchasing Government Securities.

Certainly the new ratio of 8 to 1, with Governments and Cash deducted before any ratio is figured is logical and sound, and should be adopted by the government financial advisors.

## Where Are the Borrowers?

Jesse Jones, chairman of the RFC, is trying to find out where are the borrowers who will use the \$580,000,000 which Congress authorized for the purpose of making direct loans to industry.

So far, less than \$3,000,000 of this amount has

been borrowed, which proves the same thing that bankers have found the country over, that the right kind of borrowers are not as numerous as Jesse Jones had assumed, or as he was trying to make bankers believe there were.

Recent figures show that the RFC and the Federal Reserve Board, together have less than \$5,000,000 loaned direct to industry, and that of the first 2,800 applications received by the Federal Reserve Board about 1,300 were rejected.

The reasons for these rejections were the same as those used by good bankers everywhere, namely that the borrowers could not offer good collateral, or were not in a good financial condition, therefore, ineligible to borrow the money.

Business men will commence to use the billions of dollars of bank credit available, when they know the governmental period of experimentation has ended and the era of constructive cooperation is at hand.

## Are Bankers Putting Too Much Emphasis on Service Charges?

In this issue of the NORTHWESTERN BANKER is a very excellent article by William Buxton III, in which he discusses the question as to whether or not bankers are putting too much emphasis on service charges, and not enough on aggressive bank management.

He does not say that service charges should be eliminated entirely, but he believes that it is a mistake when almost the entire profits of a bank are dependent entirely upon that source of revenue.

He argues for a more aggressive bank management which through its investment policy and its income from loans will be able to carry a larger share of the overhead of the bank than it is now doing.

Frankly, I am inclined to agree with Mr. Buxton that there should be a happy medium between the emphasis to be placed upon service charges and upon the income from other sources.

### **No Central Bank Needed - Just Apply Pressure to Reserve Banks**

The latest suggestion from the financial New Dealers, seems to be that there will be no necessity for creating a central bank, controlled entirely by government officials at Washington, providing a little political pressure is put on the management of the twelve Federal Reserve Banks, and that the treasury department will be able to control its future financing without creating a central bank, to which there is so much opposition.

One of the best analysis of this situation, which I have read, carries out its reasoning in the following manner.

At the present time there are two heads at each Federal Reserve Bank, one is the governor, who is elected by the directors, who in turn are elected by the member banks. The other official is the chairman of the board, who is appointed each December by the treasury, and is ex-officio representative of the treasury in his particular district.

In the past the governor has really been the key man in each bank, and has officially directed the affairs of the institution.

With the Federal Reserve Board at Washington, completely under the control of the New Dealers, it is believed that they can make "yes" men out of the chairmen of the various Federal Reserve Banks, and at the same time bring the governor into line, because their salaries are from \$24,000 to \$50,000 depending on the districts which they represent, but these salaries must be approved by the Federal Reserve Board at Washington.

The advantage of all this, according to this writer, is that it will help the treasury's borrowing and financing of the Federal deficit, if, as and when commercial banks are unwilling or unable to lend money for New Deal enterprises.

According to the emergency banking legislation, passed last year, it authorizes Federal Reserve Banks to issue bonds, secured by currency, with no gold backing. Thus, if need be, the Reserve Banks could lend the government whatever amount was desired, and take as pay for this, currency, secured only by the very bonds which would be bought with that currency.

Whether or not this idea will be carried out, as this author suggests, remains to be seen, but nevertheless it has its political possibilities, and may be the reason for the administration opposing the central bank idea.

### **Bank of England Not Government Controlled**

The statements emanating out of Washington indicate that there will be no central bank legislation passed at the next session of Congress.

Another significant thing that all of this discussion is bringing out about a central bank, is the fact that in making comparisons with the Bank of England, a closer study of that institution on the part of the public and bankers as well, points out, as many already knew, that the Bank of England is privately owned and not controlled by the government.

The Bank of England, as one author puts it, "Operates with a free hand; at no time is it subject to regulation, domination or control by government officials or members of Parliament."

The directors of the bank have absolute control of the bank's affairs and are elected by the stockholders—the board now consists of 26 members which include merchants, industrialists and private citizens.

Thus, a lot of this conversation about exemplifying the Bank of England and implying that it is a government owned bank is a mistaken idea, as it has always been privately owned.

### **Stable Economic Planning Impossible**

In these days when the ideals of a planned economy are being much talked about, and more recently advocated by several well known brain-trusters. I was very much interested in reading what Dean Ralph E. Hellman, of the School of Commerce, of the Northwestern University, had to say on this topic recently.

Dean Hellman believes that economic planning which implies an even stable unchanging rate of economic and business activity, is an unattainable ideal in a business system which rests upon property rights, contract rights and freedom of initiative.

He asserted that no economic plan can guarantee business stability in the United States, because fluctuations here are frequently caused by foreign and worldwide conditions over which no single government can exercise control.



THE RIO VIRGIN

"THE RIO VIRGIN"

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Northwestern Banker December 1934

# ARE BANKERS

## Using SERVICE CHARGES as a Substitute for Aggressive Management

WHAT is our banking program and where are we going? Where do we stand and what are we trying to do? Are we leading the public to believe that our emphasis is primarily on earnings? Has a "depositor in good standing" become one who consistently keeps his checking account below minimum requirements because the bank likes that little service charge assessment? Is there anything wrong with the picture of two fellow bankers getting together and their conversation centering almost entirely on profits and service charges? Is there anything wrong with the frequent remark, "I didn't realize how many accounts we were carrying at a loss until we started analyzing them." Is there anything wrong when a bank collects charges sufficient to pay all operating expenses? Are we on the wrong track when we, as bankers, admit within our own circles that we justify our service charges to our customers by blaming General Johnson, or the code, or anybody else but ourselves? Are we meeting our problems by charging our depositors and then soothing them by saying that it would be worse if they weren't a customer? Are we building confidence when we charge a higher rate on uncollected funds than we allow on loanable balances? Are we helping to debunk the "mystery" of banking when we clothe our charges in terms unknown to the public so that they accept them rather than plead ignorance? And, most important, have we initiated blanket charges without first analyzing our own local conditions to see what is fair? In other words, are we sacrificing fairness for uniformity and ease of computation? Are we taking advantage of our lessened competitive position? These are the questions I ask after I have lent an unbiased ear to the opinion of the public.

### *Service Charge Complex*

*I firmly believe that we are off on a tangent; we are not putting first things first; we have a service charge complex, we are using service charges as a substitute for aggressive management. I am not flatly opposed to service charges, I believe that there*

By WM. BUXTON III

*Vice President  
Peoples Trust & Savings Bank  
Indianola, Iowa*

*isn't much argument about the desirability of some charges and we only begin to differ as to the degree of application. That, however, is not the point I want to make, I am objecting to the time and emphasis we place upon them.*

I realize that to others this will seem to be the ideal time to inaugurate service charges because the public is receptive to new things; they are eager to learn of the so-called mystery of banking and have learned to appreciate the value of banks in the community. The time is ripe for banking reform and correction and, without a doubt, service charges should have a place on our "attention" list. My point is, however, that it is only one of the items on the list and not the first one by any means. My fear is that we will have allowed an excellent opportunity for reform to have passed because I can not believe that we will have the incentive to assume aggressive leadership in our community when service charges occupy so large a place in our earnings, even to the point of paying all operating expenses. I doubt that we will be willing to accept even normal risks when we can so easily produce income with no apparent loss. For instance, I can cite a bank that has been able to get a rate of 5¾ per cent on their government holdings this year mainly by dealing in called bonds and maturing certificates. Others have dismissed that source of income by assuming that short-term governments give no return or long-time governments involve too much risk. In the one case the bank still regarded a deposit as a source of profit; in the other, it was regarded as a loss, and service charges resulted. I prefer the former because I still believe that the banker has a responsibility to his community to make the most efficient use of its re-

sources. I believe that this is the greatest builder of confidence and I am strongly convinced that confidence is the substance that gives strength to the outward shell of our so-called 100 per cent liquidity.

### *Looking Forward*

Let us lift our eyes beyond the earning statement of 1934. Let us assume that 1934 is not going to be as profitable as we would like (although I am inclined to believe that it is a lot better than we are leading others to believe). Isn't it possible that we must experience lean years the same as other businesses? Should we develop a long term program and policy to fit a single year?

Let us reproduce the vivid image of the years that have just passed. Let us project into the future for the next five years. What should our program include in order that we may reconstruct our house and again assume a position of leadership and confidence in our communities? In that list I would certainly include to following:

1. Rebirth of friendliness and cooperation with our customers to replace aloofness, indifference and rebuke. Let us



WILLIAM BUXTON III

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place ourselves on the other side of the counter more often.

2. An informational program of advertising which will debunk the mysteries of banking giving less space to service charges, 100 per cent liquidity and other bunk.

3. A program of limiting the size of time deposits in order to limit our vulnerability to contraction when confidence wanes and also to make the depositor less dependent upon the bank as his sole storage for savings.

4. Attack the laxity in the granting of charters to new banks.

5. Eliminate the competition between state and national banks.

6. Attack the inadequacy of examinations, both on the part of the examiners and the bankers themselves.

7. Assume an open mind to new conditions with the idea of trying to control them, rather than resign ourselves to live under them.

8. Know our bank's operations better. Many of us have had unusual growth within the year. Many of us have lost the true perspective of what is going on in our banks. New responsibilities come with size.

These are only a few that come to my mind but they serve to illustrate my point. When and if conditions existing today appear to be permanent then there will be ample time to apply our service charges to the nth degree.

In the interim, however, I am content to face our new problems with courage and to leave service charges as a backlog of profit to be utilized when other sources of income have completely dried up.

money, and in his copy said, "When a bank extends credit to any person, firm or corporation, it also has the right to expect the return of its money, and should be satisfied before the loan is made that repayment can and will be made."

"Last month, this bank made new loans to its customers amounting to \$111,631. Every loan, however, was amply secured."

That is what I call taking your public into your confidence, and I know of no better way to build up business and good will for your institution.

**R**ODNEY P. LIEN, formerly vice president of the National Bank of Waterloo, has resigned from that bank to become comptroller and treasurer of the radio stations owned by the *Register and Tribune* of Des Moines.

Mr. Lien, among other distinctions, was referred to by Ripley in "Believe It Or Not," because when he rearranges his first two names it reads like this, "R. Pryor Lien."

Anyway, Mr. Lien has gone from banking into publishing, although the rumor I get is, his duties will be in the radio division.

**W.** B. DONHAM, dean of the Harvard Business School, has just sent out the announcement of a new course in "Public Administration."

Perhaps the dean, who has been an anti-New Dealer, now believes that there should be more Harvard boys trained for the brain-trust division.

In any event, this is rather an interesting and novel departure in modern education, and here is what the announcement says:

"The Harvard Business School is offering for the first time a program of Public Administration designed to prepare its graduate for public service. A new curriculum is being established in the school diverging somewhat from the courses in business administration at the middle of the first year's work, but offering wide latitude in the selection of courses, so that it will be possible for all men whether or not specializing in public service, to obtain a foundation in the business aspects of government."

**B**ELIEVING that lawyers, at least some of the lawyers in Cook county, are bigger crooks than most of the bankers, ERIC O. NERVIG, vice president of the First National Bank of Humboldt, sent me an article showing that lawyers' fees in connection with the foreclosure of a mortgage were greater than the amount of the mortgage itself.

In his letter to me, Mr. Nervig said: "I enclose an article showing distribution made by receivers in Cook county. Would you say the depositors received a (Turn to page 22, please)

## NEWS AND VIEWS OF THE BANKING WORLD By Clifford De Puy

**W**HEN HENRY I. HARRIMAN, president of the United States Chamber of Commerce, spoke in Des Moines recently, he mentioned among other things that at the last election on November 6th, the Democrats polled 55 per cent of the total votes, and the Republicans 45 per cent—in other words, a 10 per cent shift of total votes cast would have made a tremendous difference in the election.

There has been an apparent feeling that this was a Democratic landslide, but these figures indicate that it was not, but we must also remember that the progress of the United States has been built under a two-party system, and let us hope that we may go forward under that political formula in the future.

Mr. Harriman was optimistic about the future of the United States, and emphasized that the housing program would be the one thing that would definitely pull us out of the depression. He believed that it would put 3,000,000 men back to work building houses and remodeling them, and that this 3,000,000 would in turn be buying goods and services which in turn would put other millions of men on payrolls, and thus we would soon be on our way to a new upswing in the business cycle.

**P**ROFESSOR GEORGE F. WARREN, of Cornell University, and the brain-truster who helped President Roosevelt devalue the dollar, evidently doesn't

agree with HENRY WALLACE as to what caused the farmers' decline in prices before the New Deal came into effect, because Professor Warren, in a speech recently, said: "There is no indication that the depression of 1929 was caused by overproduction."

If that wasn't the cause, then why is the philosophy of DESTRUCTION instead of PRODUCTION in effect with the AAA?

**P**ROBABLY ONE OF THE FIRST ACTS of Congress will be to extend the expiration date of the RFC from January 31, 1935, to January 31, 1936.

The present authorization for that alphabetical division of the government expires this coming month.

The corporation now has on hand over \$2,123,000,000, and during its existence, it has disbursed a total of \$4,608,000,000 for purposes other than advances for relief and to governmental agencies, and of this amount almost one-half or \$2,251,000,000 has been prepaid by the borrowers.

**R**ALPH MILLER, president of the Iowa State Bank of Algona, believes in telling his customers and his community about his own institution through local advertisements, and he ran an ad recently entitled "Are Banks 'Tight' With Credit?"

In this advertisement he answers the criticism that banks were not loaning



"A Great Banker, If He Is Truly Great, Is First of All a Great Business Man. He Should Be the Top Business Man of His Community. If He Is, the Business Man Who Questions His Bank Will Find His Questions Convincingly Answered"

# How the Business Man Questions His Bank

By HARRY B. HALL

Vice President  
American Appraisal Company  
Milwaukee



HARRY B. HALL

PREPARATION for discussion of this subject has required extensive research work.

I have interviewed many of my friends in business on the subject and find that there is another case where "even your best friends won't tell you."

One after another I put the question to them, "What questions do you ask your bank?" and the invariable answer was, "I don't question my bank. The bank questions me."

I did succeed, however, in acquiring the general impression that the business of banks these days is practically the same as that of our storage warehouses. The prevalent idea seems to be that about all a bank has to do is to take in the money, convert it into government bonds, cart them down cellar to the vault and call it a day.

## A Profession

I also encountered some indications of a desire on the part of bankers to be classed as *professional* men instead of *business* men.

I never could quite understand the reasons for this yen on the part of real estate men, insurance men, and now bankers to be classed as members of a *profession* rather than as followers of a *business*. I suppose the professional atmosphere in which we live, move and have our being these days may have something to do with it, but personally, I hate to see a business which is the most fundamental of all businesses admit to the possession of an inferiority complex by attempting to take on the halo and wings of alleged purity which the professions like to brag so much about, but the existence of which they have so much difficulty in proving.

I hate to see the business of banking come to such a sissy end as this.

Professional men, you know, do not advertise. They consider it unethical to do so. They may starve to death but they do not advertise. Your dyed-in-the-wool professional man never *seeks* business. He *waits* for it. He sits in his office, trimming his cuffs, sandpapering the nether portions of his trousers to prevent undue deflection of ultra violet rays, corresponds with his professional comrades in distant cities who are also waiting, and has a perfectly wonderful time taking each "ethic" out of its glass case, carefully examining it and putting it back again with all the complacent satisfaction of the collector of rare but useless curios and pays his grocer, butcher and landlord with about the same degree of regularity.

## The Questions

At the moment, the question of the business man who can submit no evidence that he could *repay* a loan if it were granted seems to be, "Can I borrow some money?"

At the moment, the question of the business man who *could* repay a loan seems to be, "Do you think it's going to rain?"

And there you are.

Nobody seems to question the *safety* of banks at present. Nobody as yet has asked embarrassing questions as to whether the money he withdraws is as good money as that which he deposited. He may ask it eventually but he hasn't yet. Nobody appears to be questioning the quality of the service they are getting from the banks in respect to the many things they do besides loaning money. They notice that there are charges for many of these services which formerly were rendered gratis, but they do not

question the necessity for this. They are, of course, grateful that the ice water, pens, inks, blotters and use of the cuspidors are still on the free list and are rather surprised at it, but on the whole, except on one or two points which I will presently discuss, at the present moment there seems to be very little questioning of banks by business men. The business men who want money know they can't get it and those who can get it don't want it, and again, there you are.

As for the present, speaking wholly as a layman, and simply conveying impressions to you as I have received them from innumerable contacts and correspondence with business men, and without commenting on the justice or injustice of the questions or attempting to provide you with the answers, I believe the major questions the business man is asking at the moment could be boiled down into these:

(1) How long is my bank going to continue to function practically exclusively as a storage warehouse for government bonds instead of as a community commercial, industrial and agricultural financing agency?

(2) In its administration of "weak sisters" which have been laid in its lap to "work out," is my bank concentrating its *entire* attention on ruthless endeavor to effect speedy repayment of the bank's loan or is it also giving at least *some* thought to *saving the business* for the community?

(3) When I go to my bank to state my case why do I have so much difficulty in meeting some one in the bank who has had a sufficiently broad *business* experience to comprehend my problem and at least give me *constructive suggestion* even if he cannot part with any of the bank's money?

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These are questions which are not alone peculiar to the *present* "status quo" situation in the banking business. They are critical questions which always have been and always will be asked about banks by business men. The business man seeking accommodation at a bank always has been and always will be critical of the bank which refuses him. It is human nature.

I am not prepared to say that this questioning criticism on the unwillingness of banks to make loans and on the stringency of the provisions for repayment insisted upon, is more generally prevalent now than it always has been but it is my impression that it is.

And *if* it is I am not prepared to say whether the reason arises from the fact that more business men are seeking credit who are not entitled to it than formerly or from the fact that banks and bankers generally *are* afraid of their shadows at the moment and actually are unnecessarily and unwisely conservative.

Neither am I prepared to suggest *how* a bank should answer this age old, but at present accentuated, critical questioning.

But I am prepared to express the belief that banks and bankers *can* answer it, the conviction that they *should* answer it and the hope that they *will* answer it.

May I say, however, that you will *not* answer it by printing pictures of your magnificent buildings or wasting good printer's ink in telling how *old* you are in your advertisements.

### *They Want to Know*

The flow of money now is in a direction opposite to the flow in the fall of 1932. Banks are reputed to be surfeited with money, assuming government bonds are counted as money. Business men are

asking questions, not many but several, and they're important.

They want to know if the government has a monopoly on the borrowing facilities of your bank. They want to know if your bank is really interested in making loans to business any more. They want to know what kind of loans you are making, if any. They want to know what kind of loans you *want* to make, if any.

The business man wants to know whether your bank is treating his business friends in trouble *ruthlessly*, as is always the accusation of one-sided gossip, or are you treating the problems of his business friends *constructively*—a bank procedure which *is* followed in countless cases but which *possip* never advertises.

The business man wants to know when he calls at your bank for a loan or at least advice, if he will be turned over to an honest-to-goodness banker-business man who can *comprehend* his true situation or will be "taken care of" by a buck-passing junior office boy just out of college who has neither the experience to comprehend nor the power to decide.

In 1932 the *safety* of banks was questioned by the general public *and* business men. I always will think that there was an effective job of public education of some sort that could have been done and should have been done at that time that was *not* done.

Public fear and the business-man fear for the *safety* of his bank has now largely passed.

The pressing need of the present moment is to convince the general public and the business public that your bank is *functioning as a bank* and not as a storage warehouse.

May I say that one of the greatest things for a bank to be able to advertise

to business men if it can do so truthfully, but a thing it is suicide to advertise if it cannot do so truthfully, is the fact, if it *is* a fact, that your vice presidents available for consultation are not simply "nice fellows" but are seasoned banker-*business men* first and bank office-boys who have come up through the ranks through the seniority process, afterwards.

With all due respect for academic knowledge of economics and of the banking business, with all due respect for the desirability of long years of training and experience in the mechanics and philosophy of banking, if in addition to this the man whom your questioning business men is to consult can have had a background of practical, industrial, commercial or agricultural experience, can have had the experience of meeting a pay roll, can have acquired knowledge of the necessity for keeping sales outlets open through personal selling and advertising pressure, can have a knowledge of production cost elements, can have the business wisdom to recognize and *interpret* business values—property, management, methods, products and markets, in short if the bank official whom the questioning business man is to consult can be a man *worth consulting*, as an infinite number of bankers unquestionably are, that to my notion is one of the most valuable advertisable assets any bank can have, particularly at the present time.

A great banker if he is truly great, is first of all a great business man. He should be the *top* business man of his community. *If* he is, the business man who questions his bank will find his questions convincingly answered.

### New Investment Firm

Lewis F. Wheelock and James A. Cummins, investment securities dealers in Des Moines for 14 years, have established the firm of Wheelock and Cummins, Inc., with offices at 200 Equitable building.

Merger of the two firms was announced on November 28th. In the new firm, besides Mr. Wheelock and Mr. Cummins, is Roy Leriche, secretary and treasurer.

Articles of incorporation have been approved by the secretary of state, it was announced.

The suite of Wheelock and Company at 200 Equitable building has been enlarged to accommodate the new firm. Mr. Cummins was formerly in the investment business at 620 Equitable building.

In 1920 Mr. Wheelock established the first bond firm in Des Moines, known as Ringheim-Wheelock Company.

The new company will deal primarily in municipal securities, with a general market service as well as handling Iowa municipal issues, it was announced.

## "I Was Just Plain Lucky"

(See Cover Photo)

**A** NATIVE of South Dakota, and living on a farm there until he was 19 years old, L. M. Larson, cashier of the Jerauld County Bank of Wessington Springs, started his banking career in the Bank of Vienna on March 20, 1911. Until February, 1917, he served here as bookkeeper and assistant cashier, and was then successful in being elected auditor of Clark County.

Mr. Larson held the position of auditor for four years, and was then appointed special bank examiner in South Dakota under John Hirning, superintendent of banks at that time. In 1924 he resigned as bank examiner, and organized and opened a new bank in Wessington

Springs, the institution of which he is now cashier.

Mr. Larson has always taken an active interest in the affairs of the South Dakota Bankers Association and its several divisions. In 1929 he served as president of Group Three, and was elected vice president of the State Association in June, 1933. In July this year, at the Joint Convention with North Dakota held in Deadwood, he was named president of the South Dakota Bankers Association.

Asked as to his reason for choosing as a profession, Mr. Larson says:

"I was looking for a job when I was 19 years old, and I guess I was just plain lucky (if any banker is lucky) in getting my first job in a bank."

# — The Central Bank —

## What Does It Expect to Accomplish?

**D**URING times of peace and prosperity when industry is going along smoothly, the public gives little thought to the vital part played by the banking business. No one is much concerned about how banks are operated or how they create the credit which is so necessary to industrial development. But the first signs of stress and strain always bring the subject of money and banking into the limelight. And in the United States there seems to be a tendency to look for relief in some form of Federal control. This fact has been very forcefully brought to our attention during the past few months by a certain faction which advocates a strong central banking system as a solution of our current financial difficulties.

### *Central Bank*

The present agitation for a central bank grew out of the depression and the after effects of the World War. Numerous banks failed, due to the abnormal strain placed upon them. This gave rise to talk of overhauling the banking structure.

When President Roosevelt took office the more radical element of the Democratic party wanted to overhaul immediately the Federal Reserve System or abolish it and put in its place a Central Bank which would be more subservient to the government than is the present Federal Reserve System. But none of these ideas were written into the Banking Act of 1933.

However, events of the past summer have started many of the so-called "right wing" Democrats toying with the idea of revamping the banking system and substituting a strong Central Bank controlled by the Federal government. The reason that these officials became interested in the Central Bank idea lay in the government bond market and in the fact that credit has not been flowing into industry as rapidly as they had hoped.

### *Unruly Market*

Early this summer the market for United States government securities began to get unruly. First came the assassination of Dollfuss which burst unexpectedly out of a clear sky. The result was that a wave of selling of United States securities from frightened dealers and other holders broke on a market which had only thin supporting orders.

A hectic day in United States securities

**"Most Significant Is the Fact That of the Increase of \$4,500,000,000 in Federal Debt Between June 30, 1933, and June 30, 1934, United States Banks Took \$3,900,000,000, or 86 Per cent. What Better Results Could Be Expected From a Central Bank?"**

**By C. FLOYD FALCK**

*Corn Exchange Savings Bank  
Sioux Falls, South Dakota*

followed. The Treasury finally gave the market adequate support and the fear of war in Europe subsided, but the episode left everyone very nervous about their holding in United States government bonds.

Their nerves were just about getting back in shape when a certain statistical service with a large list of subscribers sent out a telegram advising the immediate sale of United States government bonds. Many of the smaller banks still remembering the Dollfuss scare, rushed to sell their bonds and again a wave of attempted selling hit a poorly supported United States security market.

The Treasury finally put the proper support bids into the pool. However, the damage was done. Suspicion had been spread that the government was having a hard time marketing its bonds and since then the United States government bond market has remained nervous.

In the meantime, rumors are prevalent that some of the conservative New York banks or some one in Wall Street, thinking that Republican Maine would defeat Roosevelt in the recent election and make him change his tactics are supposed to have let the Treasury know that unless some limit was put on government spending, their institutions did not see their way clear to expand their commitments in government bonds.

Then Maine, instead of defeating the New Deal, gave it an unexpected endorsement. So the cry has gone up in the

ranks of the New Dealers of "free the government from the banks," and nervous Treasury officials are searching around to see if in the Central Bank idea there cannot be created a more docile purchaser of United States government bonds or perhaps banks be whipped into full support of the government bond market by the threat of the Central Bank.

### *Loans*

In the meantime through the whole New Deal the banks have not been able to do much toward expanding loans, so thus some of the New Dealers are asking "what use are they? They do not want to buy our bonds and they don't lend money to industry, so why should we not have some institution which will do these things?" Thus the Central Bank idea gains momentum.

Although numerous plans have been proposed for the machinery of a Central Bank they are all still very indefinite. Many suggest a revamping of the Federal Reserve System and the building of a Central Bank on this super-structure. Others are in favor of a single Central Bank to succeed the Federal Reserve System. In addition there are the long discussed matters of extending branch banking and consolidation of state and national banking systems for uniform administration. However, most of the schemes under discussion favor a Central Bank to compete with existing banks.

### *Two Things*

The advocates of a Central Bank expect it to accomplish two things, namely, to increase the flow of credit into industry and second to provide a better outlet for the government securities.

As to the first expectation, there is ample credit at present but the great uncertainty as to the future developments prevent it from freely flowing into industry. Banking credit is after all deposited private capital, and there would be a question whether government banking could mobilize greater capital resources to its programs than is possible under the present arrangement.

Whether or not a Central Bank will provide a better outlet for government securities is still more doubtful. A recent survey has shown that the banks in the United States as of June 30, 1934, were carrying 51.04 per cent of the United

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# An Iowa Banker Writes to Mr. Crowley

B. J. Howland, Vice President of the Farmers State Bank of Keosauqua, Iowa, with Twenty-five Years of Experience in Country Bank Management, Makes a Few Suggestions to the Head of the Federal Deposit Insurance Corporation

November 3, 1934

HON. LEO T. CROWLEY,  
Chairman of the Board of Directors,  
Federal Deposit Insurance Corp.,  
Washington, D. C.

Dear Mr. Crowley:

"A copy of your address before the American Bankers Association was received by this bank recently, and I have read the same with much interest. I am particularly impressed with your expressed desire for cooperation and constructive criticism. My experience of over twenty-five years comes from the management of a country bank in a small town, and I trust I will not be intruding, if I attempt to throw some light on the situation, from my humble position, which I believe to be fairly representative of the views of the average country banker, in the agricultural districts.

"The chaotic conditions in banking you refer to, during the fore part of 1933, and for several years immediately preceding that time, are very impressive, in two very important particulars: First, as a measure of the damage which would no doubt follow a recurrence of those conditions. Second, that we have no other equal precedent in the history of banking in the United States.

"An impartial analysis of the causes of bank failures, may attribute much of it to bad management, in making bad loans and bad investments, but we get this word *BAD* from the results experienced as a conclusion, while the truth is, that in many cases loans resulted in heavy losses, which were made with ample security, and with great care and caution, as measured by conditions prevailing at the time. While there may have been bad judgment used in many cases, which contributed to adverse results, there can now be no correct measure of the results of those we might call *BAD*, had conditions remained normal, and on the main we must look elsewhere for the principal causes."

## *Real Estate Values*

"For more than ten years just prior to March, 1933, and more particularly

the last five years of that period, (using prevailing values and prices in March, 1933, as 100 per cent base) we find real estate values and prices receded from 100 to 2,000 per cent. I refer particularly to farm land values, and 'new wealth' commodities, or products of the soil. During all of that period bankers used those receding values and prices, as a measure of credit capacity. This was not a partisan error, for members of all parties suffered equally. No one anticipated in conducting their business, banking or otherwise, such an unprecedented, prolonged and uninterrupted shrinkage in values. Out of these experiences came tremendous losses, not only in what we now might call *BAD* loans and investments, but in many so-called good ones, which were well secured when made. Indeed instances are numerous, wherein security represented as much as ten times the amount of the loan, as measured by the then prevailing values, which were finally liquidated on a small percentage of full realization. When we analyze the situation fully, we really begin to wonder at the marvelous results. Really it is hard to conceive how so many banks could come out of those experiences in solvent condition. During that whole period, the banker who would have been fool enough to anticipate such broad results, would have been boycotted, and run out of his community. He could not say to the farmer, in granting him a loan, that his land in five years would recede from \$200 per acre to \$20 per acre, and corn would sell at ten cents per bushel. Nor would he be serving his community properly to take such a position. When the farmer experienced his shortened income from year to year, it was up to the banker to foreclose his mortgage, or extend it. He took the latter course, anticipating of course, that conditions would change, wherein foreclosures would be unnecessary, each time losing more and more of the margin in his security. The change came too late.

"The failure in deposit insurance laws in the states where they were in force, came during this period of shrinkage in

values, and it would be most difficult to conceive of a deposit insurance law, strong enough to come out of those experiences in sound condition, and to have met all losses. It is easy to glide along on a plane of increasing values. So called *BAD* loans, as well as good ones would be easy problems in those conditions, and deposit insurance will experience little difficulty, nominal cost, and wonderful success, beginning as it does, on the base of present deflated values. But tomorrow! Why worry about tomorrow, when experiencing the soothing influence of returned confidence, and rising values?"

## *Bad Management*

"While I believe that the main cause for bank failures was receding values, which brought ruination to many farmers, bad management may have magnified the results. But bank discipline is a most difficult problem, under a deposit insurance law. It is particularly American, for business volume to flow along the line of the least resistance, and people in an agricultural community, do not fully understand, or will not always be warned, in the measure taken for their protection, and persist in peddling their business, where they can get the most free service or borrow the most money, at the best rate, and with the least security, and where the banker is the least particular in prying into their personal affairs. With deposits insured in all banks, care and caution drives farmers away rather than attracts them. The bank failure horror had been growing in his mind to a point, where he began to measure the necessity of property statements, the wife's signature, the chattel mortgage, and the collateral security. But now this inducement has entirely disappeared. It seems to me, you state the case most clearly in your speech, in that: 'Insurance is no substitute for good management.' But there should be something to build up good management, to offset the breaking down influence of the deposit insurance law. The country bank-

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# Nebraska Bankers Hold Annual Convention in Lincoln

Largest Attendance in Several Years Greet National Known Speakers. Otto Kotouc, Head of Home State Bank, Humboldt, Named President

OTTO KOTOUK, president of the Home State Bank, Humboldt, Nebraska, was elected president of the Nebraska Bankers Association at the close of its thirty-seventh annual convention held last month in Lincoln. J. M. Sorensen, vice president of the Stephens National Bank, Fremont, was named chairman of the executive council, and Fred W. Thomas, vice president of the First National Bank, Omaha, was named treasurer. William B. Hughes, Association secretary, continues in that office which he has so efficiently filled for the past several years.

Convention registration, in proportion to the number of member banks, was the largest experienced for the past few years, indicating that bankers appreciate what their Association is doing for them, especially during periods of stress and depression. With a number of outstanding speakers contributing to an excellent program, every session of the convention was well attended.

New members of the executive council of the state association are as follows:

Stanley Maly, vice president of the First National Bank of Lincoln.

John A. Changstrom, vice president of the Omaha National Bank.

R. I. Stout, president of the First National of Tekamah.

Carl D. Ganz, cashier of the Farmers & Merchants Bank of Alvo.

H. D. Miller, president of the First National Bank of Stanton, member at large.

The holdover members of the executive council are:

H. A. Schneider, Plattsmouth; Robert Larson, Pilger; G. G. Hampton, Gothenburg; C. J. Abbott, Alliance; A. L. Coad, Omaha; F. W. Thomas, Omaha; T. B. Strain, Lincoln; J. M. Sorensen, Fremont; O. A. Riley, Hastings; Otto Kotouc, Humboldt, and A. J. Jorgenson, Sidney.

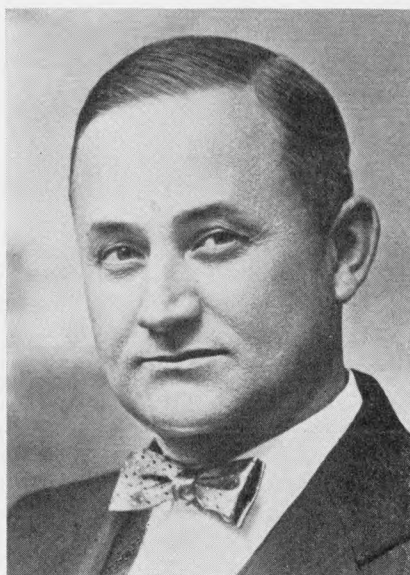
Charles S. McCain, president of the United Light & Power Company of Chicago, and former president and chairman of the board of the Chase National Bank of New York, spoke at one of the sessions. His topic was "Today."

Honorable George H. Hamilton, gover-

nor of the Federal Reserve Bank of Kansas City, spoke on the "Federal Reserve System."

"Banks and Recovery" was the subject of Honorable J. F. T. O'Connor, Washington, D. C., comptroller of the currency.

Restoration of the income of the American farmer to a level commensurate with that going to other channels was recom-



OTTO KOTOUK

mended to members by Fred W. Sargent, president of the Chicago & Northwestern Railroad.

Mr. Sargent concluded that the depression was not due to an insufficient volume of money or credit; that with all existing plant facilities and mechanical advances it would be utterly impossible to satisfy basic Americans wants with all the labor available if that labor were to work but thirty hours a week; that it is too late to correct maladjustments of international trade by mass reduction of tariffs, but reciprocal trade pacts are on the right course; that pegging of prices will not restore prosperity; that this country is not overproduced and that farm production should not be curtailed; that farm purchasing power should be brought to a

parity, through subsidy of foreign markets, if necessary, and that the government should undertake a water conservation program for farming regions.

"I suggest that the bankers and business men of the nation address their thoughts first to a plan for increasing the farmer's share of the national income in return for the new wealth that he produces for the nation. To do this I would not restrict his production, except as we could well afford to take out the submarginal or unprofitable areas, and I would attempt to give back to the nation a system of forestation that would inure to the benefit of the generations yet to come," Mr. Sargent said.

With the warning that upon private control of the Federal Reserve Banks rests the future solvency of the United States, Phil S. Hanna, editor of the *Chicago Journal of Commerce*, addressed a trenchant criticism of the movement toward nationalism of credit.

Hundreds of bankers attending the first session of the two-day convention applauded vigorously as Hanna said, "The most important business before the people of the United States today is to keep the banking business in the hands of private enterprise.

"I tolerate the ignorance of those who mistakenly think that more devaluation and control of credit by the government will be a means to recovery for they are out in the open, property owners and they differ honestly; but if the same rubber-stamp methods prevail in the coming congress as prevailed in the last, a bill to nationalize credit, drawn in secret cloisters by Harvard brain trusters whom you and I never had a chance to vote for, can become the law of the land. These secret draftsmen do not work in the open. If the danger of nationalization of credit is to be safely avoided the bankers must educate their customers in every community as to what political banking means," Mr. Hanna said.

He pointed out that England had kept the Bank of England under private control and with elimination of access to unlimited funds had cut governmental expenses and increased taxes bringing (Turn to page 26, please)

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# A Campaign of LOSS PREVENTION

"Department of Justice Officials Estimate That Crime Costs the Nation Twelve Billion Dollars Annually, As Well As Hundreds of Innocent Lives. Loss Prevention Must Be the Solution of the Problem. No Bank Wants to Suffer a Loss. It Would Much Rather Prevent the Loss."

WHILE loss prevention has always been practiced with respect to fidelity risks in that all individual applications are investigated and with respect to all risks upon which experience has been had, it is only in recent years that the realization has come that sufficient information to estimate the hazard has not been required. A review of the origin and development of our present interest will be helpful toward an understanding of the matter. It will be recalled that from the early twenties much was heard of a crime wave. A southwestern state appears early to have earned the distinction of being a proving ground for bank robberies. Its Bankers Association considered the problem and decided in 1926 that the solution would be to lock up the robbers. By way of encouragement a reward of \$250 for the killing or arrest and conviction of anyone guilty of robbing a bank was offered. While prior to 1926 very few bank robbers were sent to the penitentiary, it developed that the assessment to take care of claims for rewards was sufficient in the first year only. Subsequently, the amount of assessment to member banks was increased three successive times and it was necessary for the association to borrow money to pay the rewards offered. From November, 1930, to July 1, 1931, fifty-five bank robbers were captured and convicted and sent to the penitentiary, putting the association in debt to the extent of \$13,600. In an appeal sent to member banks at that time it was pointed out that the robber was their common enemy and that if he were at large, he would continue to rob banks, never stopping or changing his racket until killed or sent to the penitentiary. It was pointed out that burglary insurance was hard to get and that unless the record improved, that it would soon be impossible to get. Despite the vigorous campaign of this Bankers Association, eighty-four banks were robbed during the two years prior to this appeal. In prac-

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New York*

tice, locking up bank robbers did not have the effect of stopping bank robberies.

### *Robberies Spread*

Meanwhile, bank robberies were spreading to other states and our countrywide experience had shown a non-permissive loss ratio for several years. Through the press and banking publications you are familiar with recent history and know that they have even extended to states where no bank robbery had previously occurred for fifty years. The necessity for correcting the situation became more and more acute. The alternatives facing us were: (1) to try to overcome the bad experience by increasing rates; (2) to stop writing the line partially or entirely; or (3) to cut down losses by preventive measures. Within certain limits the remedy for bad experience is an increase in rates. With continued bad experience, however, this alternative does not provide the answer. The second remedy seemed too much like quitting under fire. The disturbing effect of wholesale cancellations was something to be avoided. There was a need for insurance by the banks and it was unthinkable for them not to carry insurance. Having decided against the first two alternatives, we took up the third and began a campaign of loss prevention.

Late in 1931 an analysis and study of robbery claims paid within a three-year period was made. Following this it was concluded that all risks should be surveyed so that the exposure to the robbery hazard in each case would be known. The original burglary and robbery questionnaire, improved from time to time as our experience developed, was used as a basis for surveying the entire bank burglary and robbery business. Where unsatisfactory hazards were found we asked

that insured banks warrant their correction. This plan was later submitted to the other burglary underwriters who had had similar experience and were endeavoring to find a remedy. They adopted it in principle and in July, 1933, brought out standard endorsements for limitation of cash, etc., in certain territories, subject to some exceptions. In April, 1934, the use of this endorsement was extended to all territories.

### *Experience Bad*

The experience on Bankers Blanket Bonds from 1930 was also bad and robbery losses under them showed an increase in frequency and total amount of losses. Since similar coverage was given under Bankers Blanket Bonds, it was logical that the same survey be made as respects the burglary and robbery hazards. A study of blanket bond experience, however, indicated that the heaviest losses were due to the dishonesty of employes. Accordingly, a questionnaire was designed to cover the fidelity hazard. After extending this campaign to Bankers Blanket Bonds our findings were presented to the other blanket bond underwriters who have now adopted the program in principle.

Someone has said that there is nothing so irresistible as an idea whose hour has arrived. This seems very true with respect to the loss prevention campaign. While this was getting under way by means of instructions to our field force and suggestions made to individual banks, the Protective Department of the American Bankers Association published in the latter part of 1932 in the Association Journal some strong articles on the subject, stressing the fact that the cost of bank insurance against loss through crime had justifiably increased without interruption for more than ten years; that no company should be expected to keep on underwriting risks at rates which continued showing an inadequate return to cover losses and that never in the history

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# Property Management and REAL ESTATE SALES

Every Banker Could Determine Real Estate Values, and Was Making What He Thought Good Loans, Even Though He Used

No So-called Scientific Methods of Appraisal. As a Result There Have Been a Volume of Foreclosures, and Many Bankers Now Find Themselves in the Role of Property Managers, Trying to Make the Property Pay Interest on the Amount of the Mortgage

By LOUIS MAGINN

President Franciscus-Maginn, Incorporated  
St. Louis

*An Address Before the Mortgage Bankers Association Convention*

WHILE each property taken over through foreclosure is an entirely new problem, and must be treated as such, a general plan of taking over, managing, and preparing for sale will apply to all properties. Before you can formulate a plan you must have a definite end in view. In your new role of property manager the ultimate goal is—to liquidate the property account, without loss to your lending clients. This can be accomplished only by maintaining maximum occupancy at a profitable rent schedule, and by practicing rigid economy in operating and maintenance cost. As I see it, then, our first step is to establish a rent schedule, and set-up an operating budget. Our next problem, then, is—how are we to obtain the rentals thus established? Surely tenants are not going to pay more for an apartment, or office, than it is worth. It is, therefore, our job, as property management concerns, to bring the rental value of the unit up to the asking price, and while many may disagree with me, nevertheless, I say that it can be done. How? Courteous treatment of tenants, competent management service and immaculate building.

### *Tenant Good Will*

Among other things, competent management service includes prompt attention to tenants' requests, and while it is not necessary to grant every request a tenant makes, it is imperative that every request, regardless of how trivial, be answered either by letter, phone or personal call. "Tenant good will" is the very foundation of a successful property management business, and the quickest and surest way to destroy it is to ignore complaints and requests. But a competent management concern goes further than mere prompt attention to tenants' requests. If you are to maintain a high percentage of occupancy at profitable rentals, you must anticipate the tenants' requirements. Your office records show,

or at least you should have office records showing what decorations and repairs were made in each unit, and when they were made. So anticipating cleaning and decorating needs is simply a matter of checking office records. Having a representative personally call on a tenant, and offer to clean or redecorate (should your man find redecorating necessary) instead of waiting for the tenant to call you, will actually save "decorating dollars." In bringing the standard of the building, and service up the point which justifies the established rent schedule, we must not overlook the fact that net and not gross rent pays the interest on your client's investment. This means holding the operating and maintenance cost to an absolute minimum.

### *Maintenance*

It is a big job during times of increased vacancies, and decreased rentals

to maintain an income property on a profitable basis; so that all possible means of savings in operating and maintenance cost must be enforced. Large savings can be effected through mass buying. We all have, in our respective cities, local Building Owners' and Managers' Associations. These associations save their members thousands of dollars through cooperative buying of such items as coal, electric and refrigeration equipment, light bulbs, janitors' supplies, paints, wall papers, etc., and I think we all could profit by joining our local Building Owners' and Managers' Association. Another item of waste in property management is fuel. I doubt if the average janitor realizes that an apartment building of 100 units can be heated in zero weather with three pounds of steam. The fuel wasted, through improper care and operation of heating plants, runs into many thousands of dollars each year. The fireman or janitor should be instructed in the care and operation of his heating plant and other mechanical equipment such as elevators, and refrigeration systems.

### *Fixed Charges*

Attention must also be given to the reduction of fixed charges—taxes, and insurance. Insurance policies should be checked against an appraisal. Frequently you will find that property is over-insured, or that you can reduce the rate through co-insurance, through the elimination of fire hazards, or the installation of fire doors, extinguishers, etc.

Tax problems should be intelligently presented to the tax board. Requests for reduction in taxes should be supported by facts, as to the ground value, the reproduction cost of the building at the prevailing construction prices, depreciation rates, rentals, operating and maintenance cost.

After placing an income property on a profitable basis, we are now in a position to present this investment for sale.

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## How to Make, and Keep, Banking Friends

# THE PUBLIC WANTS TO KNOW

**T**HIS discussion is the result of an interesting survey I have just completed. This survey is simply a candid discussion with more than 200 average American citizens in various walks of life, professional men, business men, salaried people, as well as the unemployed. From these people I attempted to get a cross section, of course in a limited way, of the attitude or viewpoint of the American public toward the banking business of this country.

Obviously, only a few of the high spots can be covered, and I am going to ask you not to misunderstand my position when I attempt to answer the questions to be asked by Mr. Average Citizen. I hope the answers I give will at least illustrate that there are answers to be given to the American public, through which perhaps a better understanding and a less critical viewpoint may be achieved.

### Question No. 1

*Why is it so difficult to borrow money from banks at the present time when the banks have so much idle cash?*

I am glad that you asked this question because a great deal of publicity has been given to it recently in the newspapers. When there is but little business activity, there is no demand nor as a rule a basis for many legitimate bank loans. In the last few months I have talked to a large number of bankers and without exception every single one of them told me that their banks were eager to obtain good loans. When you, Mr. Average Citizen, make a loan directly to a manufacturer, builder, or business man do you not do everything you can to make certain that the loan will be repaid? If the loan is not repaid, you have lost your own money and it is entirely your problem.

On the other hand, when the bank finds that borrowers are unable to pay, the situation is different. The banks are not owners but trustees and custodians of money entrusted to them by the people. The bank lends the depositors' money and must be reasonably sure that the borrower will be able to repay the loan, otherwise the bank is subject to criticism by its depositors for violating a sacred trust. As you know, in accepting deposits the bank in principle borrows from A, B, and C and when making loans lends the money, we will say to X, Y and Z.

**Mr. Average Citizen Asks Five Questions . . . Why Is It So Difficult to Borrow Money? Who Got the Millions Lost On Securities? Why Should I Pay Service Charges? With All the Losses, Do You Blame Me for Being Disturbed? Why So Reluctant to Make Loans On Improved Real Estate?**

By **HARVEY WEEKS**

*Assistant Vice President  
Central Hanover Bank & Trust Co.  
New York City*

*An address before the recent  
convention of the New Jersey  
Bankers Association*

When A, B and C call at the bank for their money they will not take the excuse that the bank has loaned their money to their neighbor who is unable to repay. It is undoubtedly true that to some extent banks may be a little more conservative in making loans than they were several years ago, because experience of many banks has proven to them the wisdom of a more conservative policy. On the other hand, Congress feeling that perhaps the banks were not cooperating with business men, amended the Federal Reserve Bank Act in the summer of 1932 so as to give the Federal Reserve Bank the power to make loans directly to individuals under certain conditions provided the borrower was unable to secure the accommodation from a commercial bank.

The figures published in the Federal Reserve Bulletin of November 14, 1934, less than ten days ago, showed that the total advances of all twelve Federal Reserve Banks in this country to industry was only \$7,750,000. The Federal Reserve

Bulletin of October, 1934, showed that up to August 30, 1934, the Reconstruction Finance Corporation had authorized loans to industrial and commercial business of \$8,105,000 and up to September 30, 1934, actually has disbursed \$1,916,000, in addition to \$627,925 participations with commercial banks in industrial loans. On this basis, does it seem reasonable that commercial banks have refused to make legitimate loans?

Mr. Average Citizen, when you consider that these two governmental agencies, bending every effort to aid commerce and industry, have only been able to loan to the dates mentioned approximately \$9,500,000, across the length and breadth of the United States, aren't you inclined to feel that it substantiates the bankers' statement that banks are anxious to make loans to business and are cooperating with industry and commerce in their responsibility to depositors?

### Question No. 2

*Mr. Banker, who got the hundreds of millions of dollars the American public lost on the securities purchased on the advice of bankers? Who got it?*

The shrinkage in values is almost unbelievable. For instance, take the difference in market value of stocks on the Stock Exchange September 1, 1929, totaling more than 89 billion and June 1, 1932, of only 16 billion, making a difference of 73 billion. What has happened to this 73 billion? Who got it? Do you think the bankers did? Can you name ten people you know who are better off today than they were in 1929?

It is true there may be a few here and there but the truth in the matter is values vanished. The speculative fever had been so high that even men whose reputation for conservatism had been outstanding, lost their heads in the wild attempt to make quick profits and the result was that practically everyone lost.

A distinction should be made, however, between commercial bankers and security dealers. Frankly, it is undoubtedly true that in those days many suggestions and recommendations were made by commercial bankers which did not work out satisfactorily. However, with few exceptions the suggestions and recommendations of the bankers were made in good faith and with a sincerity of purpose. It is most unfortunate that many people



were speculating, who thought they were investing, but on the other hand, the great majority of people operating in the stock market would have to frankly admit that they knew they were speculating.

During the 1925 to 1929 era we knew and heard of large fortunes which were made in the stock market. The newspapers carried headlines to the effect that many men were making millions of dollars. Have you seen many headlines in the papers telling of great fortunes being made since that time? If the losses of one group meant the gains of another, it would have been extremely difficult for those making the 73 billion to have kept their good fortune a secret.

The real answer is that no one got it—values vanished.

### Question No. 3

*Why should I pay the bank a so-called service charge when the bank has the use of my money?*

Mr. Average Citizen, do you know the amount of work, and expense involved in the operation of a bank after you have made a deposit at the teller's window or after you have cashed a check? The deposit is posted to your account and the checks you have deposited are sorted and sent for collection through the proper channels. Your checks have to be verified as to signature, proper endorsement, date, stop payment, and other special instructions and then entered in the ledger. If checks are returned unpaid, the entry on the books must be reversed and the checks returned to you. The bank carries insurance against forgery of checks for you. If your business requires cash, then the bank must carry for you a supply of cash and coin in its vault which involves cost of transportation and insurance.

In addition, the law requires, beginning January of this year, the banks must insure your deposits up to \$5,000 with the Federal Deposit Insurance Corporation which, of course, constitutes another expenditure to be borne by the banks. When you consider the amount of work involved in cases where the actual cost of performing the service is greater than any possible profit on balance below a certain figure, isn't it fair from your point of view that the individual should pay for what he gets as well as enable the bank to make a small profit on his account? The source of the bank's income is practically limited to the profitable employment of its funds and a charge for the services it renders. People have always expected to pay for certain banking services such as rental of safe-deposit boxes. A large number of depositors have not been charged for many services given and accounts that were unprofitable were carried by the profitable ones.

Even though a depositor has an average balance of \$50,000, if there is so much work involved in the handling of his account because of the thousands of payroll checks, credit reports and many other bank services given him, the account, even with this large balance, may be unprofitable.

The only compensation the bank receives for all the work it must do on account of this kind, is in the way of earnings on whatever part of the balance is available for investment. If these earnings are less than the actual cost, isn't it fair that the large depositor should be made to pay his way as well as the

small depositor? On the other hand, even though a small depositor writes few checks and uses practically none of the other services offered by the bank, shouldn't he likewise be charged if the earnings from his balance are not adequate to cover the cost of services rendered?

Mr. Average Citizen, isn't a checking account the most reliable and efficient teller, bookkeeper and safe-keeper of the funds employed in your business? Or, if you are a salaried man or if your wife maintains a household account, isn't the service charge much cheaper than the cost or risk of attempting to pay the bills in



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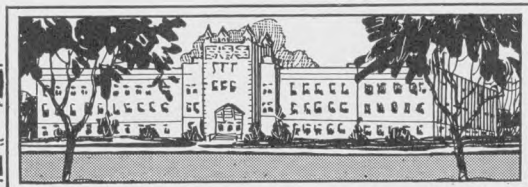
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cash? Do not forget that your cancelled check is evidence of payment of a bill.

### Question No. 4

*With thousands of banks closed and thousands of depositors unable to get millions of dollars which they had deposited in these banks, do you blame me for having been disturbed over the banking situation?*

Mr. Average Citizen, that question is a perfectly natural one. Let's consider some of the factors which brought this condition about.

When you deposit a thousand dollars in the bank, the bank does not put the cash into the vault. This would not be banking, but rather safekeeping for which, Mr. Citizen, you would have to pay a safekeeping fee. Your deposit would shrink by the amount of fees charged. Instead of using this method, the bank keeps a part of your thousand dollar deposit in cash in the vaults to meet your demands for small amounts. Part must be deposited as a reserve with the Federal Reserve System and on these two parts the bank does not earn any interest. The rest of your deposit the bank lends to trade and industry, either directly in the form of an advance or discount, or indirectly by buying bonds issued by various concerns while a certain part is invested in government bonds.

Now, Mr. Average Citizen, the business of banking is based on pretty much the same principle as that of life insurance. The life insurance companies do not expect that all of its policyholders will ask for or demand the loan values of their policies in one day, one week or one month. The bank does not expect that all of its depositors will ask for their money at the same time.

When people become panicky and line up before the teller's window, demanding their deposits, it is obvious that the bank cannot pay them in full. First it pays out all the cash on hand, then the amount it is able to borrow from the Federal Reserve Bank. When these funds are exhausted, the bank sells the bonds it is holding. Such sales usually entail losses since other banks, likewise confronted with runs, endeavor to sell their securities, thus glutting the market and naturally causing a drop in prices.

However, the bank cannot force the borrowers to repay the loans before they are due and is, consequently, compelled to close its doors, not matter how good the loans are regardless of the fact that these loans are paid when due. Many exceptionally well managed banks were forced to close due to mass psychology and lack of understanding on the part of the depositors.

(Turn to page 45, please)

# Bonds and Investments

## A Present Day Analysis of Railroad Securities

"It Is Expected That the Volume of Tonnage Will Continue to Be the Dominant Factor in the Determination of Dividend and Interest Payments, and That the Quality of the Management, the Earning Power of the Individual Lines and the Financial Strength of the Various Companies Will Continue to Be Vital Factors in the Determination of Security Values"

**T**HE vital role that political forces are playing in the economic scene is strikingly borne out by an appraisal of the present status of railroad securities. The prospects for government ownership, tonnage, rate increases, reorganizations, receiverships, loans, expenses and profits may be adequately appraised only by giving careful consideration to the effect of governmental activities.

Government ownership and operation of railroads is by no means a new idea. Aside from one large system in Canada, the railroads of the other major countries of the world are largely under political control. The fact that the Administration does not contemplate government ownership, at least in the near future, is indicated by the following expressions of opinion by two powerful political figures. Joseph Eastman, Federal Collector of Transportation, in an address before the Trans-Missouri-Kansas Shippers Board and the Kansas City Traffic Club at Kansas City on October 11, 1934, said "I am suspected, I gather from all accounts, by some of my railroad and financial friends of spending much of my time in hatching a plot for public ownership and operation of the railroads. Last January I discussed that possibility in detail in a report to the President and Congress with the conclusion that I was unwilling to recommend such a plan under existing conditions. Reserving the right to change my mind if good reason develops. I have not changed it yet."

Mr. Eastman, however, has said frankly on numerous occasions that he believes government ownership is the ultimate solution. He advises against it under present conditions, particularly because of its possible disturbances in a financial way.

The *Chicago Journal of Commerce* reported on October 9, 1934, that "Jesse H.

By **ELLIOTT P. WOODRUFF**

*Railroad Security Analyst  
Shea and Company  
Chicago*

Jones, chairman of the Reconstruction Finance Corporation, believes that the last thing the government should do is to take over ownership of the lines." Jones expressed this view at his regular press conference immediately following his return from a discussion with President Roosevelt. The general public apprehension about the government entering further into business is expected to be a powerful force in warding off government ownership.

### *Business Activity*

The prospective volume of tonnage will, of course, be determined to a large extent by business activity. It is anticipated that governmental policies will be very influential in this respect. The large amount of government spending has unquestionably given an impetus to consumers' goods industries. This stimulation has been reflected by such reports as those of the retail trade companies. A continuation of the spending policy is expected to exert a supporting influence on the present artificial level at which such industries are operating. Such a policy, however, cannot be continued indefinitely. The heavy industries, on the other hand, have not responded to the Administration's attempt to "prime the pump." In this connection, it appears reasonable to accept the doctrine that a revival of the capital goods industries would be a logical result of a program calling for a reduction in costs in various industries in order to permit a substantial reduction in prices of finished goods. The

Administration could effectively work toward this end.

### *Tonnage*

The government has also played a part in determining the tonnage of individual commodities. The restriction of price concessions for summer coal buying by the NRA Code has substantially retarded the movement of coal. During the five weeks ended September 1st, for example, reports of coal loadings indicated an average weekly decrease under 1933 of 21.7 per cent, whereas total loadings were only 4.3 per cent under last year. The spread was materially decreased in the four weeks ended September 29th when the average decrease for coal shipments was 6.2 per cent compared with 2.7 per cent. For the four weeks ended October 27th, coal traffic was 5.7 per cent under 1933 and total traffic 3.8 per cent. During the week ended November 3rd, a 3.8 per cent increase was registered by coal shipments against a 3 per cent decrease for all loadings. The present trend may logically be expected to continue and a relatively better showing is anticipated for coal during the coming weeks as a result of the government's action.

It is no new thing to feel the government's influence in the sphere of rate-making, inasmuch as it has been necessary for the carriers to obtain the approval of the Interstate Commerce Commission in matters of rate changes for some time. This governmental agency is currently conducting hearing with respect to a request by all of the railroads for freight rate increases.

On November 20, 1934, the Interstate Commerce Commission granted the railroads the right to re-adjust class freight rates in western trunk line territory. The effect of the decision will be to permit the

*Northwestern Banker* December 1934

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application of low rates on short-haul business and higher rates on long-haul.

### Debt Structure

The practice in railroad reorganizations in the past has been to obtain the average results by considering earnings over a period of years and reducing the fixed debt to a point where charges would be covered about one and one-half times by the earnings of an average year. Mr. Eastman advocates speedy reorganizations and suggests that earnings for the depression years be used as a basis for scaling down the present debt structures. Such a policy would reduce receivership costs and by more drastic reorganization place the carriers in a position which would enable them to survive future periods of low earnings. In an address before the American Life Convention in Chicago on October 10, 1934, Mr. Eastman made the following statements in this connection: "Early in these remarks I endeavored to make clear the present and future danger of the railroad situation which lies in the heavy debt now outstanding. It is this danger which makes financial reorganizations imperative in many cases . . . postponing reorganizations is expensive, because receiverships are costly. The question then arises whether it is not possible to reorganize now on a basis of fixed charges which will not be an undue load even in times of severe depression, and permit the security holders to recoup when times of better earnings arrive . . . I have mentioned the point to you, however, because I believe you should not overlook the advantages of the early reorganization of the companies which are now in receivership or bankruptcy."

The fact that the government has loaned about \$483,000,000 to the railroads indicates the significance of the attitude of the administration in the matter of prospective interest defaults and receiverships. Jesse Jones does not regard the present as a favorable time to reorganize the railroads. The *Chicago Journal of Finance* reported on October 9, 1934, as follows: "About \$30,000,000 will take care of the carrier's present needs according to RFC figures, Jones said, adding that the Government agency is prepared to go further next spring if necessary in the event the expected business improvement does not benefit the roads' earnings."

### Different Treatment

A more recent report, however, indicates that the Administration has been considering different financial treatment for the railroads. Instead of loaning funds to meet interest or bond maturities, it was suggested that these obligations might be put through the wringer and have the government lend for modernization work or new equipment. The

thought seemed to be that loans for working capital were doing nothing to aid employment, merely keeping alive obligations which needed paring down. The best opinion is that the carriers will be tided over wherever possible until Congress can consider some plan for reducing interest charges. It is possible that wholesale reorganizations might follow. In considering the effect of such an eventuality on bond portfolios, it is important to bear in mind that the density of traffic on the mileage securing individual mortgages indicates the earning power of that mileage and is regarded, therefore, as the most important factor in determining how various issues will fare in reorganizations.

It is common knowledge that the expenses and profits of the railroads have been affected to an extraordinary degree by the increased price level resulting from the Administration's policies. Higher wages and higher costs for materials, supplies and fuels, increased taxes to offset the increased government expenditures and additional appropriations for pension payments are being reflected in a substantial measure in the current reports of operating results of the various railroads.

#### *Legislation*

The helpful legislation, including the anticipated regulation of competing forms of transportation, which is expected to be provided for in the coming session of Congress, the intelligent and aggressive attack on the problems of waste, unnecessary duplication of facilities and permanent legislation by the Federal Coordinator, the outstanding progress that has been made in recent years in the matter of operating efficiency and the action of the industry in giving greater authority than ever before to a central organization lend encouragement to the outlook for railroad securities. It is expected that the volume of tonnage will continue to be the dominant factor in the determination of dividend and interest payments and that the quality of the management, the earning power of the individual lines and the financial strength of the various companies will continue to be vital factors in the determination of security values. It cannot be denied, however, that the problem of security analysis, during these times, has been rendered increasingly complex by the increased importance of political forces. The policies and attitudes of outstanding public officials must be carefully scrutinized if reasonable judgments with regard to the prospects of securities are to be formed.

Doctor: "You must avoid all forms of excitement."

Male Patient: "But, doctor, can't I even look at them on the street?"

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## NEWS AND VIEWS

(Continued from page 8)

payment from earnings on their investment in a bank deposit when they received 25 per cent of the amount collected by the receiver and the other 75 per cent went to such receiver and lawyers?

"It would seem that depositors would have a right to some protection from their government. Assuming that the bankers are crooks and have robbed the depositors and that the government has snatched the remaining assets from the crooks and placed such assets in the hands of government control, the deposi-

tors have a right to expect a semblance of justice and protection. But here they are raided by the very forces that should be their preservers and protectors.

"I especially call your attention to the foreclosure of a mortgage for \$625. The attorneys' fees were \$1,000 and allowed by the judge. The depositors would have been \$375 ahead if the mortgage had been stuck into the stove and the home owner had a clear home.

"Of course the lawyers could rob without let or hindrance and if the depositors did not get anything it would all be charged to the crooked bankers. The lawyers could report they had done their best and this was all they were able to

recover, but for the same procedure the bankers ought to be sent to the pen or hell. Please read the marked article and draw your conclusion as to which are the big crooks, the bar or the bankers."

There is no question but that many lawyers have worked a "racket business" during the depression, in the handling of foreclosures, and like every other bad business practice, it should be eradicated.

**L**YMAN E. WAKEFIELD, president of the Association of Reserve City Bankers, gives the result of a survey of the lending activities of a group of banks which carry over 35 per cent of the commercial banking deposits of the country, and indicates (1) that there are lines of credit now available to borrowers and unused to the extent of probably \$8,000,000,000 or \$10,000,000,000 and (2) that, excluding loans on collateral security and renewals of old loans, new loans to the amount of \$3,877,000,000 were made by these banks during the first six months of this year.

**I** WAS DRIVING OVER TO OMAHA last month with three of my banking and insurance friends and they wished to stop at the Council Bluffs "IOWA LIQUOR CONTROL COMMISSION" store, to replenish their supply, and so I stepped inside to see what the place looked like, this being my first entrance into an Iowa Control Liquor store—strange as it may seem, and believe it or not.

I became very greatly interested in the mottoes which adorned the walls of the "Liquid Emporium," and here are a few of them:

"We don't want your grocers' money."

"You voted against the bootlegger,—don't be his partner."

"Temperance is the only solution of the liquor problem."

"A forged check and a bootlegger's label have the same cash value."

"Our merchandise is made from grain, the bootlegger's is made from molasses. Grain grows in Iowa, molasses grows in Cuba."

All of which seems to me to prove one thing, namely that the bootlegger, like the poor, we will have with us always, no matter how the liquor traffic is handled or supervised.

**J.** K. WAIBEL, Advertising counsel, Continental Illinois National Bank & Trust Company, Chicago, was recently elected commander of the Continental Illinois Bank Post No. 383 of the American Legion—but what I want to know is will he give the "commands" in his excellent German and provide beer and pretzels when the former fighters are "at ease"?

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For over 40 years The Rath Packing Company has been in the meat packing business, producing a complete line of packing house products sold throughout the United States and foreign countries. Dividends on their Preferred Stock have been paid semi-annually May 1st and November 1st for the past 27 years without interruption.

The Company has no bonds or mortgage indebtedness. The business has shown an operating profit for the past 37 years. Net earnings for the past five years on the Preferred Stock outstanding, after depreciation and federal income taxes, have averaged Four Times Dividend requirements.

There has always been a good demand for Rath Preferred Stock, and due to the limited amount available we recommend immediate purchase.

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Price 100 per share to yield 6.00%

## W.D. Hanna and Company

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Waterloo  
Washington

Cedar Rapids  
Des Moines

**C**OL. WILLIAM G. EDENS, honorary vice president of the Terminal National Bank of Chicago, celebrated his 71st birthday November 27th, with a quiet family dinner at the home of his son, W. M. Edens, young official of the Continental Illinois Bank and Trust Company.

Although he retired from active service as vice president of the Central Republic Bank of Chicago in 1931, Col. Edens has continued to play an active part in the affairs of the American Bankers Association and the Illinois Bankers Association. He has been a strong advocate of the need for education to re-establish banks and bankers as leaders in community enterprise.

Col. Edens was recently appointed a member of the important Commerce and Marine Committee of the American Bankers Association.

**D**EAN PHILLIPS, speaking before an Iowa University class in banking recently, paid a mighty fine tribute to Frank Warner, secretary of the Iowa Bankers Association. The dean said: "Mr. Warner is the most outstanding banking secretary in the country, respected and admired by all bankers, yet one of the most truly modest men I've ever known." A statement with which we are in hearty accord.

### Protection

History of the bank holdup business has proved one thing these days and that is that it is absolutely essential to provide one's self with adequate Underwriter's approved Timelock Protection.

A half century ago, the installation of night timelocks put a stop to the practice of kidnapping a banker in his home, marching him to the bank and by means of force, made him open his safe or vault.

Insurance companies, conservative bankers and underwriters now realize that the only way to put a stop to the day holdup is to also place a physical barrier around what the holdup is seeking, namely, the banker's money. Many banks have already equipped themselves with this new means of protection and until a good many more do, there is very little hope of getting any reduction of insurance rates.

The Yale & Towne Manufacturing Company are applying the same old reliable type of delayed timelocks as they did over a half century ago, applying it only in a new form. They have designed a fully jewelled timelock of double safety construction that has proven very effective during the past ten years in eliminating the visit of a day holdup man. One of the main features besides their reliability to give an uninterrupted service, is the matter of its variable nature of delayed time control. In fact, they can be varied

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from any period of three minutes up to providing a seven hour delayed opening. It has always been felt that a longer delay period should be used for the first opening of a safe in the morning and this can be accomplished by the banker himself, a feature, we believe not obtainable in other types of delayed control equipment.

The F. E. Davenport & Company of Omaha, Nebraska, are the agents for the Yale Variable Delayed Timelocks and they report that bankers through the territory that already have this type of equipment would not be without it. In order to place an opportunity for every banker to become familiar with the operation of the equipment in his own bank, they are making a special offer of a thirty day free trial of the equipment. As one of the officers of the Davenport company remarked, "We have never believed in trying to sell a banker anything, we would rather have him buy it for in only this way can he be thoroughly satisfied with the equipment."

Their willingness to have a banker sell himself one the Yale Variable Delayed Timelock equipment by using it in his bank, seems to be a very fair proposition, though usually unheard of.

### Visit Packing Plant

Members of the firm of W. D. Hanna & Company, investment bankers of Burlington, Iowa, were in Waterloo last month attending a sales meeting of the organization, and at the same time took an inspection trip through the plant of the Rath Packing Company. Participating in the sales meeting and plant inspection were:

Leo L. Mak, Leslie H. Schrubbe, Harry Bahr, Oral Larkin, Waterloo; Leon E. Gardner, Des Moines; Thomas L. Crabbe, J. K. Munn, A. E. Dickinson, Don A. Carlson, Cedar Rapids; Walker Hanna, A. R. Kramer, Harlod E. Cooper, D. M. Kurtz, and Richard H. Jensen, Burlington.

For over forty years this packing company has been in the meat packing business producing packing house products sold throughout the United States and foreign countries. This industry was started in 1891 and has been built up until they now kill over 1,300,000 animals annually. Rath have over three hundred salesmen and three hundred people in their office and over two thousand people in the packing plant. They have one of the most modern up to date packing plants in the country.

Dividends on their preferred stock have been paid without interruption since the stock was issued over twenty-seven years ago. The company has no bonds or mortgage indebtedness. The business has shown an operating profit for the past thirty-seven years. Net earnings for the

past five years on the preferred stock outstanding, after depreciation, and federal income taxes, have averaged over four times dividend requirements.

### In Waterloo

The Carleton D. Beh Company, Des Moines, recently announced the appointment of C. H. Rathbun of Waterloo to head the company's business in Waterloo and northeast Iowa territory.

Mr. Rathbun was for fourteen years associated with the Geo. M. Bechtel Company and is well known in Iowa municipal bond circles. He has already taken over his position with the Des Moines investment banking house.

### McKinstry Vice President of Waterloo Bank

James M. Graham, president of The National Bank of Waterloo, Waterloo, Iowa, and his board of directors, are pleased to announce the appointment of Charles S. McKinstry as vice president



CHARLES S. MCKINSTRY

and operating head of that institution. The appointment became effective December 1st.

Mr. McKinstry, formerly cashier, succeeds Rodney P. Lein, who has resigned to accept an execution position with the *Register and Tribune*, Des Moines.

Other changes in the personnel of The National Bank of Waterloo are the appointment of Robert L. Fenne as cashier, and Henry F. Hoffer and R. L. Kilgore to the position of assistant cashiers.

### THE CENTRAL BANK

(Continued from page 11)

States debt as compared with 44.03 per cent in 1933, 42.73 per cent in 1932, 24.99 per cent in 1928 and only 15.34 per cent in 1920.

Conversely, the percentage of Federal paper held by the public has dropped





from 84.63 per cent in 1920 to 47.63 per cent in 1934.

Banks of this country which had 8.93 per cent of their deposits invested in government issues in 1920, now have 29.49 per cent of their depositors money advanced on government securities.

Contrast these figures with the fact that Canadian banks have 18 per cent of their national debt in their assets and the big British banks have only 11 per cent of the British Treasury debt on their books.

But most significant is the fact that of the increase of \$4,500,000,000 in Federal debt between June 30, 1933, and June 30, 1934, United States banks took \$3,900,000,000, or 86 per cent. What better results could be expected from a Central Bank?

It is the consensus of opinion that some changes in our banking laws are bound to be made during the next session of Congress. Just what they are to be no one can accurately predict at the present time.

President Roosevelt is not entirely sold on the Central Bank idea, and the Federal Reserve System has many staunch friends in the administration.

Officials are disagreeing on the policy and how it could be done but the predominant political forces eventually will be for some form of more centralized control under the Federal government.

## AN IOWA BANKER WRITES TO MR. CROWLEY

(Continued from page 12)

er can only offer liberality in making loans, or in free service, on which to build his clientele. It seems to me something can be worked out by the department, in the form of wholesome rules and policies, that would help wonderfully. Can it be done? Will it be done?"

### *No Sufficient Income*

"It seems to me that as government bonds do not provide a sufficient income for a country bank, as an exclusive bond investment, that some constructive plan could be worked out, to give the country banker a chance for a safe investment, based on a careful examination of capital set up, and income statement, together with ratings, fixed rates, government approvals, and such other safeguards as would be positive and reliable. At the present time, many securities rated AAA, AA or A, by bond service organizations, are dragging along at prices unwarranted by prevailing conditions, while many others rated BBB, BB or B, are selling at par, or much above par. Many a sound utility with high rating, whose capital structures have been fixed as a result of public hearings, and rates ample to meet fixed charges have been estab-

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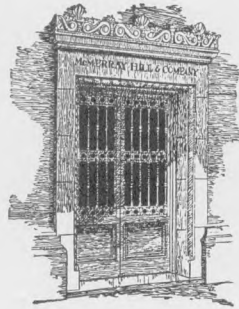
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C. G. STEVENSON, Vice President  
DES MOINES

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lished, and the public thereby invited to invest in them, now show a tremendous loss to the investors. The public has built up a strong prejudice against them, based on the theory that they are owned by 'Wall Street Speculators,' when in reality the depression in their values are felt by the laborer, farmer and general masses alike, in effecting their savings, their life insurance or their personal investments.

*"At present low values, it seems that if there ever was a time when a farm mortgage was a proper bank investment, that time is right now, when they are appraised at present low values. But long and persistent training seems to prevail with most bankers, that it is improper to loan demand deposits on such long terms. It would seem imperative that a positive and ready market for them should be established, and their eligibility for rediscount or sale, should be established, as a part of their making and completion, and the ability to use them, should be as free from delay and red tape. With such a market such investments would be proper for demand deposits, but it seems to me, present conditions would be far from making such investments proper.*

"I hope that in thus writing to you, that my writing will be taken in good faith, free from partisan influence. In fact it comes too late for that purpose, and is not being used for that purpose. I am sure the suggestions I have made would help wonderfully, if they could be used."

Yours truly,

B. J. Howland  
Keosauqua.

## NEBRASKA BANKERS ANNUAL CONVENTION

(Continued from page 13)

about near reality of balanced budget and restoration of confidence that made possible refunding of the war debt at lower interest and saving of 150 million dollars a year.

Mr. Hanna charged that politics is behind the credit nationalization move, and divided its cohorts into two factions: Those believing that business would revive if a supposed artificial restriction of credit were raised; and those who know that power goes with control of credit. The latter he named "most vicious."

## How Much Are Your Taxes?

If you have an annual income of \$2,080 or less, how much of it goes for taxes?

There's a good chance that you will say, "none," inasmuch as your income is below the level reached by the income tax, and you may have little or no property on which taxes must be paid.

But, according to an article by Royal F. Munger in the *Chicago Daily News*,

your taxes come to some \$480 a year. One hundred and twenty dollars of this represents taxes included in your rent—the landlord pays them and passes the cost on to you. Ninety-six dollars is included in the price of your family's food—the farmer, the processor, the distributor and retailer pay them, and they become part of the cost of everything in the grocery store. Twenty-four dollars is included in the clothing, furniture and similar items you and your dependents purchase—here again, manufacturers, middlemen and retailers are all heavily taxed and must pass their taxes on to the public.

This totals \$240. Finally, says Mr. Munger, other indirect tax burdens that affect the cost of living are estimated to take \$240 more out of your family's \$2,080 annual income. On a percentage basis, as a result, you pay almost twenty per cent of all you earn to government.

Too many people have accepted the fanciful theory that the rich pay all the taxes while the rest of us get the benefits for nothing.

No one escapes taxes—no one ever will. And the average man, with a small or medium-sized income, would gain most from retrenchment in tax levies, regardless of the guise under which they may be labeled.

### Good Nor Bad

Current business, in the light of depression standards, is neither good nor bad.

There have been few changes during the last few months. The seasonal drop that always comes with fall has been of about the size that was anticipated. Administration leaders are frankly disappointed with the progress of the recovery movement—it is obvious that the great hopes held out for improvement two years ago have not materialized. On the other hand, most of the business periodicals have lately reported that business leaders are more confident—that they feel a marked change for the better will take place before long.

The latest reports show: A larger-than-seasonal drop in automobile production; a decline in carloadings to below the level touched in the comparable period last year; a slight fall in the commodity price level; improvement in soft coal and steel activity.

### Sure Would

"Why, hello, Jimmy, I hear you lost your job in the department store."

"Oh, yes, I got fired."

"You got fired? How did that happen?"

"Oh, I just took a sign from a lady's shirt waist and put it on a bath tub?"

"And you got fired for that? Well tell me what the sign read."

"It said, 'How would you like to see your best girl in this for \$2.75?'"

## SHORT TERM NOTES

Rates and maturities upon request.

### COMMERCIAL CREDIT COMPANY BALTIMORE

Sales office: 100 East 42nd St., New York

## Investment Securities

### Scott McIntyre & Company

Merchants National Bank Bldg.

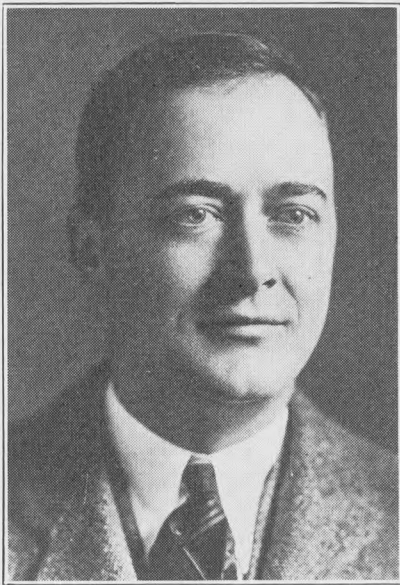
Cedar Rapids



Stormy weather outdoors. But the watchword for your telephone is *All Clear*. The lines must be kept open so your voice can get through. Moreover, the quality of voice transmission must be *All Clear*. That these "musts" become realities is shown by increased use of the telephone on bad days—at times 100% above normal.

## Bell Telephone System





GEORGE OLMSTED

GEORGE OLMSTED, Secretary-Treasurer and General Manager, a leader in Iowa insurance circles for many years. After six years in the U. S. Army, including four years and graduation at West Point, he became a local agent, as Olmsted, Inc., Des Moines. In 1926 he branched out as a general agency, becoming the largest automobile writing agency in Iowa. After several years as Iowa-Nebraska manager, the Ohio Casualty Company, he became secretary-treasurer and manager, the Travelers Mutual Casualty, in 1927. Mr. Olmsted is also president, the United Federal Savings and Loan Association, and of the First Insurance Finance Corporation. He is a past-president, the U. S. Junior Chamber of Commerce.



*A Legal Reserve  
Company  
Established, 1927*



# MANAGEMENT

As experience is the cornerstone of insurance, so must successful **management** be based on experience.

Competent Home Office executives should be well trained in local agency work, field supervision, as well as Home Office routine.

Executive **management**, experienced along these lines, is largely responsible for the steady growth of the TRAVELERS MUTUAL CASUALTY COMPANY, Des Moines, and presented herewith are facts about the executive personnel of this organization.



JOHN D. LYNCH

JOHN D. LYNCH, Vice President and General Counsel. Mr. Lynch started, as a boy, in his father's local agency at Sioux City, in the nineties, the J. M. Lynch agency. Served as attorney for the Western Surety, Sioux Falls, also represented other surety and casualty companies as attorney. Represented the Travelers Mutual Casualty, Omaha office, in charge of claims and branch office, one year, before coming to its home office a year ago.



FRED MILLER

FRED MILLER, Manager Underwriting Department. Mr. Miller started as automobile underwriter, Southern Surety, ten years ago, later supervised seven states, all lines, for same company. One year as local agent in Des Moines, then a year with the Continental Casualty, Chicago, manager Compensation Liability and Steam Boiler Department, Chicago Branch, before connecting with Travelers Mutual Casualty.



K. L. MCKINLEY

K. L. MCKINLEY, Comptroller. Three years a public accountant, then with the Southern Surety Accounting Department for eight years. Moved to St. Louis with the company, as auditor. Went with company to New York, as Chief Accountant and Assistant Comptroller, serving two years in the same capacity for the Home Indemnity Company of New York. A year as local agent in Des Moines, then became Comptroller, Travelers Mutual Casualty.

## Travelers Mutual Casualty Company

Auto, Truck, Bus and  
Taxicab Insurance

DES MOINES, IOWA

Health and Accident  
Insurance

# Insurance

## "IT WORKS FOR ME"

SERVICE is a word that has been over-worked by advertisers to the extent that to approach a few remarks under this title is to convey the impression that the reader is to be treated to a few aged bromides along those lines which have been covered countless times and which have proven rather disappointing. However, I'm rising up in meeting and putting in my testimonial to the effectiveness of a service that really brings results and which are entirely unorthodox.

I hesitate to recommend this system of mine to underwriters in general as it might appear on the surface to be a bit Polly Annish and impractical, but it has been of immeasurable value to me and I'm simply passing it on for what it is worth.

I was considerably relieved after reading Vash Young's "A Fortune to Share," for he has proven beyond any doubt that it is possible for a man to give of his service and time unselfishly and make it pay. He has reached down into the heart of the system that I have only touched upon, but I'm finding in my modest experience that the results are there if we get the vision clearly.

I'll simply illustrate a series of sales that resulted directly from what I felt at the time to be simply a matter of helping an utter stranger out of a little mess that he had unwittingly gotten into. The mess is beside the point, but the fact that after helping him out as I did, with no thought of reward, his reaction was the natural one of wanting to return the favor if possible. That, of course, brought into focus my business, and as a result a sale of \$2,000 on his life and one of \$2,000 on his son. In working out the sale on the son I was able to advise him on a little matter entirely aside from our business together, and like father like son. The results there were very similar. I was referred to a prospective brother-in-law. By that time I had the confidence of the family to the extent that the subsequent sale to the young man in question was merely that of taking an application. However, this chap worked for his brother on a large farm and in the negotiations I was able to help in the sale of some corn, getting something above market price for him. This resulted, not at once understood, but in the course of a few weeks, in the sale of \$7,500 on the brother and \$2,000 each of two children. This appeared to be the end of the chain, but the next time I saw the chap who had made

By **L. M. HALL**  
*General Agent*  
*Cedar Rapids Life Insurance Co.*  
*Collins, Iowa*

the last purchase, he told me about another brother some few miles from him who might be interested. I proceeded there at once and found him waiting for me, having been sold by the rest of the family. This resulted in \$5,000. There remains only one brother and he is in the process of being sold at this writing.

### Unusual Volume

This experience is unique in that it resulted in volume considerably in excess of the usual run of cases of this nature. But the thought is that the possibilities vary with each individual case, but that



L. M. HALL

the results as to reaction are usually the same. This doesn't indicate that the salesman should devote his time to being the good Samaritan, selling insurance as a side line, but it does indicate, to me at least, that by keeping the opportunity of service before you, and at the same time keep your business always in mind in the final analysis you will be amply repaid for your services. Of course, the attitude behind the service is the essential thing. If you are thinking of the sale you are trying to make, using the service as a lever, I'm afraid you will be disappointed.

These are times when the opportunity for service of this nature is constantly before us. We all realize, of course, that the people are troubled now as perhaps never before in our time. They are beset with worries of one sort and another, and upon the least indication of encouragement the average will break down and tell you his troubles if for no other reason than to get it off his chest. If we appear to be interested, and will continue in that attitude, even though it should call for a little effort on our part, enough cases will drop in our net to amply repay us for all our interest. It also naturally follows that we have our trouble along with the average, but we must assume that our difficulties are of no interest to others. In other words, listen to the troubles of others but tell no one of your own.

Please do not misunderstand me; the old time honored methods of prospecting and sale are still good and dependable. These suggestions of mine are merely to supplement those methods. It may be that when conditions change to the extent that financial troubles are fewer, the plan outlined will be less effective, and I'm inclined to that view.

In building upon this sort of a foundation we are to a large extent eliminating troublesome competition, we are rapidly doing away with the old idea that life insurance agents are pests, and we are finally accomplishing the thing that we have long striven for, the professionalizing of our service. Idealistic as this may seem it is really a concrete plan of action and one that will lift the profession to a plane to which it is justly entitled.

### Small Communities

I might add that my work is confined to small cities and towns and farms. These conditions lend themselves more readily to this idea than those of the urban centers. And it is with this thought in mind that I advance these ideas. I can see where in the cities it would be impractical as outlined but there are no doubt opportunities even in those surroundings for something along this line.

### Another Angle

I hesitate to mention another angle of this idea but the picture isn't complete without it, and I'm going to shoot the works. That is the feeling of satisfaction you get in addition to any material reward that may come your way. I am the

*Northwestern Banker* December 1934

# Strength Service Savings

## Secure These Business Building Features for Your Property Owners

Western Mutual Fire is strong; is getting even stronger every day. Western Mutual Fire makes it a point to pay every claim the same day proof of loss is received. Western Mutual Fire provides genuine savings year after year to thrifty property owners insured by careful underwriters in this growing mutual company.

## Minnesota Agents Write for Western Mutual Proposition

We now are offering Western Mutual strength, service and savings to selected property owners serviced by capable insurance agencies in Minnesota, Iowa, Nebraska and South Dakota. Interested agencies write directly to the home office in Des Moines now.

*Ask to receive "Contact",  
Western Mutual's national  
prize winning publication  
for insurance underwriters.*

# WESTERN Mutual Fire Insurance Company

10th Floor Hubbell Bldg.  
DES MOINES, IOWA

*Northwestern Banker December 1934*

recipient of a great deal of spoofing from my associates for my various activities such as selling corn, finding a farm for some chap to rent, looking for a good work horse for another farmer, or perhaps finding a good home for a good male dog, which by the way, are all services rendered in the past few weeks, but it has really paid in a material way and best of all I have gotten quite a kick out of it. It can all be done in passing and without neglecting any phase of your work. If you haven't tried it just try it out. It may surprise you. Contacts are our stock in trade and anything that will make them is worth while. I find business improving as my unselfish attitude grows. Sermonizing? Perhaps, but there's something to it—believe me.

## Killed and Injured

Approximately 28,400 persons have been killed and 740,000 injured as a result of nearly 600,000 automobile accidents in this country during the first ten months of this year, according to statistics compiled by the Travelers Insurance Company from state reports.

The increase in fatalities, which amounts to 16 per cent, indicates that the annual record of fatalities from street and highway accidents this year will exceed 36,000. This will be an all-time high mark in deaths from automobile accidents, as the previous record was in 1931 when more than 33,000 persons were killed. The deaths this year may even approximate 37,000, inasmuch as the indicated increase of 16 per cent is based largely upon preliminary reports.

The record thus far shows that 48 per cent of all the persons killed in street and highway accidents have been pedestrians, as against less than 45 per cent for the whole of last year. More persons also have been killed this year as a result of the collision of automobiles with street cars, fixed objects and with bicycles. The fatalities resulting from collisions between automobiles comprise almost 23 per cent of this year's total, and deaths because of collisions of automobiles with fixed objects total almost 12 per cent, while fatalities from non-collision accidents comprise 10.5 per cent of the total.

August has been the only month so far this year to show a decrease compared to the corresponding month last year in the number of persons killed in automobile accidents, although the drop was less than half of one per cent. In June, July and in September the percentage increases in fatalities were not as great as the average indicated thus far this year.

## Named Chairman

G. C. Holmberg, treasurer of Northwestern National Life of Minneapolis, has been appointed by the Mortgage

Bankers Association of America as chairman of the Mortgage Bankers Advisory Committee of insurance officials. Other members of the committee are:

A. A. Zinn of the State Life of Indiana; R. R. Rogers of the Prudential; Deane Trick of the Bankers Life of Iowa; Paul Vollmar of the Western and Southern; and Murray Waters of the Aetna.

## Travelers Mutual Casualty Growing Steadily

True to its tradition as "The Hartford of the West," Des Moines is witnessing the steady growth of another strong casualty company, the Travelers Mutual Casualty Company, which is concentrating on the writing of automobile, truck, bus and taxicab insurance, along with the full coverage of accident and health lines.

Established in 1927, the Travelers Mutual Casualty now has total admitted assets of almost a quarter million dollars, a large part of which is made up of cash, bonds and premiums in course of collection. Surplus to policyholders totals the substantial figure of \$135,652.

Back of the Travelers Mutual Casualty Company is a strong and experienced management, centered around George Olmsted, secretary and general manager, who has been a leader in Iowa insurance circles for many years. J. S. Osborn is president; John D. Lynch, vice president and general counsel; Fred Miller, manager of the underwriting department; and K. L. McKinley is comptroller. All are experienced casualty executives who have had a wide range of experience both in local agency field and home office work.

Directors of the company include Julian Brody, John D. Lynch, K. L. McKinley, Fred Miller, R. W. Miller, George Olmsted, J. S. Osborn, F. L. Olmsted and Dr. L. D. Smith.

An outstanding feature of the Travelers Mutual Casualty is that every executive of the company has been a local agent at some time during his insurance career. The company feels that the background is extremely valuable since it gives the home office a thorough understanding of local agency problems.

Also, the company has no prohibited list of risks, believing that every risk is entitled to consideration, and that correct underwriting means the selection of good risks from the bad, rather than the rejection of all risks, both good and bad, in any given class.

Travelers Mutual rates are not the lowest in the field, since the company believes that rates must be adequate to pay losses, expenses and a fair margin of profit. As a means of underwriting economy, the company has established a system of using combined claim, field, and accident prevention men throughout its territory.

The claim record of the Travelers Mu-

tual Casualty is excellent, since the management constantly endeavors to make friends and boosters out of claimants, standing ready, however, to resist to the limit, unjust claims.

The Travelers Mutual Casualty thoroughly believes that a company is good not because of its plan of organization nor its size, but because of the integrity and ability of its management.

The company writes private automobile, truck, bus and taxicab insurance, including fire, theft, windstorm, collision, cargo, public liability and property damage. Its accident and health lines offer full coverage, including traveler, pedestrian, auto accident and athletic accident insurance.

In this connection, the company recently came out with a novel health and accident policy, which is quite new in insurance circles, building up coverage and rates precisely as automobile coverage is built up. The assured is given his choice of any or all of fourteen hazards to be covered, and a rate is worked out on each specific coverage, making the policy a "tailor made" policy.

### Best Month

Arnold Month—observed each October by fieldmen of Northwestern National Life of Minneapolis in honor of President O. J. Arnold—turned out to be the company's best month of 1934 to date and the best October it has ever had in total new business produced.

With a volume of \$7,062,131, the month beat the previous October record, set last year, by 8 per cent, and was 12 per cent better than any other month so far this year. A new mark also was established in the number of agencies producing \$100,000 or more in any single month. Nineteen were in the \$100,000 class in October, two more than the best previous record set in May, 1929.

The White & Odell agency, Minneapolis, led the field with a total of \$1,058,272 of new business for the month. The Truman H. Cummings agency, Detroit, was second with \$355,373, the A. W. Crary agency, Fargo, third with \$341,932, and the Texas State agency, Houston, fourth with \$319,342.

### President M. B. A.

Owen M. Murray of Dallas, Texas, is the new president of the Mortgage Bankers Association of America. Mr. Murray is president of the Murray Investment Company at Dallas.

The election of Mr. Murray is a climax in the recognition of a man in the mortgage banking field, by his associates, that started 26 years ago when he first entered the mortgage investment business. Mr. Murray has been a member of the Mortgage Bankers Association for sixteen

## IMPORTANT NEWS:

For Men With Wives and Families  
For Agents Who Sell to Them . . .

NORTHWESTERN NATIONAL LIFE announces a new life insurance policy, which provides whole life benefits with sharply reduced premium payments in early years.

### GPR \* Readjustment Life Policy

\*(Guaranteed Premium Reductions)

**Fits Reduced Incomes** The GPR Readjustment Life policy furnishes permanent insurance on the Whole Life plan, but the contribution to the reserve or savings feature (required under the usual Whole Life policy) has been substantially reduced during the first five years, with a corresponding saving to the insured in premium deposits.

**In Effect, Guarantees Dividends** Beginning with the second policy year and continuing throughout the life of the policy the GPR Readjustment Life offers a guaranteed reduction in the annual deposit corresponding to a liberal dividend. As a result, all figures furnished for illustrating this contract are based on guarantees throughout—no ifs, no ands, no buts—so that, regardless of how business conditions affect policy dividends now or at any time, these illustrations represent the largest premium outlay the insured can be called upon to pay and the least that he can expect in benefits. These guaranteed figures will be improved by excess interest on funds left with the Company and by dividends after the tenth year, as declared by the Company.

**Affords Savings Plan** The Guaranteed Premium Reductions may be left with the Company at a guaranteed rate of interest in a premium deposit fund and added to the cash value of the policy to pay up or mature the policy or to create a savings fund for use at age 60 or 65.

## NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

O. J. ARNOLD, PRESIDENT

**STRONG ~ Minneapolis, Minn. ~ LIBERAL**

*It's a Policy BUILT TO SELL Because It Meets ALL the Demands of Today's Life Insurance Buyers.*

## We "See Things" Like Our Banker-Agents

THERE is a real reason why our home office and our Iowa banker-agents get along so "famously." We've got the same point of view. For we're an Iowa company, manned by Iowans, who understand the Iowa bankers' problems from 18 years of working with them. Our president is, himself, a former Iowa banker.

And there is the equally important fact that we are not too big for personal service and cooperation, although large enough for unquestioned strength (\$201 of assets for every \$100 of liabilities\*).

If you are interested in improving your insurance connections in 1935, write.

\*U. S. Review—Southern Underwriter rating.



C. Ed Beman, President



Fire—Lightning—Tornado—Auto

Northwestern Banker December 1934

years, and for the past four years has been a member of the board of governors. In 1932 he was president of the Texas Mortgage Bankers Association.

Since 1924, Mr. Murray has operated exclusively in Texas, where he has handled both farm and city loans.

Other officers elected included the following vice presidents: Frank C. Waples, president of the Midland Mortgage Company, Cedar Rapids, Iowa; E. E. Murray, vice president, Nashville Trust Company, Nashville, Tennessee; Frank C. Evans, Evans, DeVore & Company, Crawfordville, Indiana; and James W. Collins, president, Tracy Loan & Trust Company, Salt Lake City, Utah. Mr. Waples,

Mr. Evans and Mr. Collins were re-elected.

M. Elliott Houston, president, Title Guaranty Company, Denver, Colorado, was elected to the board of governors, term ending 1935, to fill the vacancy occasioned by the elevation of Owen M. Murray to the presidency. Members of the board of governors elected for term ending 1938 are H. F. Whittle, vice president, Acacia Mutual Life Insurance Company, Washington, D. C.; Irvin Jacobs, Irvin Jacobs & Company, Chicago; J. J. F. Steiner, president, Realty Mortgage Company, Birmingham, Alabama; S. M. Waters, secretary, M. R. Waters & Sons, Inc., Minneapolis, Minnesota; Thomas S.

Clark, The Thomas S. Clark Company, New Haven, Connecticut, and Sylvanus B. Nye, president, Nye Mortgage Corporation, Buffalo, New York.

## Controlling Interest

Purchase of controlling interest in the Iowa National Fire Insurance Company of Des Moines, by a group of Iowa and Kansas City business men, headed by Frank C. Harvey of Kansas City, Missouri, is interpreted by executives of the Iowa National Fire as a constructive measure and conducive to the future growth of the company.

C. Ed Beman, president of the Iowa National Fire, was in Chicago when the stock of the Iowa National Fire was offered for sale by H. B. Hershey, liquidator



C. ED BEMAN

for the Illinois Insurance Department, acting as receiver for the Fire Insurance Company of Chicago, which owned controlling interest in the Iowa National, and upon his return to Des Moines, Mr. Beman said that control of the company is now entirely in the hands of substantial middle western interests and that headquarters of the Iowa National will remain in Des Moines.

Iowa National stock has a par value of \$10 per share, and Mr. Harvey's bid was \$7.

The Iowa National Fire is making splendid progress both in its underwriting and investment departments, and under the management of Mr. Beman during the past year has expanded its agency plant materially. Mr. Beman, a former Iowa banker, and member of the Iowa State Fair Board, has made many profitable changes in company policies and has been quite successful in popularizing this veteran Iowa company. There will be no change in the present management.

Mr. Beman said that final action of the court, in approving the transfer of stock and other routine matters, would require some time before the transfer of the control is officially consummated.



## Call the Specialist!

In modern business, in science or in the professions, when special service or advice is needed, one rule is followed: "Call the Specialist." That rule is equally good in the banking and live stock business.



*We are specialists in handling the live stock items of country banks. Every officer and employe of the Live Stock National Bank of Sioux City knows this phase of banking from beginning to end. Try our facilities.*

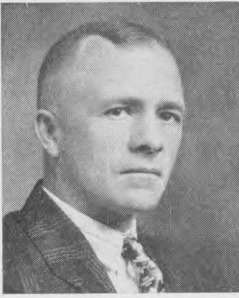
## Live Stock National Bank

Sioux City, Iowa

Affiliated with Northwest Bancorporation

"THE BANK AT THE YARDS"





L. M. LARSEN  
President

## South Dakota Bank News

Officers South Dakota Bankers  
Association

President.....L. M. Larsen  
Wessington Springs

Vice President, Geo. C. Fullinweider  
Huron

Executive Manager, Geo. A. Starring  
Huron



GEORGE A. STARRING  
Executive Manager

## 1934 Group Meetings

By J. A. SARAZEN

Field Representative

THE South Dakota Bankers Association held their group meetings throughout the state during November this year instead of in the spring as has been the custom in the past. The meetings held consecutively by dates were as follows:

November 14th, Group 6 at Mobridge.  
November 15th, Group 5 at Huron.  
November 16th, Group 7 at Deadwood.  
November 20th, Group 3 at Mitchell.  
November 21st, Group 1 at Vermillion.  
November 22nd, Group 2 at Sioux Falls.  
November 23rd, Group 4 at Webster.

Most all meetings were evening dinner meetings, well attended, with programs well arranged by the group officers.

At practically all meetings considerable stress was laid on the seed situation in South Dakota.

### Group Two

Group Two of the South Dakota Bankers Association met at the Cataract Hotel, Sioux Falls, November 22nd for their annual meeting. The meeting was well attended with 104 bankers and bank directors present.

Dinner was served at 6:30 and no time was wasted in getting the meeting under way. The opening address was made by J. C. Vandagriff, group president.

"Loans to Industry" was the subject of H. I. Ziemier, deputy governor, Federal Reserve Bank, Minneapolis.

Frank Strain, superintendent of banks of South Dakota, was the next speaker.

The seed and feed emergency were dwelt upon by Hugh Nash and Dr. Weaver from the South Dakota State College, Brookings.

Report of agricultural committee was led by C. A. Stone, Carthage.

C. R. Goss, state director, Federal Housing Administration, Sioux Falls, was next on the program with an interesting talk.

A very constructive address was given

by C. Floyd Falck, Corn Exchange Saving Bank, Sioux Falls, on the "Development of the Central Bank Idea." His address is reproduced elsewhere in this issue of NORTHWESTERN BANKER.

An address on agriculture was made by W. S. Given, chairman, state agricultural committee.

L. M. Larson, president, South Dakota Bankers Association, made the final address which was followed by general discussion led by Geo. A. Starring, executive manager.

Madison was selected as the meeting place for 1935.

New officers elected were: Otto Meyhaus, president, president Corn Exchange Savings Bank, Sioux Falls; Lester Foreman, vice president, president, Corn Exchange Bank, Elkton; E. J. Dirksen, secretary, assistant cashier, Security Bank & Trust Company, Madison, and W. L. Baker, member executive committee, president, First National Bank, Sioux Falls.

### Deposits Increase

The First National Bank & Trust Company, Sioux Falls, in a recent statement lists deposits of more than \$4,000,000, these deposits having increased more than \$1,400,000 from the low point in 1933. W. W. Baker, cashier, is responsible for the latter statement. This bank pays 3 per cent interest. Three of the banks in Sioux Falls are paying 3 per cent and two banks pay 2 per cent.

### Merger

Consolidation of the First National Bank of Bison with one of the same name in Lemmon, with the banking house to be located in the latter place, has been announced. Both banks have been affiliates of the First Bank Stock Corporation of Minneapolis.

The combined institution will be known as the First National Bank in Lemmon,

with Fred Lewis as president, and A. O. Rolien as cashier.

The merger leaves Bison fifty miles from a bank and many farmers and ranchers will be 75 to 100 miles from a bank.

### Mobridge Meeting

The annual fall meeting of the group six bankers was held in Mobridge with a good attendance and a well-rounded program. A. J. Haerter of Hosmer, group president, was unable to be present, and arrangements for the meeting were made by W. P. Jones, secretary.

Principal speakers on the program included Harry Ziemer, deputy governor, Federal Reserve Bank of Minneapolis, who discussed "Loans To Industry;" Wm. J. Leary, of South Dakota State College at Brookings, who talked on "The Seed Emergency," and Dr. G. S. Weaver of State College, who discussed "Drought Feeds."

Addresses were also given by L. M. Larson of Wessington Springs, president of the South Dakota Bankers Association, and Dan E. Coffey, federal housing administration, Sioux Falls. Geo. A. Starring, secretary of the South Dakota Bankers Association, discussed the affairs of the association.

### New Bank

Garretson again has a bank operating with all the usual functions of such an institution. Orders to open the bank were received by T. E. Wangsness, who has been acting as conservator since the bank holiday last year. The new bank will be known as the First National Bank of Garretson. The First National Bank of Sherman is being moved to Garretson, and it will take over the business.

### Robbers Escape

Four masked bandits who nonchalantly robbed the First State Bank of Roscoe of between \$600 and \$700 have apparently made good their escape.

Although posses were on the lookout in the hills of the immediate Roscoe territory and officers within a 400 mile radius were watching highways, the last report of the bandit quartette revealed nothing.

### Government Bank

The National Farmers Union, meeting in Sioux Falls, was on record as favoring direct issuance of currency to refinance farm indebtedness and establishment of a government owned and operated banking system.

Resolutions covering the subjects were adopted at the annual meeting.

Other resolutions favored an old age pension system, remonetization of silver, regulation of farm crop marketing to insure cost of production and a fair profit,

Northwestern Banker December 1934

promotion of foreign markets for agricultural surpluses, and a net income tax.

## Clearings

October Sioux Falls bank clearings are up \$1,157,561.25 over the same month of 1933, it was shown in a check-up at the local clearing house. October exceeds September in bank clearings total by \$610,427.34 and is the stand-out month of the year for bank clearings.

The 1934 showing for the first 10 months of the year exceeds the months from January to October, inclusive, in 1933, by \$4,658,544.38, for one of the most striking gains shown in local bank clearings

in years. The month of October, with a total of \$4,443,170.40, vastly surpassed the \$3,285,608.15, which was the total for October, 1933, and overshadowed the \$3,832,743.06 of September by a substantial margin.

## A CAMPAIGN OF LOSS PREVENTION

(Continued from page 14)

of banking had the opportunity for dollar savings by prevention of loss been greater. In response to the need, there also came on the market about this time new and improved bank equipment which has

been of great assistance in preventing losses. The advertising campaign of the manufacturers of such equipment was helpful in bringing the subject home to bankers.

### Two Questionnaires

At the present time two questionnaires are used which are the product of experience in the handling of thousands of claims a year plus contributions made by accountants and eminent banking authorities. A burglary and robbery hazard questionnaire is completed by the field man in connection with every bank burglary and robbery policy or Bankers Blanket Bond. Without going into the questionnaire fully, the various hazards will be discussed briefly. It is impossible to make a bank absolutely impregnable. With respect to the burglary hazard, access to the banking premises should be made difficult. With respect to the robbery hazard, the longer it takes to accomplish a robbery, the greater the danger to the bandits. The larger the amount of cash and securities readily available, the greater is the temptation to bandits. The amount of cash and securities readily available should be kept as low as possible and access to reserve cash and securities should be delayed to such an extent that bandits will consider it unsafe to remain long enough to gain access to the safes, vaults or other receptacles in which these are kept. The purpose of the survey is not to sell certain types of equipment, although such equipment may be the means of improving the risk. The intransit hazard question is designed to cover the hazards of collecting or delivering cash and securities outside the bank. It is desirable that not more than \$5,000 be entrusted to an unaccompanied messenger at any time. Irregularity both as to time of trip and route taken are desirable as is the rotation of messengers and guards and the supervision of the dispatching of messengers by a designated officer of employe.

In addition, a fidelity and forgery hazard questionnaire is completed in connection with every Bankers Blanket Bond. Fidelity losses fall roughly into two groups. The first group consists of money or securities stolen by an employe without any manipulation of the records of the bank. These losses are subject to immediate detection. Certain parts of the questionnaire deal with cash and securities which are readily available. Definite responsibility for such cash and securities should be fixed upon certain employes and the amount should be kept down as far as possible. Another part deals with reserve cash and securities. The amounts of these items cannot be governed, but from a fidelity standpoint, it is desirable to have them all

(Turn to page 37, please)



THE MEASURE OF VALUE  
of a CITY CORRESPONDENT  
is its ability and desire to serve.  
The facilities of this bank are complete for the prompt handling of any business.

We would like to prove both  
our ability and desire to serve  
you in Sioux City.

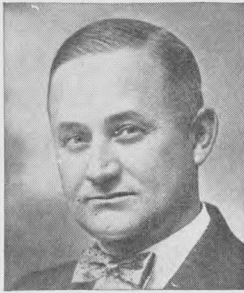


**FIRST NATIONAL BANK**  
IN SIOUX CITY

A. S. Hanford, President

Frederick R. Jones, Vice Pres.

Fritz Fritzson, Cashier



OTTO KOTOUC  
President

# Nebraska Bank News

## Officers Nebraska Bankers Association

President.....Otto Kotouc  
Humboldt  
Chairman Executive Council.....  
.....J. M. Sorensen  
Kimball  
Treasurer.....Fred W. Thomas  
Omaha  
Secretary.....Wm. B. Hughes  
Omaha



WM. B. HUGHES  
Secretary

### Fire Damage

Fire originating in a desk caused a blaze at the Smith National Bank building, St. Edward. When first discovered the blaze appeared to be flaring up in the middle of the room.

Firemen had to force the front door and in so doing badly damaged the marble entrance.

The fire was confined entirely to the desk, which with a radio on it, was destroyed. Other damage was from smoke and chemicals used to extinguish the fire. Walls and woodwork are damaged to exceed \$500.

### Vice President

M. E. Isaacson of Marquette has been elected vice president of the association of secretary-treasurers of the eighth federal land bank district.

There are 509 associations in the district, which comprises Nebraska, Iowa, South Dakota and Wyoming. Mr. Isaacson states that more organization work is contemplated during the coming year, with group meetings in the various states.

### Depository Banks

Thurston residents, about 15 in number, subscribed for bank stock in a nominal amount for the purpose of creating a depository bank. No permanent organization, however, has yet been effected.

According to the program the bank would be affiliated with a Lincoln institution, which would handle loans, which had the approval of the three elected members of the Thurston board. There would be 11 officers, elected by stockholders, according to the plans outlined.

### New Equipment

Recently the Farmers State Bank of Humphrey added some new equipment to its bank fixtures to take care of its fast increasing business. New safety boxes, all steel in construction, were added as were two steel chests. Some minor equipment such as filing cases and the like were also added.

### Earlier Closing

The Security National Bank at Laurel has decided to join with many other banks in this territory in closing an hour earlier each day. This move is being made so that the time may be devoted to the numerous amount of detail work that accumulates at this season of the year and makes a lot of night work.

### Carl Weil Dies

Carl Weil, Lincoln banker many years, died at Omaha recently, following a long illness. He was 52. Taken to an Omaha hospital several weeks ago, he underwent an abdominal operation.

Born at Burr Oak, Kansas, April 28, 1882, he later came to Lincoln with his parents and attended the Lincoln Business College and the University of Nebraska college of law.

His early experience in the banking business was with the American Exchange National Bank of Lincoln in 1899. At the time of his death he was president of the Commerce Trust Company and vice

president of the National Bank of Commerce and of the Bankers National Life Insurance Company of Jersey City, New Jersey.

### Cooperative

At a meeting of the business men of Hemingford a cooperative bank plan was explained by T. A. Myers of Lincoln. As suggested by the title the plan is one in which the members of the institution own and operate the bank. General favor was expressed by a majority of those present and fifteen men signed the application for a charter, three of whom will appear before the state banking commission.

### Joins Federal Reserve

The Farmers State Bank of Scribner has been admitted to membership in the Federal Reserve System. Affiliation with the great Federal system will permit the local bank to enjoy all the benefits and facilities afforded to its members.

### Big Business

The Federal Land Bank of Omaha reported recently it has done a quarter billion dollar business in the last 18 months.

Loans closed since May 1, 1933, hit the 250 million mark, representing a flow of credit with which farmers of Iowa, Nebraska, South Dakota and Wyoming have been able to clean up old debts and readjust obligations on a long-term repayment plan at lower interest rates.

In the 18 months since the farm credit administration started to function, farmers have been extended more credit than



## CASH AND COLLECTION ITEMS

GIVEN

## SPECIAL ATTENTION

(Try Our Service)

---

## Live Stock National Bank

### O M A H A

Digitized for FRASER  
<https://fraser.stlouisfed.org>  
 Federal Reserve Bank of St. Louis

**F**OR more than a century  
and a quarter this institution  
has adhered to a single policy  
of service to correspondent  
banks.

**Experienced management**

**Efficiency of operation**

**Extensive connections**

**Liberal reciprocal arrange-  
ments**

have produced a steadily in-  
creasing volume of business.

We solicit new accounts on  
the basis of a service that has  
withstood every test.

... THE ...

# PHILADELPHIA NATIONAL BANK

ORGANIZED 1803

PHILADELPHIA, PA.

CAPITAL and SURPLUS-----\$30,000,000

during the preceding 16 years, the report stated.

Loans closed between 1917 and May 1, 1933, totaled \$244,290,290. Since May 1, 1933, loans totaled \$249,957,950.

Loans by states show \$124,163,150 credit to Iowa in the last year and a half, \$80,346,750 to Nebraska, \$40,287,100 to South Dakota, and \$5,161,950 to Wyoming. Ninety-three cents of each dollar has gone to refinance debts, bank officials said.

## Credit Association

Final plans for a cooperative credit association were made at a recent meeting of Battle Creek business men, when a state charter was delivered and a board of directors, a supervising committee and a loan committee were elected. The directors are W. C. Traub, W. C. Gregory, C. C. Zimmerman, H. E. Reavis and E. P. Scott. Supervisors are W. L. Boyer, Elmer Doering and George Scheerger. The loan committee is comprised of C. E. Tillotson, M. G. Doering and Dr. M. W. Hunt.

## At Meadow Grove

A large group of interested citizens gathered at the school auditorium in Meadow Grove where an explanation of the procedure of the cooperative credit association was explained.

Following the discussion the people expressed themselves as favoring the plan and proceeded to organize. This organization necessitated the electing of three committees, as follows:

Board of Directors—Gray McCarroll, W. S. Crook, G. C. Rouse, J. W. Warrick, Jr., and H. W. Botsford.

Credit Committee—F. C. Werner, J. E. Hauge and C. E. Rouse.

Supervisory Committee—M. K. Hicks, G. E. Warrick and J. G. Wiese.

## In Dunbar

Without banking facilities for the past three months, Dunbar is now served by a cooperative credit association.

Articles of incorporation for the association were filed with the Otoe county clerk. The new institution occupies the building which formerly housed the now defunct Farmers State Bank of Dunbar. Carl Weiler was organizer of the cooperative. Members of the board are Henry Schutte, E. R. Ferguson, J. A. Dunbar and Oscar Weiler.

## That's Right

"How do you spend your income?"

"About 30 per cent for shelter, 30 per cent for clothing, 40 per cent for food and 20 per cent for amusement."

"But that adds up to 120 per cent."

"That's right."



D. J. FOUQUETTE  
President

## Minnesota Bank News

Officers Minnesota Bankers  
Association

President.....D. J. Fouquette  
St. Cloud  
Vice President.....Wm. N. Johnson  
Minneapolis  
Treasurer.....Oluf Gandrud  
Benson  
Secretary.....William Duncan, Jr.  
Mankato



WILLIAM DUNCAN, Jr.  
Secretary

### Banking Studies

B. M. Peyton, president of the Minnesota National Bank, Duluth, will serve during the coming year as a member of the banking studies committee of the American Bankers Association, it was learned from the association headquarters in New York.

Bankers representative of all sections of the country and all classes and sizes of institutions have been called upon to fill the appointments covering members at large of the executive council and membership on the five commissions and 13 general commissions of the association.

### County Meeting

C. A. Arduser of Marion was elected president of the LaMoure-Dickey County Bankers Association at its regular quarterly meeting at Edgeley. Theo. H. Geidt of Kulm was chosen vice president, and Laurence Larson of Dickey was elected secretary.

The next meeting will be held at Ellendale in February.

Attending from LaMoure were Paul Adams and F. P. Bennett.

### New Bank

Howard Lake was so overjoyed at the prospect of having a bank in the village again that a big celebration was held when the Security State Bank there opened. Merchants offered special inducements on the day of the opening and there was a special entertainment program.

### Reserve Directors

M. O. Grangaard was elected a class A director and W. O. Washburn was reelected a class B director of the Federal Reserve Bank of Minneapolis at a meeting at the bank. Their terms expire December 31, 1937. The class A directors consist of bankers and the class B directors of industrialists not bankers. The election is by representatives of group 1 banks of this district, the group being composed of banks with \$400,000 capital or more. Mr. Grangaard is vice president of the First National Bank

& Trust Company, Minneapolis. Mr. Washburn is president of the A. J. Krank Company, St. Paul.

### Cold Springs Meeting

Cold Springs' band gave the Stearns-Benton Bankers Association a real serenade when they gathered there for their regular meeting. About 65 bankers of the two counties attended and enjoyed an evening of business and pleasure.

Speakers included Dan J. Fouquette, president, and William Duncan, secretary, of the Minnesota Bankers Association; George Susens, Washington, D. C., president of the protective credit corporation; Fred Schilplin, director of the federal housing program in Minnesota; W. J. Obie, director of the St. Paul Bank for Cooperatives; Charles Reger, vice president of the J. M. Daim & Company of Minneapolis, securities investment firm; J. J. Sterner, Winsted banker.

### Finance Advisor

Appointment of D. J. Fouquette, president, St. Cloud State Bank, as an assistant on the federal housing administration was announced by Fred Schilplin, St. Cloud, state director. Appointment of C. S. White, Minneapolis, to the directors' staff as appraiser, and Robert C. Johnson, Robbinsdale, as credit man, also was announced.

### National Bank

It's the "First National Bank at St. James" now instead of the Farmers & Merchants State Bank. This new name and federal charter is the culmination of many months of work on the part of officers, employes and directors of the bank.

The new national bank continues the business of the state bank, so all checks and bank forms will be used until new supplies are available.

### Cashier

Mr. and Mrs. Wilbur Echart have moved to Clarkfield where Mr. Echart has accepted a position as cashier in the Farmers and Merchants State Bank.

### No Retrictions

The State Bank of Delano removed all restrictions on deposits at a recent meeting of the board of directors. This means that 60 per cent of all deposits which went into the bank at the time of the signing of the depositors' agreement will be paid in full in place of being spread out over a period of years as previously provided.

## A CAMPAIGN OF LOSS PREVENTION

(Continued from page 34)

subject to dual control. The second group of fidelity losses involves a suppression or manipulation of the bank's records. Losses of this character may extend over a long period because they are difficult to detect. The various operations of the bank and the accounts governing such operations, together with the bookkeeping involved, are covered. The method of checking each account is ascertained. It is desirable to have the account checked by some person other than the one operating the account.

### Forgery Losses

Forgery losses fall roughly into two groups. The first group includes all losses where the check was paid over the counter. To perpetrate a loss of this kind it is essential for the depositor or person presenting the check to have established himself in the confidence of the teller or official approving the transaction. For this reason references should be required and investigated carefully. The second group of losses includes those due to instruments received through the Clearing House or by mail. Careful scrutiny of these instruments and a prompt comparison of signatures with signature cards is the best safeguard against losses in this group.

So far all burglary and robbery insureds and about half of the blanket bond insureds have been surveyed. The field man completes the questionnaire with the insured bank. It is believed that having him complete the form makes for a more thorough exploration of the subject and meeting of the minds than merely sending along forms to be filled out. Recommendations are made at the time with regard to any unusual hazards. Banks have been found which have magnificent equipment, but send messengers with large sums of money through the streets with little or no protection. Other banks take elaborate precautions with money transported outside the banking premises, but are careless within. One bank stated that it protected itself against holdup before the bank was open for business by having all the curtains drawn.

Northwestern Banker December 1934

Another bank had a board in the banking room where keys to safe deposit boxes were hung. An official of the bank admitted that he knew what every customer had in his box. The completed forms are sent to the home office where they are carefully reviewed and additional recommendations made on points not already covered. One thing in particular which has been accomplished is a general reduction in the amount of counter cash. The willingness of bankers throughout the country to cooperate in improving the risks has been splendid, although once in a while this cooperation is expressed in such picturesque language as: "We have new burglary insurance

policy and note the regulations with respect to keeping the time lock in use in the day time, which regulation we shall comply with—but with about the same degree of satisfaction as a mule eating briars." For the year 1933 our experience on bank robbery and Bankers Blanket Bonds showed an improvement over 1932, although the loss ratio on both was non-permissive. For the first six months of 1934 we had the first permissive loss ratio on bank robbery since 1925 and the first permissive loss ratio on Bankers Blanket Bonds since 1929. For the same period the number of bank robbery losses and the amount of the average loss has also decreased. Because they take longer to

mature, it is too early to draw any conclusions about fidelity losses. It is our belief, which is shared by accountants, that systems can be devised which will cut down the length of time during which an employe can steal without detection. Any progress in this direction should have the effect of reducing losses.

We struggled for many years with a patience that now seems remarkable before concluding that loss prevention must be the solution of the problem. No bank wants to suffer a loss. It would rather prevent than suffer the loss. If a loss is suffered, the amount may exceed the insurance carried, which would be costly to the bank. Even though a loss is fully covered, there is a charge for restoring the insurance. If no losses are suffered, the bank is not subject to these costs. The effect on the general public of any loss suffered by a bank also requires consideration. While the campaign is based principally upon loss prevention, the suggestions made are in line with good banking practices and may be of assistance to a bank in perfecting its method of operation. Rates follow experience so that with sufficient improvement in experience an adjustment of rates must follow to your advantage. This is the campaign in which we are engaged and in which we ask your continued cooperation.

### "Making Money"

Every industry, every worker, every farmer, has a direct interest in the welfare of the mining industry.

A stable and progressive mining industry is absolutely essential to the perpetuation of a modern industrial civilization. Metals enter into everything we buy and need and use.

Mining creates new wealth. It creates jobs, taxes, investments, capital. It literally "makes money." It stimulates the entire industrial and agricultural order—to the benefit of all.

Today the mining outlook seems considerably better than for several years past. New properties are being developed, old ones reopened. If that trend continues, it will be a mighty aid to the cause of general recovery.

### He "Taught" Him

Little Johnny had been sent to bed by his mother for swearing. When his father came home, she sent him upstairs to talk with him.

"I'll teach the little rascal to swear," he exclaimed as he started up the stairway. He tripped on the top step, bruised his shin and for a few minutes even his wife had to hold her ears.

"You'd better come down now," she called up after the air had cleared a little, "he's had enough for his first lesson."

1863



1934

**D**URING seventy years of conservative experience under varying economic conditions, this bank has had continuing relations with correspondent banks in every section of the country.

For nearly thirty years the Banks and Bankers Division has been the point of contact through which world-wide facilities have been available to correspondents.

## The First National Bank of Chicago

Charter Number Eight



F. D. McCARTNEY  
President

# North Dakota Bank News

## Officers North Dakota Bankers Association

President.....	F. D. McCartney
	Oakes
Vice President.....	Guy Cook
	Carrington
Treasurer.....	W. E. Tooley
	Minot
Secretary.....	C. C. Wattam
	Fargo

### Transfer Deposits

Announcement that the Citizens State Bank of Rugby has assumed the deposit liabilities of the Berwick State Bank of Berwick, amounting to about \$60,000, is made.

R. S. See, deputy state bank examiner, supervised the details of the transfer of deposit liabilities.

Both See and H. O. Lyngstad, president of the Citizens Bank, said that the Berwick bank was "in very good shape" and that the transfer of its deposits to the Rugby institution was entirely voluntary and made because it had been found that the Berwick institution no longer could operate at a profit.

Other officers of the Rugby bank in addition to President Lyngstad, are: Vice president, H. B. Nelson; cashier, Leonard Sessing.

P. O. Holland of Northfield, Minnesota, is president of the Berwick bank; A. M. Wigen, Drake, is vice president; and G. H. Gorder, Berwick, is cashier.

### Lefor Honored

Adam A. Lefor of Dickinson, and state bank examiner, was honored by being named on the legislative committee of the Bank Supervisors Association, to represent the Ninth Federal Reserve District.

The appointment was made at Baltimore, where Mr. Lefor attended the Bank Supervisors Convention. The committee is composed of 12 men, each representing a federal reserve district. The Dickinson man is the youngest member of the supervisors. The ninth district includes the states of Montana, North Dakota, South Dakota, Minnesota, Wisconsin and Michigan.

His position on the committee will take him to Washington, D. C., during Congressional sessions to protect the interests of state banking institutions.

### T. J. Clifford Dies

T. J. Clifford, lawyer and a candidate for judgeship in the second judicial district, died in Langdon after a month's illness. He had been a resident of North

Dakota since 1905, coming from New York.

Clifford had been identified with the Nonpartisan League in politics. He opposed O. B. Burtress for Congress in 1930 but was defeated for the Republican nomination.

He had resided for 10 years in Langdon and prior had been in the banking business in Towner and Rolette counties. He at one time operated extensive land holdings.

In 1913-14 Clifford was state bank examiner in the L. B. Hanna administration.

### Dies in Mayville

Following an illness from pneumonia, M. L. Elken, 77, pioneer business man, banker and land owner of Mayville, died at his home recently. News of his passing was received with much regret by his many friends, who had spent many anxious moments awaiting word of his condition.

Besides many business connections Mr. Elken during his residence in Mayville had other important connections. He served for many years as president of the Goose River Bank, was at one time vice president of the Russel Graler Company, an officer in the Missouri River Lumber Company and other activities. For many years past he has spent his time looking after extensive land interests in this part of the country.

### Brief News

**A**DAM J. HEZEL has been elected cashier of the Farmers State Bank of Zeeland, succeeding M. J. Kempf, who has resigned.

**GAIL HERNETT** has accepted a position as assistant cashier of the Farmers State Bank of Zeeland.

**THE FOLLOWING** officers and directors have been elected at the Citizens State Bank of New England: Directors—J. P. Schafer, J. F. McEntee and Henry Melaas. Officers—J. P. Schafer, president; Henry Melaas, vice president; J.

F. McEntee, cashier; Emil V. Slavick, assistant cashier, and A. O. Lona, assistant cashier.

**GEORGE STROUP** has been appointed bookkeeper of the Union State Bank of Hazen, succeeding Walter Bohrer, who has resigned.

**J. A. O'BRIEN** has been elected a director of The Union Bank of Dunn Center, succeeding H. P. Johnson.

**THE RESERVATION** State Bank, Makoti, has assumed the deposit liabilities of the First National Bank of Makoti and last mentioned bank has discontinued business and gone into voluntary liquidation. The directors of the Reservation State Bank are J. S. Johnson, W. N. Harris and P. M. Shefveland. Its officers are: J. S. Johnson, president; W. N. Harris, vice president; M. J. Gorder, cashier, and B. J. Rogelstad, assistant cashier.

## PROPERTY MANAGEMENT AND REAL ESTATE SALES

(Continued from page 15)

Presenting an income property for sale is not unlike that of presenting a mortgage for sale. When we sell a mortgage on income property, we sell the future net income from that property, because it is this net income that is to pay, during the life of the mortgage, interest, taxes, and principal payments. In selling the property itself, we are selling that same quantity—future net income. I feel that we all should be reminded of the fact that in selling the property under our management, we are in possession of more sales arguments, than we were at the time we sold the mortgage on that same property. When the mortgage was made, we were obliged either to accept the owners' figures of income and expenses, or to estimate them ourselves. We now have the actual income and operating cost, so our sales arguments are based on facts, and, therefore, should be more convincing. In addition to selling the present worth of the future income, we are selling all the future rights to ownership, and all indications point to firmer rentals, reduced vacancies, and reduced maintenance cost, resulting in a greater demand for real estate as an investment. When this demand is reached prices, of course, advance and the purchaser makes his profit.

### A Dwelling

You have the same advantage in presenting a dwelling for sale. When the mortgage on a home was sold your lending client did not have the opportunity to make as thorough an inspection as

"Mr. Home Buyer" has. In most cases the house was occupied when the mortgagee made his inspection; he was hurried through, and given just about enough time to count the rooms; but now the house is vacant, upper floor decorated, basement clean, and you in another role of house salesman are in possession of all the selling qualities of the home. You know the quality of the new decorations, the efficiency of the heating plant, condition of the roof, etc., because all such features have been checked by your office. You and your salesmen are also equipped, or at least should be, with a complete descriptive circular of the house. This descriptive circular or listing sheet should include description of the interior of the

house, such as type of plumbing and heating equipment, floors, walls, trim, etc. It should also include photograph, floor plan, a neighborhood plan, legal description; distance from transportation, schools, churches, and stores.

The mortgage banker of today, in my opinion, can increase his business beyond the fondest hopes of expectation. Where he formerly had one client, he now has two. In his new role of property manager, he is in the unique position of still serving his former lending client. By the scientific developments of his phase of his business, he is able to secure a return on his client's invested capital, and through the sale of the property, he returns his lending client from property owner to

his original status of mortgagee. In his new role of real estate salesman, he secures a new client in the purchaser of the property, whose rights to future ownership by reason of a greater demand for real estate, must necessarily include a profit on his investment; and there is no client so valuable as the client who has made a profit on the investment you sold him. He is not only a prospective purchaser for another property, but he is also a prospective mortgage investor.

### PWA Profit

PWA has realized a net cash profit of more than a third of a million dollars through the sale of bonds which cost the government less than \$20,000,000 to aid in financing public works projects, Philip M. Benton, director of the finance division of PWA, reported recently to Public Works Administrator Harold L. Ickes.

Securities which PWA bought for \$19,599,142 in effecting work and construction creating loans to local units have been sold to private investors for \$19,969,823, a premium of \$370,681, or an operating profit of 1.84 per cent as a result of bond sales to date.

### The Next Depression

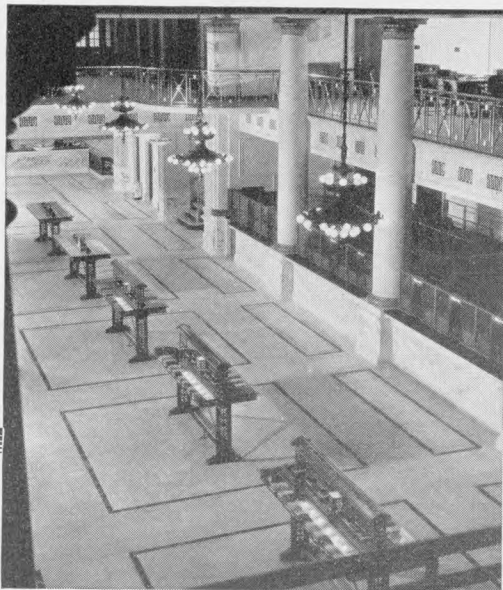
All of us devoutly hope that the present depression will be the last one—that the future will bring an unending era of abundance.

The lessons of history, however, present a different forecast. The economic cycle swings constantly—it never holds a steady course. Perhaps there won't be another major depression in the lifetime of persons now living—but, no matter how good conditions become, it is inevitable that there will be recessions.

Thousands of wise Americans are preparing for that next depression now. They are putting away what money they can to meet it—and as their earnings rise they intend to put away more. And their investment plans are very different from what they would have been a few years ago. Most have learned, to their sorrow, that speculation cannot enter into a sound savings plan. They are now putting safety first, last and all the time.

Many of these foresighted citizens are turning to life insurance, knowing of its fine record of achievement during recent trying years. They believe it offers them the highest attainable standards of safety. Money that comes with comparative ease today is going into contracts that can be collected in later life or when earning power slackens.

Whatever the plan used, it's a fine augury for the future that our national attitude toward investing and saving has grown wiser.



**M**ORE THAN four decades have passed since The Northern Trust Company was founded. In that time this bank has grown greatly. To each customer's problems our officers and personnel give close, individual attention. There is a spirit of friendliness in the bank. Out-of-town banks which believe with us in the value of such customer relationships are invited to make inquiry.

## THE NORTHERN TRUST COMPANY

NORTHWEST CORNER LA SALLE AND MONROE STREETS  
CHICAGO





FRANK WELCH  
President

## Iowa Bank News

### Officers Iowa Bankers Association

President..... Frank Welch  
Cedar Rapids  
Vice President... Clarence A. Diehl  
Des Moines  
Treasurer..... Max von Schrader  
Ottumwa  
Secretary..... Frank Warner  
Des Moines



FRANK WARNER  
Secretary

### New Safe

Profiting by past experience and in an attempt to minimize the success of any future daylight robbery the First National Bank of Hawarden has installed a small new Diebold safe equipped with a delayed time lock.

The new safe is designed to afford the bank maximum protection from hold-ups during banking hours. It stands only 27 inches high but weighs 450 pounds so that it cannot be readily picked up and carried off. It has been installed in the bank vault, reposing on top of the old larger safe. The time lock is so devised that it is impossible for anyone to open the safe until a full thirty minutes have elapsed after the combination has been dialed.

### Loan Bank Director

J. W. Irons, secretary of the Mutual Building and Loan Association of Mason City, has been elected a member of the board of directors of Federal Home Loan Bank of Des Moines, according to a communication he received from R. L. Nagle, secretary to the Federal Home Loan Bank Board at Washington, D. C.

Mr. Irons will begin his term of one year on the bank board January 1st.

### New in Odebolt

The Odebolt State Bank, the establishment of which has been awaited locally with much patience, opened for business November 22nd.

The new bank is a home controlled and operated institution, with 40 local stockholders. It has a capital structure of \$25,000, with \$5,000 surplus.

Working in the bank are R. E. Rogde, who comes from Ruthton, Minnesota, as president; Ira Martin and Walter Wadsley, formerly connected with the local First National Bank, as cashier and assistant cashier, respectively.

### Second Payment

Guy C. Martin, cashier of the Farmers Savings Bank of Martelle, has announced that another 10 per cent dividend is now available to all holders of trust certifi-

cates. The Farmers Savings was released from S. F. 111 on March 5th, on a 60-40 waiver basis, and is now paying their second 10 per cent dividend. The first payment was paid on July 5th.

### At Convention

Omaha and Des Moines were both represented at the twelfth annual convention of the Association of Bank Women, when that organization held its meeting this year in Washington, D. C. Miss Mary P. Doyle, of the Omaha National Bank, represented the Mid-Western Division, and presented one of seven papers on "Constructive Customer Relations." Miss Doyle is in charge of the women's department of the Omaha National.

Miss Lucile Walleit, assistant secretary of the Bankers Trust Company, Des Moines, was the representative from Iowa's capital city.

### Excellent Statement

The Manson State Bank, under the direction of G. L. Scoles, vice president and cashier, has made an excellent showing since its opening for business in July, 1933. The institution has deposits of \$391,270, according to its last published statement, and total resources of \$406,731. The bank is in a satisfactory liquid condition, showing cash and due from banks of \$243,903, has government bonds amounting to \$61,250, and county and city bonds and commercial paper at \$63,000, at the same time taking care of its local loans in the amount of \$33,000.

### To Celebrate

Word has been received from Washington that the new banking set-up of the First National Bank of Newell had been approved and an opening would be authorized as soon as the necessary details were carried out. A tentative date for the opening has been set for Wednesday, December 5th.

Merchants of Newell, cooperating with the First National Bank, are planning a gala day for the grand opening at this time. Final plans have not been made but

it will probably consist of free roast beef sandwiches and coffee, and a free moving picture during the afternoon and evening.

### Resources Gain

Combined resources of 518 Iowa state banks, all under release from S. F. 111 restrictions, were \$284,129,054.78, October 17th, a gain of more than 25 million dollars since the last bank call June 30th, D. W. Bates, state superintendent of banking, reported recently.

Superintendent Bates' report to Governor Clyde L. Herring showed the greatest gain was made in credits subject to sight draft. These increased \$11,558,370.37 during the three and one-half month period.

The superintendent's consolidated statement included 310 savings banks, 212 state banks and five trust companies.

### Pays Out 100 Per Cent

R. J. Penniston, who is also examiner for banks in Blanchard and Braddyville, has made the announcement from the Commercial Savings Bank in Farragut that the final 5 per cent payment of dividends will be made. This makes the total payment of 100 per cent on the deposits. The bank has been closed for two years, during which time Mr. Penniston has been examiner-in-charge.

### Banker Dies

Joe Fridolph, 72, long time merchant, postmaster and banker for the people of Nyman, died recently after a long illness from diabetes.

Joe Fridolph and his cousin, John Fridolph, of Red Oak, came to Nyman and started a country store in 1886, which has continued for the past 48 years. Lately the business has been largely conducted by his two sons, Carl and Bernard. He is survived by his wife, two sons and two daughters. Mr. Fridolph was the owner of several farms in that community.

### Pay R. F. C.

Payment of \$40,820.67, representing the balance due on principal and interest on a Reconstruction Finance Corporation loan of \$95,689.58 to the Bettendorf Savings Bank, was authorized by an order signed recently in the Scott county district court.

An application for authority to make the final payment was filed by D. W. Bates, receiver, and A. W. Poffenberger, examiner in charge.

The amount of the final payment includes \$1,144.79 in interest on the balance due on the loan negotiated last March 15th for the purpose of liquidating an old loan and helping in the payment of an 18 per cent dividend.

## Dies in Wall Lake

After many months of illness, the last few of which was in a state of utter helplessness, death came to release Charles Goodenow at his home in Wall Lake.

Mr. Goodenow had long been president of the Wall Lake Savings Bank, and under his leadership the bank has always been considered one of the strong financial institutions in this part of the state. He has been prominent in the affairs of his home community for many years.

## Regulations

Member banks of the Iowa Bankers Association have received from Federal housing administrator, James A. Moffett,

regulations of the second and third sections of the national housing act, which provides for a long range housing construction program under auspices of the Federal government.

Moffett outlined to Iowa banks the salient points of the two sections, pointing out that the first section (Title I of the Act) provides for modernization and repair of homes under comparatively short time loans.

"These portions of the act provide the legal basis for the long range program of the federal housing administration as distinguished from the modernization and improvement program, which under Title I has been going on since August 10th, and which will terminate by statutory lim-

itation at the end of 1935 unless extended by Congress," Moffett said.

He told bankers the housing act provided for the first time in history, a uniform basic interest rates level for private capital, pointing out that heretofore both legal interest rates in the different states and prevailing interest rates as well have varied.

Important conditions of the program, as affecting banks, were listed as follows by the housing administrator:

1. Mutual insurance of mortgages on existing or new dwellings in amounts up to 80 per cent of the appraised value, for as much as \$16,000, for periods up to 20 years, and with the privilege of payment by regular periodic installments.

2. Loans on such insured mortgages to be made by private lending institutions, such as banks, building and loan associations, insurance companies and loan and trust companies which are able to qualify as mortgagees approved by the FHA.

3. The act authorizes variation in interest rates on insured mortgages from 5 per cent to 6 per cent. A basic maximum of 5 per cent, other than for refunding, where 5½ per cent will apply, is fixed in the regulations.

4. Mortgage loans not to be made by the FHA itself but by the various existing agencies designated as approved mortgagees. An approved mortgagee in a mortgage otherwise eligible for insurance under this title, shall (a) be a chartered financial institution whose activity in the residential mortgage field is principally that of loaning funds under its own control; (b) have succession for not less than 20 years beyond the date of application for insurance of the mortgage; (c) be subject to supervision by the governmental agencies.

## Hold-Up

Two young bandits held up the Orange City National Bank on November 24th, and escaped with \$1,000 in cash.

The men, both about 25, drove west in a brown and tan Studebaker sedan with Iowa license numbers 97-12400. The license plates were reported stolen in Sioux City.

Two bank employes and two customers were in the bank when the bandits entered the building. The men had parked their car a half block south of the bank.

## To Continue

J. F. Johnston, head of the bank at St. Charles, has announced the continuation of his bank, a private institution.

Some weeks ago the bank served notice on the public that it would cease to accept deposits on November 1st, and invited depositors to check out their deposits.

Reconsideration of this plan was due to the protests of patrons who foresaw



# The Omaha National Bank

*Complete Banking Service*

the likelihood of losing banking accommodations.

### Position in Winterset

Leo Gillespie has been added to the staff of the Farmers and Merchants National Bank in Winterset.

The young man was graduated from the Winterset high school with the class of 1934. Since that time he has been attending the American Institute of Business in Des Moines.

### County Meeting

The Calhoun County Bankers Association met at the Lohrville Community building recently, bankers from Lohrville, Rockwell City, Lake City, Mason City, Pomeroy and Farnhamville being present. Matters relative to present day banking problems and service were discussed.

At the close of the evening, four ladies of the local banks served lunch to the group.

### Assistant Cashier

Fred Keseberg was named an assistant cashier of the First National Bank of Waverly at the meeting of the bank's board of directors.

Other members of the staff of the bank are E. L. Johnson, president; W. H. Wehrmacher, vice president; H. C. Noltling, cashier; Geo. Stephenson, assistant cashier, and Margaret Kehe, teller.

### Cashier Resigns

A. B. Blunt, who has been cashier of the Maynard Savings Bank for the past 16 years, severed his connection with the institution recently. Mr. Buenecke, who has been assistant to Mr. Blunt for the past few years, will take over the office of cashier and will do all the work, thus eliminating one man in the office.

Mr. and Mrs. Blunt are planning on a trip to the Pacific coast. After two terms as county treasurer, Mr. Blunt went to work in the Randalia Savings Bank as cashier for seven years, then going to the Maynard bank.

### Banks to Aid

Cooperation of the banking industry in furthering the advance of recovery in the United States was assured by B. F. Kauffman, president of the Bankers Trust Company, Des Moines, recently.

Mr. Kauffman was speaker of the banquet meeting of the Iowa Mortgage Bankers Association in Hotel Kirkwood. More than 60 Iowa bankers attended.

He outlined current trends in mortgage banking and recounted tendencies displayed at the recent Washington, D. C., convention of the National Bankers Association.

### Made Cashier

E. G. Engelbrecht was named cashier of the Waverly Savings Bank to fill the vacancy caused by the death of W. H. Babcock. He was also named on the board in Mr. Babcock's place.

Mr. Engelbrecht has been in the bank for the past twenty-one and a half years, except for the time spent in army service in this country and abroad. For a number of years he has served in the capacity of assistant cashier.

### No More S. F. III

Only 15 Iowa banks still are operating under limitations of S. F. 111, Ralph

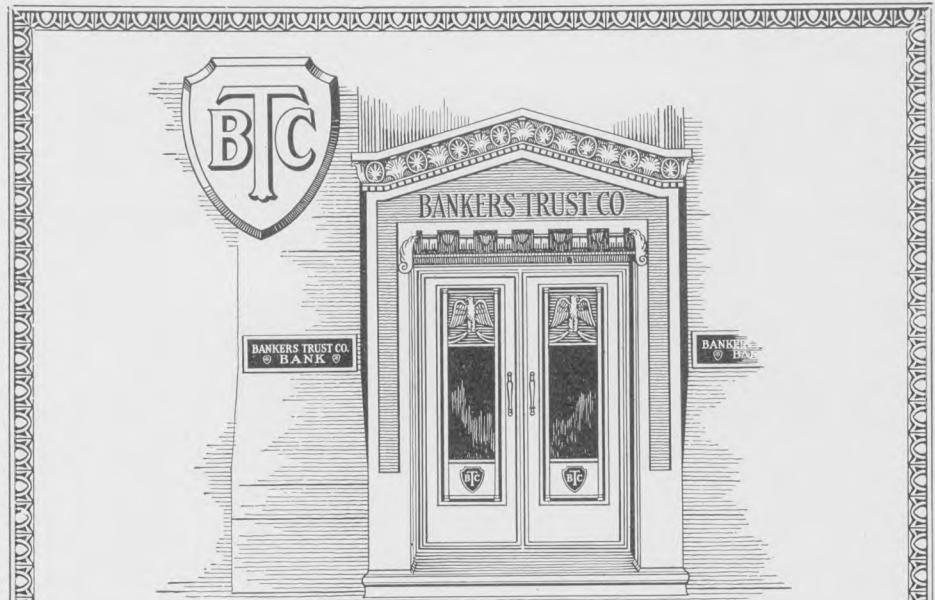
Bunce, deputy superintendent of the State Banking Department, said recently.

Of the 15, three already have completed depositors' agreements, Mr. Bunce said.

He declared that by January 1st all banks would be released from limitations of the act. More than 600 banks were under S. F. 111 after the inauguration of the act in 1933.

### Savings Up

Savings accounts in Des Moines banks are increasing daily and at present are approximately 50 per cent above what they were at the time of the bank holiday, March 4th, 1933, Des Moines bankers say.



## New Friends

In the year just closing, one of the most pleasant developments, for us, has been the number of Iowa bankers who have chosen this bank as their Des Moines correspondent.

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PAUL BEER <i>President, The Flynn Dairy Co.</i>	F. W. HUBBELL <i>Vice Pres. - Treas., Equitable Life Ins. Company of Iowa</i>	L. B. MAYTAG <i>Capitalist</i>
DR. O. J. FAY <i>Surgeon</i>	J. W. HUBBELL <i>Vice President, F. M. Hubbell Son &amp; Co.</i>	R. R. ROLLINS <i>Assistant Cashier</i>
HENRY FRANKEL <i>Treas., Younker Bros.</i>	J. G. GAMBLE <i>Attorney</i>	S. I. SHEUERMAN <i>President, Sheuerman Brothers, Inc.</i>
		B. B. VORSE <i>Director</i>

## New Ackley Bank

A new banking institution, the Ackley State Bank, opened recently as a reorganization of the old Rath State Exchange Bank, which had been operating under restrictions under Senate File 111 for more than a year.

The opening of the reorganized institution released \$207,000 of the deposits in the Rath State Exchange Bank which had been held under restrictions according to Senate File 111.

The officuary of the new institution will differ somewhat from that of the old. H. A. Carstens of Ackley is president and H. S. Lekwa, formerly of Dows, is the

cashier. The complete officuary is as follows:

President, H. A. Carstens; vice president and cashier, H. S. Lekwa; assistant cashier, G. H. Ballard; directors, W. T. S. Rath, Irvin Bleeker, H. A. Carstens, George L. Carstens, H. S. Lekwa.

## First to Apply

The Peoples Savings Bank, Cedar Rapids, is the first bank in the state to apply for the status of an approved mortgagee under the mortgage insurance section of the federal housing law.

The bank, headed by Frank C. Welch, president of the Iowa Bankers Associa-

tion, made application to the state FHA office, J. J. Hughes, Iowa FHA director, announced. He said the application will be referred to the FHA administration in Washington, D. C.

## New in Cedar Rapids

Cedar Rapids' newest financial institution, the First Trust and Savings Bank, opened for business last month, immediately after receiving a license from D. W. Bates, superintendent of banking.

The new bank, through which depositors of the old Iowa State Savings Bank will at once receive approximately \$600,000 of their deposits "frozen" since January, 1933, will conduct a general banking business, including commercial, savings, trust, and safety deposit service.

Application has been made to the Federal Deposit Insurance Corporation for insurance on all accounts of depositors of \$5,000 and under.

John W. Pichner, president of the King's Crown Plaster Company, vice president of the Cedar Rapids Building and Loan Association, president of the Onslow Lumber Company at Onslow, and president of the What Cheer Clay Products Company, is president of the First Trust and Savings Bank. F. S. Mitvalsky of Cedar Rapids, president of the wholesale and retail fur company bearing his name and one of the leading furriers of Iowa, is vice president. F. J. Dvorak, well known in Cedar Rapids banking circles, will serve as cashier.

## New Officer

R. B. Truckenmiller, who has acted as assistant cashier of the Sibley State Bank for the past few years, has resigned his position, effective November 1st.

Marvin Lertiz of May City has been added to the bank's personnel. Before coming to Sibley, he was employed in the Capital City State Bank in Des Moines. Previous to that he was employed for three years in a bank in Hartley.

## Office Closed

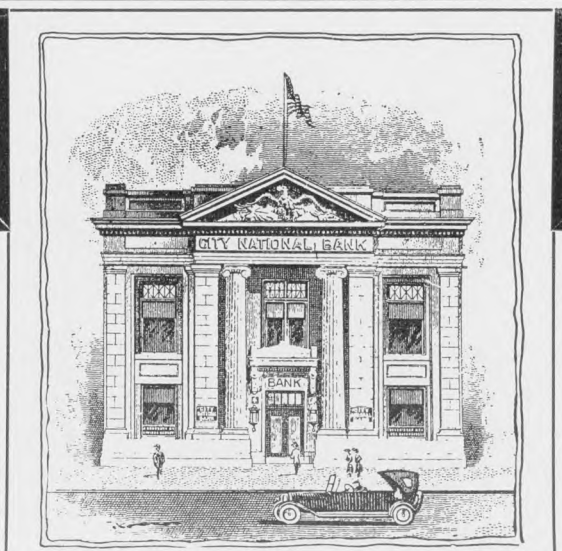
The office of the State Bank of Fort Dodge, which has been in operation at Duncombe for the past three years with L. J. Connors as cashier, was closed last month. The closing of this office became necessary when the Fort Dodge bank became a member of the Federal Banking System which does not permit such offices.

## Heads County Bankers

Ira L. Hayes of the City National Bank, Council Bluffs, has been elected president of the Pottawattamie County Bankers Association.

Mr. Hayes succeeds Lynn Barnes of the McClelland Savings Bank.

Other officers who were elected are:



Clinton County's Largest Bank

### OFFICERS

E. L. MILLER  
Chairman of the Board  
W. A. ANDERSON  
President  
H. B. KNIGHT  
Executive Vice President  
MILO J. GABRIEL  
Vice President  
O. P. PETTY  
Vice President and Trust Officer  
H. G. KRAMER  
Vice President  
A. R. THURN  
Vice President

### OFFICERS

J. H. NISSEN  
Cashier & Assistant Trust Officer  
E. JOHANNSEN  
Assistant Cashier  
H. M. OLNEY  
Assistant Cashier  
F. E. CONOVER  
Assistant Cashier  
F. H. HAMANN  
Assistant Cashier  
R. A. W. LATIMER  
Comptroller

## SOUND FOUNDATIONS

Sound, prudent banking principles—a thorough knowledge of local trade and credit conditions—an able staff, schooled in the ways of promptness, accuracy and hearty cooperation—these are the foundations on which pleasant and profitable depository and correspondent relationships are built.

# THE CITY NATIONAL BANK

CLINTON, IOWA

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A. A. BENTLEY President Fidelity Life Association	MILO J. GABRIEL Vice President President Gabriel Lumber & Fuel Co.	F. J. WARD Vice President and General Manager Eclipse Lumber Co.
A. P. BRYANT Vice President Clinton Company		G. E. WILSON Pres. Clinton Bridge Works

Roy Maxfield, First National Bank, vice president; John Kelson, State Savings Bank, secretary, and J. W. Davis, Citizens Savings Bank, Avoca, re-elected treasurer.

Twenty-five men were present at the meeting. The principal discussion pertained to the vigilantes under the direction of the association. Members agreed it is advisable to continue the vigilante group.

Banks which were represented at the meeting are: State Savings, City National and First National of Council Bluffs, Citizens State and Oakland Savings of Oakland, Farmers and Merchants State of Neola, Underwood Savings, McClelland Savings and Avoca State and Citizens Savings of Avoca.

### J. H. McCord Dies

Joel H. McCord, 66, former banker and former prominent resident of Spencer, died in the Masonic sanitarium at Bettendorf recently, following an illness of several months.

While residing at Brighton, Iowa, a few years ago, Mr. McCord was stricken with paralysis, which later resulted in his death.

Following his graduation from Oberlin, Mr. McCord was employed by A. W. Boyden in a bank at Sheffield, Ill., for a year. He then came to Iowa and accepted a position in the State Bank at Lake View, at which place he was employed for several years. Leaving Lake View, Mr. McCord went to Early as cashier in the State Bank, remaining there a few years before going to Sioux Rapids, at which place he was associated in the Mills' State Bank.

Mr. McCord went to Spencer in 1907 and became associated with the Citizens National Bank, remaining there until 1926.

For twenty years, J. H. McCord took an active part in the business, political and social life in Spencer and the state of Iowa. He was at one time president of the Iowa Bankers Association, had charge of the sale of liberty bonds in twelve northwest Iowa counties during the World War and after the sale of these bonds, was taken over by the Greater Iowa Association, and those twelve counties were among the first to go over the top.

### THE PUBLIC WANTS TO KNOW

(Continued from page 18)

#### Question No. 5

*Why are banks so reluctant to make loans on improved real estate which for many years has been considered perhaps the safest type of investment?*

Are the kind of real estate loans, which you refer to, loans that are ordinarily made for a period of from three to five

years? Is it not true that even in these cases the borrower does not expect, nor does he see any possibility at the time the loan is made of making repayment at the maturity of the loan?

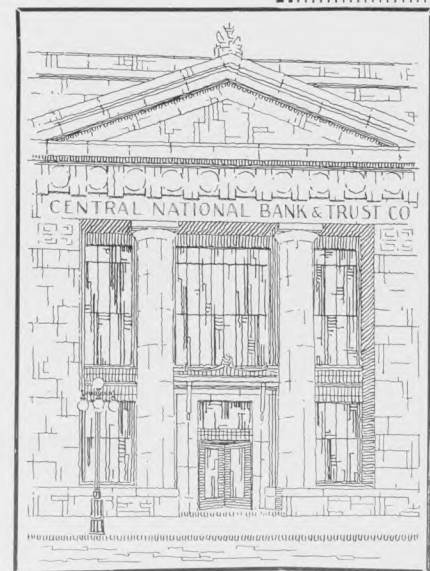
In attempting to answer this question it is necessary to discuss various types of loans that commercial banks make. As a rule commercial banks make only short-term advances to trade and industry for the purpose of financing self-liquidating transactions, such as lending money to a manufacturer to pay for raw materials, the loan to be repaid from the proceeds of the sale of the manufactured goods.

Banks cannot wisely tie up their depositors' money for long periods since they do not know when the depositors will ask to have their money returned to them. Real estate loans are by the very nature of the business of long-term character. Moreover, the federal laws and the laws in most of the states limit the amount of real estate loans made by banks.

This dialogue is at an end, but if you men use your imagination to the point that you feel that Mr. Average Citizen is expressing the viewpoint of the American public when he says that we have not informed him, have not told him the real



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LYNN FULLER  
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President

C. W. OXBORROW  
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BANK & TRUST COMPANY**  
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Established 1895

Northwestern Banker December 1934

story, aren't you inclined to feel that there is a real case to be presented by the banking business of this country to the American public? If so, how can this be done? Obviously, there will be many different ideas and opinions on this subject.

### Better Understanding

The banking business of this country, through its own organizations such as the American Bankers Association, state associations, local clearing house associations, individual banks and officers of banks, has the facilities to answer not

only these few questions but many others which undoubtedly came into your minds.

If you feel that this is a problem for the leaders, the outstanding men in the banking business of this country, may I suggest that each one of you who may favor some concerted action on the part of the banking business, write to your National Association and encourage them in the program which they already have started because in the last analysis the success of this movement, like any other, is largely dependent upon the help and cooperation given by the individual members.

On September 21, 1931, when the morning newspapers of Great Britain announced that the Bank of England had suspended specie payment, what happened? Did the people run to the banks to demand their money? No. They were undisturbed for they trusted their banks. They considered the abandonment of the gold standard to be a matter concerning the banks and not them. They have been educated to understand the basic principles of banking and they know that a bank which performs its functions conscientiously and keeps the sacred trust, cannot repay all the deposits within a few days.

In this country there are 56 million depositors in insured banks, one million in uninsured banks and 12 million depositors in the mutual savings banks, making a total of 69 million depositors or customers of the banks in America. Does it not seem reasonable that if these 69 million customers of the banks in this country better understood the basic principles of banking through which good will and confidence would be enlarged, that there would be little to fear as to the trend of future banking legislation.



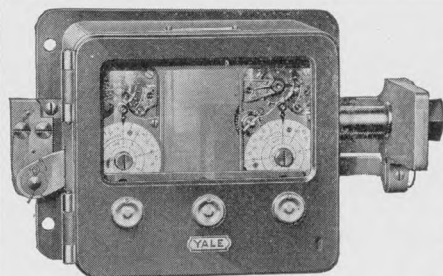
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R. L. PENNE, Cashier  
HENRY HOFFER, Assistant Cashier  
R. L. KILGORE, Assistant Cashier



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OMAHA, NEBRASKA

### Business Outlook Better

By WINTHROP W. ALDRICH  
Chairman, Board of Directors of The Chase  
National Bank of the City of New York

There are two questions which I find seem to be in the minds of almost everyone with whom I have talked recently.

The first question which has been asked is what we think of general business conditions. In reply to this question, let me say that both in the eastern portion of the country through which we have traveled, where manufacturing is the principal activity, and in the agricultural communities further west, which have suffered so severely from the terrible drought of the past summer, there has been during the past few weeks not only a recovery from the pessimism which had existed during the summer months, but also a real upturn in the trend of business.

The second question which has been asked again and again is whether the new spirit of cooperation between finance and industry on the one hand and the government on the other, evidenced by the events which transpired at the meetings of the American Bankers Association and of the United States Chamber of Commerce in Washington during the past few weeks, may be expected to continue. In replying to that question, I do not think it can be emphasized too strongly that there has always been a realization both upon the part of our government and upon the part of finance and industry that, in order to bring the country safely through the present crisis, there must be

full cooperation between them. The apparent lack of cooperation has arisen not because of any failure to realize this fundamental fact, but because differences of opinion have existed either as to the necessity for certain emergency measures which have been undertaken by the government or with regard to the character of such measures. I would prefer to describe what has taken place in the last few weeks, not as the creation of a new spirit of cooperation between finance and industry and the government, but as the expression of a more sympathetic attitude on the part of each towards the difficulties with which the other is faced in carrying out a spirit of cooperation which has always been in existence. I believe that both this cooperation and this attitude of understanding will unquestionably continue. In saying this, I do not intend to imply that differences of opinion may not still exist nor do I mean to say that, where such differences of opinion do exist, criticism of government policy will not be expressed in the future.

I am a believer in sound money. I regretted most profoundly the action taken by the government in devaluing the gold content of the dollar. I am one of those who believe that the stabilizing of the currencies of the nations of the world on a gold basis through international agreement at the earliest possible moment is an essential step towards the re-establishment of the foreign trade of the world and towards the ultimate economic recovery of this country. A sympathetic consideration of the difficulties of the government, however, leads one to the conclusion, first, that the devaluation of the dollar may well have been politically necessary, and, second, that the fixing of the gold content of the dollar early in 1934, with its maintenance unchanged since that time, the recent removal of restrictions on foreign exchange and the helpful cooperation which has just taken place between our monetary authorities and one of the countries in the gold bloc, designed to help international monetary stability, are all of high significance and great importance, both in themselves and as an indication of policy on the part of the government to achieve, as soon as possible, both national and international stability of currencies.

### A. B. A. Appointments

Bankers representative of all sections of the United States and all classes and sizes of banking institutions will take part in the various working bodies of the American Bankers Association for the coming association year, it is shown in an announcement of appointments made public by the president, R. S. Hecht, chairman, Hibernia National Bank, New Orleans, Louisiana, covering members at

large of the executive council and of the five commissions and thirteen general association committees, and vice presidents for territories and foreign countries.

The twelve members at large of the executive council as announced by Mr. Hecht, who was elected association president at the recent annual convention of the association in Washington, D. C., are as follows: E. G. Bennett, president, First Security Bank of Idaho, Boise, Idaho; Eugene R. Black, governor, Federal Reserve Bank of Atlanta, Atlanta, Georgia; W. C. Bowman, president, First National Bank, Montgomery, Alabama; E. E. Brown, president, First National Bank, Chicago, Illinois; Walter J. Cum-

ings, chairman of board, Continental Illinois National Bank & Trust Company, Chicago, Illinois; Guy Emerson, vice president, Bankers Trust Company, New York, New York; Thomas C. Hennings, vice president, Mercantile-Commerce Bank & Trust Company, St. Louis, Missouri; Henry R. Kinsey, vice president, Williamsburgh Savings Bank, Brooklyn, New York; W. R. Morehouse, vice president, Security-First National Bank, Los Angeles, California; James H. Perkins, president, City Bank Farmers Trust Company, New York, New York; Ronald Ransom, executive vice president, Fulton National Bank, Atlanta, Georgia; R. G. Stockton, vice president, Wachovia Bank

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The chairmen of commissions are as follows: Agriculture—D. Lane Young, executive manager, Citizens & Southern National Bank, Atlanta, Georgia, chairman. Bank Management—Orval W. Adams, vice president, Utah State National Bank, Salt Lake City Utah, chairman; P. D. Houston, chairman of board, American National Bank, Nashville, Tennessee, vice chairman. Commerce and Marine—Fred I. Kent, director, Bankers Trust Company, New York, New York, chairman. Economic Policy—Leonard P. Ayres, vice president, Cleveland Trust Company, Cleveland, Ohio, chairman.

Public Education—John H. Puelicher, president, Marshall & Ilsley Bank, Milwaukee, Wisconsin, chairman.

The chairmen of committees are as follows: Administrative—Rudolf S. Hecht, chairman of board, Hibernia National Bank, New Orleans, Louisiana, chairman. Banking Code—Abner J. Stilwell, vice president, Continental Illinois National Bank & Trust Company, Chicago, Illinois, chairman. Banking Studies—Tom K. Smith, president, Boatmen's National Bank, St. Louis, Missouri, chairman; Francis Marion Law, president, First National Bank, Houston, Texas, vice chairman. Bankruptcy—M. R. Sturtevant, vice president, First National Bank, St. Louis, Missouri, chairman. Export-Import Bank Advisory Committee—Robert F. Maddox, director, First National Bank, Atlanta, Georgia, chairman; Joseph C. Rovensky, vice president, Chase National Bank, New York, New York, vice chairman; Fred I. Kent, director, Bankers Trust Company, New York, New York, and chairman, Commerce and Marine Commission, American Bankers Association, New York, New York, chief consultant. Federal Legislation and Federal Legislative Council—Ronald Ransom, executive vice president, Fulton National Bank, Atlanta, Georgia, chairman. Finance—Robert V. Fleming, president, Riggs National Bank, Washington, D. C., chairman. Foundation Trustees—John H. Puelicher, president, Marshall & Ilsley Bank, Milwaukee, Wisconsin, chairman. Insurance—W. F. Keyser, secretary, Missouri Bankers Association, Sedalia, Missouri, chairman. Membership—E. N. Van Horne, president, Continental National Bank, Lincoln, Nebraska, chairman. Special Committee on Section 5219 U. S. Revised Statutes—Charles P. Blinn, Jr., vice president, Philadelphia National Bank, Philadelphia, Pa., chairman. State Legislation and State Legislative Council

—A. T. Hibbard, president, Union Bank & Trust Company, Helena, Montana, chairman. Taxation—Robertson Griswold, vice president, Maryland Trust Company, Baltimore, Maryland, chairman.

## School Savings Deposits

School savings deposits are "decidedly on the upgrade," it is declared by W. Espey Albig, deputy manager, American Bankers Association, in making public the annual report of the association's savings division on the savings bank projects conducted in schools throughout the United States.

"The net increase—the difference between the amount deposited and the amount withdrawn—during the year closing June 30, 1934, was \$3,690,560 over the volume of the preceding year," the report says.

School savings in the two former years had fallen off, pupils a year ago having withdrawn two and a quarter million dollars more than they had deposited during the preceding twelve months, thus using their reserves set up in former years, the report says. Two years ago the loss reached almost three million dollars.

"During the past year, school savers in twenty-four states showed an excess of deposits over withdrawals, and in many of the other states the loss was materially reduced," Mr. Albig comments. "Thus the drastic run-off of net deposits in school savings, which began in 1929-1930 and continued with such devastating effects until a year ago, is now stayed and the upward trend resumed.

## Bankers' Wants

This department of The Northwestern Banker is free to subscribers. To non-subscribers, a charge of five cents per word. In answering key numbers, please enclose postage for forwarding purposes. And remember, this service is free to subscribers.

**Position Wanted:** As cashier country bank. 58 years of age. Don't look over 35 and am in best of health.) 40 years bank experience from bookkeeper to executive officer. Can handle notary work and insurance. Native American and married. Am now employed as bank receiver, but want to get back in bank work. Good references. Address Northwestern Banker No. 3225. 12-1-2. 11-12-1.

**Now Available**—An executive of wide experience. Cashier of National Bank for twenty-five years—Cashier of State Bank for two years. Familiar with every phase of commercial and savings banking. Desires an affiliation with a good, going institution in Iowa. Excellent references. Write Northwestern Banker, No. 3222. 10-11-12.

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Hotel Mississippi  
Davenport, Iowa



Hotel Davenport  
Davenport, Iowa



Hotel Hanford  
Mason City, Iowa



Hotel Saint Paul  
St. Paul, Minn.

Travelers in Iowa and Minnesota say—"Yes—if you want the best of everything at the most reasonable prices, stay at Black Hawk Hotels." Black Hawk Hotels are popular!

NEXT TIME you travel in Iowa or Minnesota, try Black Hawk Hotels for comfort, convenience and savings. Our low prices mean traveling economy for you! Minimum rates at our hotels range from \$1.50 to \$2.50 and we have PLENTY OF MINIMUM RATE rooms to offer. Extra guest only \$1.00.

### In Des Moines

HOTEL FORT  
DES MOINES  
\$2.50 and up  
B. C. Northington, Mgr.

### In Davenport

HOTEL BLACKHAWK  
\$2.00 and up  
W. O. Lofgren, Mgr.

HOTEL MISSISSIPPI  
\$2.50 and up  
J. C. Kennedy, Mgr.

HOTEL DAVENPORT  
\$1.50 and up  
Sid Caple, Mgr.

### In Mason City

HOTEL HANFORD  
\$1.50 and up  
Tad Martin, Mgr.

### In St. Paul, Minn.

HOTEL SAINT PAUL  
\$2.50 and up  
B. E. Calhoun, Mgr.

# BLACK HAWK HOTELS

the  
**CURTIS HOTEL**  
MINNEAPOLIS

Now—  
A room with private bath  
**\$2.50**  
in the city's finest hotel.



"The severe effects of poor business, a bad banking situation, reduced prices for agricultural products, unstable conditions, and lack of employment, on school savings over a period of five years can readily be seen in the rapid decrease in net savings in all the states. The correction of these conditions in part, at last, is evidenced by the upturn in school savings.

"For the year ending June 30, 1934, school children deposited \$10,727,505, an increase over the preceding year of \$394,935. Of this, \$1,375,307 remained at the end of the year. During the preceding year they deposited \$10,322,569. An amount equal to this sum was withdrawn during that year, and in addition, a further sum of \$2,315,252 from deposits made in former years.

"The gain came not so much through increased deposits as through less withdrawals. The withdrawals, in many cases, were for a different purpose than they were a year ago. At that time the notices of withdrawals breathed immediate need for food, clothing, medicine and shelter. Those items, of course, are also present this year, but the withdrawals generally show more matured and leisurely judgment—to buy a piano, to pay interest on the mortgage, to attend 'A Century of Progress,' to visit Washington, D. C."

For the year ending June 30, 1934, the number of schools affording school savings numbered 9,471, a decrease in a year of 1,419, or 13.03 per cent, the report shows. Participants decreased from 3,080,685 to 2,802,899, a loss of 277,786, or 9 per cent.

## Trade Complaint Rules

Prompt and effective methods of handling complaints by investors and others against security dealers have been formulated by the Investment Bankers Code Committee and were mailed by the committee's office to the seventeen regional code committees throughout the United States. The document, approved by the NRA and containing thirteen articles with thirty-two sections in precise, legal phraseology, bears the heady title "Procedure for Handling Trade Complaints of the Code of Fair Competition for Investment Bankers." Divested of formal verbiage, the rules of procedure, it was explained, provide a direct and simple method by which investors or others may make complaints, regional code committees, under the Code Committee, may make investigations and conduct hearings, and penalties for malpractices in investment transactions may be evoked, either under authority of the code or through local, state or Federal law enforcement bodies.

The procedure provides for formal and informal complaints, both as to registered and non-registered security dealers. Where a violation is in the class of an unintentional, technical inobservance of the code, such as may arise from misunderstanding of the many code rules by a reputable dealer, and no wilful or actual malpractice is involved, the procedure is informal and requires a pledge to the regional code committee that the infraction will not be repeated. The code administration, it was pointed out, aims to be

educational and corrective and, particularly, wishes to concentrate enforcement against wilful and harmful malpractices without cluttering up its activities with technical, unintentional violations that of themselves may be virtually harmless.

## Not Homesick

Mose was in the war. At every explosion he strove for the rear line. His colonel talked to him thus:

"You shouldn't be afraid, Mose. Why, what if you do die? Heaven's your home."

"Yassuh, ah knows. But ah ain't homesick."

# A HOTEL with a HISTORY

### RESTFUL ROOMS

For years the name "Bismarck" has been a mark of good food. You will also appreciate the quiet, restful rooms in this modern, well-equipped hostelry... the newest in the loop.

### SPACIOUS LOBBY

In the spacious block-long lobby, amid settings rich in refinement, you meet your friends—for that date—without jostling through a crowd.

### WALNUT ROOM

In the beautiful Walnut Room you are entertained with radio's favorite orchestra. A delightful and vibrant floor show is featured nightly.

### BIERSTUBE

In the cozy Bierstube with its quaint Old-World atmosphere you may join the gay Bavarian Ensemble singers and dancers in their rollicking songs.

### at the

Rooms without bath, \$2.50  
Rooms with bath, \$3.50 up

# BISMARCK HOTEL

RANDOLPH AT LA SALLE CHICAGO

Northwestern Banker December 1934

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# IN THE DIRECTORS ROOM



## Thank You

Three blood transfusions were necessary to save a lady patient's life at a hospital. A brawny young Scotchman offered his blood. The patient gave him \$50 for the first pint, \$25 for the second pint—but the third time she had so much Scotch blood in her she only thanked him.

## Shoes

"No, I didn't say she was Dutch, I said she was a 'wooden shoe' girl."

"Wooden shoe, how come?"

"Oh, wooden shoe buy me this and wooden shoe buy me that, you know."

## Would You?

Frenchman: "You have to fill in the nationality blank also, sir. You are a Spaniard, n'est ce pas?"

Spaniard: "No, sir. I'm English. My mother and father were English."

Frenchman: "But you were born in Spain."

Spaniard: "That's nothing. If your dog had pups in the china closet, would you call them soup plates?"

## Strangers

An extra girl in Hollywood was playing a practice round of golf alone. On the fourth fairway she stooped over to tie a shoelace and as she did so a ball driven by a member of a foursome on the third tee smacked her.

The man who had hit her ran up to apologize. Before he could say a word she began to berate him.

"Sir," she snapped, rubbing the sore spot, "your ball hit me right in the middle of the back."

"It didn't look to me like it was the middle of your back," he said.

"Well, you're a stranger to me and therefore it's the middle of my back to you."

## Handy for the Cut-Ups

"I hear the surgeons have operated on you again."

"Yes."

"How many times does this make?"

"Five. They're going to put on a swinging door next time."

## 300 Feet

"What are they moving that church and the schoolhouse for?"

"I'll tell you. I'm mayor of this here diggin's an' I'm fer law enforcement pure an' simple. We've got an ordinance what says they hain't to be no saloons within 300 feet of a church buildin' er schoolhouse, an' so we're movin' the church an' the school."

## The Pants

Willie was being measured for his first made-to-order suit of clothes. "Do you want the shoulders padded, my little man?" inquired the tailor.

"Naw," said Willie, "pad the pants."

He—Let's get married, or sumpthin.  
She—We'll get married or nothin!

Policeman: "How did you knock him down?"

Motorist: "I didn't! I pulled up to let him go across and he fainted."

## Commission

One salesman met another one in an arm-chair restaurant.

"What's the matter, Bill? You are eating only crackers and milk. Are you on a diet?"

Bill: "No, on commission."

## Don't Worry

A woman got on a trolley car and finding that she had no change handed the conductor a \$10 bill. "I'm sorry," she said, "but I haven't a nickel."

"Don't worry, lady," said the conductor, "you'll have just 199 of 'em in a minute."

Lawyer: "I must know the whole truth before I can successfully defend you. Have you told me everything?"

Prisoner: "Except where I hid the money. I want that for myself."

## So Inquisitive

"And what did the insurance agent say when he came to the door while you were in your bath, John?"

"He wanted to know if I was fully covered."

## Skip This One

Saw Bill just rushing into a shop. Sezze, don't stop me; I'm going in here to buy a cover for my typewriter. Sezzi, but that's a fur shop. Sezze, well?

## What He Needed

Mountaineer (taking son to school room): "My boy's arter larnin'. What have you got?"

Teacher: "We offer arithmetic, English, trigonometry, spelling, etc."

Mountaineer: "Just give him some of that thar triggernomerty; he's the worst shot in the family."

The young and keen police officer was being shown over his new night beat by the sergeant. "D'ye see that red light in the distance? Well, that's the limit of your beat. Now get along with it."

The young policeman set out, and was not seen again for a week. When he did show up at headquarters the sergeant demanded furiously where he had been.

"Ye remember that red light?" asked the cop.

"Yes."

"Well, that was a moving van bound for Chicago."

A certain famous motor car manufacturer advertised that he had put a car together in seven minutes. The next evening he was called on the phone at dinner time and asked if it were so.

"Yes," was the reply. "Why?"

"Oh, nothing. But I believe I've got the car."

First Lady: "I saw a young man trying to kiss your daughter in the park last night."

Second Lady: "Did he succeed?"

First Lady: "No."

Second Lady: "That wasn't my daughter."

## Letter to the Editor

Dear Editor: I got your letter about what I owe you. If this wuz judgment day and you wuz no more prepared to meet your Maker than I am to meet your account you sure would have to go to hell. Trusting you will do this, I am .....

# Thousands of jobs Millions in payrolls

..... brought to corn belt towns  
by direct marketing of livestock



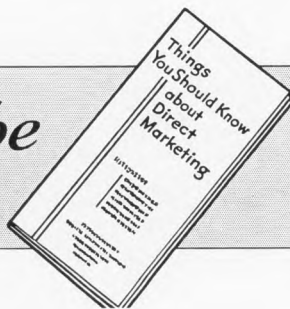
**S**TEADY employment to thousands of citizens has been brought to the Corn Belt by direct marketing. Take Iowa, for instance. During 1933, the six major interior meat packers paid \$12,618,652.00 in wages to their 8,513 employees. 17 packers, 615 retail butchers who slaughter livestock and 58 livestock buying stations and concentration points, also employed large numbers of Iowa citizens. Similar figures could be cited for each of the Corn Belt states.

You can easily see what it would mean if any of this group of people were caused to lose their jobs as a result of the restriction or elimination of direct marketing of livestock.

Therefore, in their effort to maintain freedom of livestock marketing, livestock producers, shippers and processors are concerned about more than their own interests. They are endeavoring to protect a substantial home industry in which every small town banker, merchant and professional man in the Corn Belt has an interest at stake.

Yet, the issue is clear and simple. All that livestock producers ask is the preservation of their right to sell their livestock where it will net them the most money, whether that be at a terminal market or at one of the local or direct markets.

*It PAYS to be  
informed*



**ASSOCIATION TO  
MAINTAIN FREEDOM IN  
LIVESTOCK MARKETING**

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Des Moines, Iowa

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