

# NORTHWESTERN BANKER DES MOINES

APRIL, 1935

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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*

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40th Year

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R. W. MOORHEAD  
Associate Publisher

FRANK P. SYMS  
Vice President  
330 West 42nd Street  
Phone Bryant 9-5491  
New York

CLIFFORD DE PUY  
Publisher

F. S. LEWIS  
Special Representative  
511 Essex Building  
Minneapolis, Minn.  
Telephone, Bridgeport 2523

H. H. HAYNES  
Editor

*Member, Audit Bureau of Circulations*

J. A. SARAZEN  
Circulation Manager

*Member, Financial Advertisers Association*

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## **Title II of the Banking Bill Should Not Pass**

Marriner S. Eccles, the 42-year-old governor of the Federal Reserve Board, has put into writing just how the banking business of the country should be operated and it is known as the Banking Act of 1935.

Even though there is no banking emergency existing today, thus allowing ample time to carefully discuss such a revolutionary piece of legislation, President Roosevelt and Governor Eccles believe that this ponderous banking bill should be passed at this session of Congress.

One of the services featuring Washington news said, "The administration banking bill will pass the House and after much delay and squabbling in the Senate, will probably pass, including most of the Eccles proposals for centralized control of banking by the Reserve Board. The opposition from bankers is stiff, but bankers are not very influential at Washington these days."

The interesting point about this is that with the Federal Reserve System controlled at Washington, not only bankers, but manufacturers, wholesalers, retailers and every other kind of business organization will have its credit requirements passed upon by politically dominated officials at Washington rather than the independent banks of the country which know the needs and requirements of their customers.

I think that a great deal more time should be given to the study of this bill than is now being planned.

Titles I and III have to do with amendments to present banking laws and clarifying changes in existing statutes and are not so objectionable as Title II which places in the control of the administration the complete management of the Federal Reserve System.

If there is anyone who thinks that only bankers

object to this bill here are the eight reasons why the American Liberty League, which is composed of some of the most influential and smartest business men in America, objects to Title II of the bill and believes it should not be passed because:

**1. It provides for abdication by the Congress of its constitutional duty to regulate the value of money.**

**2. It delegates to the executive branch of the government unrestricted authority to control the volume of currency and credit without so much as declaring a policy.**

**3. It makes our monetary and banking structure subject to the whims of political influence.**

**4. It strengthens the President's power over the Federal Reserve Board and makes it impossible for that agency or the Federal Reserve Banks to be independent.**

**5. It shifts to the Federal Reserve Board powers now exercised by the nonpolitical Federal Reserve Banks.**

**6. It destroys safeguards in present laws affecting the use of currency and credit.**

**7. It facilitates inflation and offers no adequate means of checking tendencies in this direction.**

**8. It opens the door to unsafe banking.**

Business men of America know that banking credit is the life blood of industry and they also know that if that credit is to be politically controlled as far as it relates to the Federal Reserve System and to member banks, then there is a real menace facing the business interests of this country.

One of the leading newspapers of the East said: "Every patriotic citizen should make himself familiar with Title II of the Banking Bill and protest to his Congressman and to his Senator against the passage of this iniquitous measure."

I also suggest that you read the very excellent article in this issue of the NORTHWESTERN BANKER, written especially for us by Clarence W. Fackler,



Ph.D., in which he points out the numerous dangers inherent in this proposed piece of legislation.

Sixty-six leading economists attacked the proposals of the 1935 banking act. The economists, largely members of the Economists' National Committee on Monetary Policy, pointed out dangers in the legislation. Their statement said:

"The passage of such a measure will invite ultimate disaster for this country. The new bill will throw the nation's banking system into politics, provide for the conversion of illiquid assets into legal tender notes, make non-commercial paper eligible for rediscount and broaden, unsoundly, the making of real estate loans by member banks."

Title II of the Banking Act of 1935 should not pass!—but it will pass unless real opposition is presented in the form of letters and telegrams to Senators and Congressmen before the administration steam roller does its usual work.

### **Turnover of Money Will Bring Us Prosperity**

It is not more money but it is the use or the turnover of the money which we now have, which is needed in order to bring us prosperity.

This turnover or use of money will take place just as soon as people have confidence in the business outlook and they will have confidence when monetary experiments are eliminated and constant unnecessary reforms are abandoned. As one writer says, "No government has ever done and never will do anything for a people that they cannot do much better for themselves."

To prove that piling up more money in the banks is not the answer to our problem, a recent study shows the following interesting figures:

1921 to 1929—Net demand deposits increased 30 per cent.

1921 to 1929—Use of money or turnover increased 79 per cent.

1929 to 1932—Net demand deposits decreased 30 per cent.

1929 to 1932—Use of money or turnover decreased 70 per cent.

Money must be put to work through enterprise and trade and this will only happen when confidence and cooperation are the watchword rather than fear and uncertainty.

One of these uncertainties which business men and bankers are facing is whether or not there will be any further devaluation of our currency. There has been no definite statement by the administration on this question.

"Yet the quacks at Washington," according to

H. L. Mencken, "actually have the effrontery to denounce the banks for not making more loans. Loans to whom? No man of any honesty wants to borrow money that he may never be able to pay back. And what assurance has any such man that, if he made a loan tomorrow and put the proceeds into his business, he *would* be able to pay it back? None whatever. He knows only too well that at any moment the young professors at Washington may put through a law taxing him out of existence or another handing over his business to prehensile labor leaders, or a third designed frankly to ruin him by setting up the government itself as his competitor."

And so I come back to the question as to when will we have a restoration of confidence?

I do not know.

But I do know that the average banker and business man has down deep in his heart an abiding faith and sincere belief in his own country and believes that somehow we will overcome the obstacles which now prevent us from going forward into a new era of greatly improved business.

It is my opinion that with five years of depression behind us and with an unfilled demand for goods and services waiting to be satisfied, together with the factor of obsolescence in machinery and equipment and with ample credit to finance any necessary undertaking that we can and will go forward in spite of the obstacles, the handicaps and the set-backs being caused by the administration.

### **Banks Should Watch Their Bond Buying**

I presume there is no function of banking which should be watched more carefully now than that of bond buying for the bank's own account.

With banks loaded with money and with a small local demand, there is the natural desire to get as high a yield as possible from the purchase of securities. Herein lies the danger.

The vice president of a large bank was in my office just the other day and said that they were emphasizing this question with all of their correspondent accounts because if banks become loaded with bonds at this time, which, although they may have a higher rate of yield, later on either default or depreciate in value, the ultimate loss to the banks will be far greater than the temporary loss in return which would come from buying higher grade bonds at a lower yield.

So I say—be careful and buy only the high grade issues from well known and reliable investment institutions.





"TULIP TIME IN HOLLAND"

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Thomas D. Murphy Company, Red Oak, Iowa

Northwestern Banker April 1935



# ARE WE GOING TO HAVE INFLATION?

(*Publisher's Note—While attending a meeting of the Pittsburgh Rotary Club recently, I was impressed with the very able discussion of "Inflation" given by John A. Beattie, president of John A. Beattie & Company, investment counselors of Pittsburgh, that I asked him for permission to publish his address in THE NORTHWESTERN BANKER, believing that our readers would appreciate the clear, concise analysis of this very important subject.*)

WHAT is meant by the term "inflation?" Webster defines it "as a disproportionate and relatively sharp and sudden increase in the quantity of money or credit, or both."

The two terms, *inflation* and *deflation* have been very loosely used. Let me amplify Webster's definition of inflation by stating further that due to a sharp and sudden increase in the quantity of money or credit, or both, and the resultant decrease in the value of money, there is a general rise in prices. In other words, the *cheaper* the dollar, the less it will buy. *Deflation* is anything that tends to slow up business or depress prices.

Since most goods and services are not exchanged commonly for each other directly but through money, money has become a standard of value. Therefore, let us picture *inflation* to mean the manipulation or control of money to the end of *decreasing* its value. If its value is decreased, its purchasing power is lessened, price averages are raised and *inflation* ensues. If the value of money depreciates, unsound speculation follows. Commercial strangulation and ruin to many are the usual results.

## Headed for Inflation

Yes! I believe we are headed for increased inflation. The Administration seems committed to it. The abandonment of gold and its nationalization; revaluing of silver from 26 cents an ounce to 54 cents, with a policy approved by Congress where silver can be purchased up to \$1.29 an ounce, the intention to raise commodity prices to 1926 levels; higher farm prices, many government relief and spending programs; pending bills providing for

If So—When?

What Are Its Causes?

How Does It Affect the Banker?

How Does It Affect the Average Man?

By JOHN A. BEATTIE

President  
John A Beattie & Company  
Investment Counselors  
Benedum-Trees Building  
Pittsburgh, Pa.

government loans to farms and home owners; Jones bill for 2 per cent farm mortgage loans on small farms, Bankhead bill for more than a billion dollars to purchase small farms, the bill to give HOLC 1¾ billions new money to lend to distressed home owners, pending agitation for payment of bonus, an unbalanced budget, financing budget deficits through the medium of banks, the trend towards a central bank and government control of the currency, as evidenced by the recent action of depriving National Banks of the circulation privilege—all of these are inflationary in character.

There are two other pertinent reasons why inflation is inevitable. First, the cyclical reason, which is that inflation invariably follows deflation. Second, political—the Administration's determination to raise prices.

When?

The next question is "WHEN?" This is the most difficult question to answer because inflation does not come over-

night. It comes gradually and as Messrs. Kiplinger & Shelton in their recent book "Inflation Ahead"—"Inflation is like filling a deflated balloon. It doesn't rise until it has reached a certain stage of fullness. Then it tears upward. Like pumping up an air tank. Nothing happens until the pressure ceiling has been reached. Then the ceiling blows out. Our inflation will be sharply spectacular ONLY WHEN the volume of industrial production, now in the 80's, reaches 100 and works above this level for several months. Then will come the big demand for credit."

"U. S. seems to be going through a cycle like France. We have unbalanced government budgets, six years of them in evidence, 1931-36, with no end definitely in sight. Our government doesn't have a strictly government central bank from which to borrow, but it controls the Federal Reserve System and borrows from thousands of banks, and the effect is pretty much the same. France spent for national rehabilitation and national security; United States is spending for unemployment relief. France didn't resort to the printing press to the extent that Germany did, and neither will the United States. France expanded note issues; United States is inflating Bank Credit. France was driven to a stage of inflation not originally contemplated. It came little by little, bit by bit, step by step. This is the way we seem to be going. The French never quite believed inflation could go as far as it finally went."

Experience with inflation in other countries and other times, when examined with more care than is evident in this brief discussion, makes you think inevitably of one main big question—Can we control, hedge, limit, confine our own inflation?

According to the best information available, we will really not begin to feel the big inflation push until possible the middle of 1936 or the early part of 1937.

Its Causes

What are its causes? How is it brought about? To date, we have evidenced—to a degree—that forces of inflation are in ac-

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tion. We have higher commodity prices, our cost of living is advancing, business volume is increasing, stock and bond price averages have advanced, bank deposits are mounting higher and an enormous reservoir of idle credit is facing us on all sides. At present, there seems no need for currency inflation, but credit inflation is continuing at a great pace. *Currency* inflation is more harmful than credit inflation because as inflated money appears, prices soar. Everybody starts dumping money, turning it into something tangible. Since there is no "hard money," except our legal coinage (alloys), there is the

probability that the effort to get rid of money for goods may accelerate the advance of prices materially.

As to the *effects of inflation*, let us refer to history.

*What is the historical record of inflation?* Historically, we all know society's trouble with money dates back thousands of years and it is only necessary to review a few historical facts in substantiation of this. As far back as 96 A. D., the Emperor Nerva, in an effort to help the farmers, loaned them upwards of \$100,000,000, the interest to be used for what we would term "relief purposes" to-

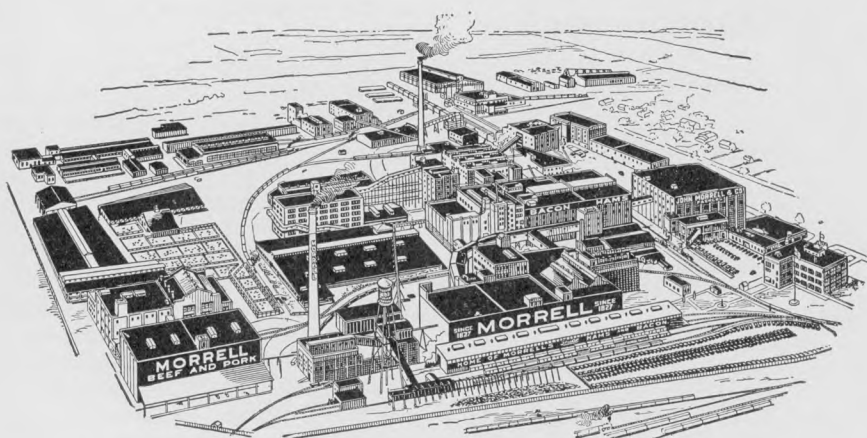
day. Over a period, the plan did not work out well, as the collection costs eventually cost more than the interest; therefore, you can see that fundamentally, a number of plans that are being tried today were known to the Romans.

After the Revolutionary War our country suffered severely from the issuance of paper money, issued by the Continental Congress and secured vaguely by public lands. By 1778, the Continental paper dollar was worth about 16 cents and by 1779 about 5 cents. Debts were easy enough to pay, if creditors could be in-

(Turn to page 18, please)

## The Nation's Oldest Meat Packers

Established in England in 1827—Opening American Headquarters in New York in 1865—John Morrell & Company started packing operations at Ottumwa, Iowa, in 1877



The John Morrell Packing Plant in Ottumwa, Iowa

ONE OF IOWA'S leading industries is meat packing, and at Ottumwa, Iowa, is located a large modern packing plant of John Morrell & Company, the oldest firm now doing a meat packing business in the United States.

John Morrell & Co. had a humble beginning in the purchase at Bradford, England, by George Morrell, of a boatload of oranges from Spain. George Morrell was a wool comber by trade whose wife inherited a small amount of money, and after paying off the family debts, the balance was invested in the barge-load of oranges such as were commonly found in the Bradford market place. The sale of these oranges resulted in a slight profit and the proceeds were reinvested, this procedure being repeated with a resulting gradual development of a small business.

Later on, provisions were added to the

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line and the active management of the firm was placed in the hands of George Morrell's son, John. It is the latter's name that the firm now bears. Having no children, John Morrell left his business to four nephews and the management of the firm has continued in the family ever since, with members of the fourth and fifth generations now in charge.

One of the four nephews was Thomas D. Foster who was actively in charge of the early development of the company's business in America. The firm entered the American market by sending an agent to New York City in 1865 although headquarters of the business remained in England for many years after that date. Thomas D. Foster's selection of Ottumwa, Iowa, as a site for a packing plant was traceable directly to the friendly interest displayed in him on his first voyage to

this country by a fellow passenger, Capt. J. G. Hutchinson of Ottumwa, and in 1877, exactly fifty years after the founding of the business, John Morrell & Co. began operations in Iowa.

Continued growth of the business has resulted in two more Morrell packing plants, one at Sioux Falls, South Dakota, and another at Topeka, Kansas. The general offices of the company are located at Ottumwa. Morrell's products are now sold in every state in the union as well as in many foreign countries and a considerable proportion of this distribution emanates from the Ottumwa plant.

Some of the principal products in the wide line offered by John Morrell & Co. include Morrell's Pride Hams and Bacon and other smoked meats, smoked sausages, canned meats and lard; Yorkshire Farm fresh pork sausage, butter and mince meat; fresh pork, beef, veal, lamb and mutton. The company also is manufacturer of Red Heart Dog Food, now one of the leading brands on the American market.

The location of the John Morrell & Co. plant at Ottumwa, Iowa, has meant much in the past fifty-eight years to Iowa, as it has served as a steady cash market for live stock over this entire period and has played an important part in making Iowa products well known to millions of people in the United States and abroad.

*(This is the fourth of a series of articles on leading Iowa industries which have been published in The Northwestern Banker. Others will appear in future issues.)*



# SERVICE CHARGE CHART

Prepared to show the various service charges being applied by Iowa banks on checking accounts, especially base charges for certain balances, number of free checks allowed, and charge for extra checks over allowable number. Northwestern Banker readers are invited to send in their service charge schedules.

Name	Town	County	Average Bal. from \$0 to \$50		Average Bal. from \$50 to \$100		Average Bal. from \$100 to \$200		Average Bal. from \$200 to \$300		Average Bal. from \$300 to \$400		Average Bal. from \$400 to \$500		Extra Checks
			Base Charge	Free Checks	Base Charge	Free Checks	Base Charge	Free Checks	Base Charge	Free Checks	Base Charge	Free Checks	Base Charge	Free Checks	
Farmers St. Sav. Bk.	Independence	Buchanan	50¢	5	0	10	0	15	0	25	0	35	0	45	4¢
Both Banks	Waterloo	Black Hawk	---	---	50¢	10	0	15	0	20	0	25	0	30	4¢
Both Banks	Cedar Falls	Black Hawk	100¢	10	50¢	10	0	15	0	20	Analyzed		---	---	2¢
Parkersburg St. Bk.	Parkersburg	Butler	*50¢	---	---	---	---	---	---	---	---	---	---	---	---
Most Banks		Hardin	50¢	5	---	1 Free	Check for	Each	\$10.00	Balance		---	---	---	3¢
Hartwick State Bk.	Hartwick	Poweshiek	50¢	10	---	---	---	---	---	---	---	---	---	---	3¢
Wilton Savings Bk.	Wilton	Muscatine	50¢	5	---	---	---	---	---	---	---	---	---	---	3¢
Iowa Falls St. Bk.	Iowa Falls	Hardin	---	---	50¢	---	---	---	---	---	---	---	---	---	3¢
Farmers State Bk.	Dows	Wright	---	---	50¢	10	---	---	---	---	---	---	---	---	3¢
Most Banks		Hamilton	50¢	5	0	5	0	10	0	15	0	20	0	25	4¢
Both Banks	Fort Dodge	Webster	Special Analysis Mentioned Elsewhere												
Security Sav. Bank	Eagle Grove	Wright	*50¢	---	---	---	---	---	---	---	---	---	---	---	---
Goldfield State Bk.	Goldfield	Wright	*50¢	---	---	---	---	---	---	---	---	---	---	---	---
First State Bank	Belmond	Wright	*50¢	---	---	---	---	---	---	---	---	---	---	---	---
First National Bk.	Thornton	Cerro Gordo	*50¢	---	---	---	---	---	---	---	---	---	---	---	---
Both Banks	Hampton	Franklin	---	---	50¢	5	Accounts over \$100		Analyzed		---	---	---	---	4¢
Sheffield Sav. Bk.	Sheffield	Franklin	---	---	50¢	5	---	---	---	---	---	---	---	---	4¢
State Bk. of Allison	Allison	Butler	*50¢	---	---	---	---	---	---	---	---	---	---	---	---
		Sac.	50¢	5	---	1 Free	Check for	Each	\$10.00	Balance		---	---	---	3¢
All Banks		Appanoose	50¢	5	50¢	10	25¢	10	0	10	0	15	0	25	4¢
Security State Bk.	Allerton	Wayne	50¢	5	0	5	0	10	0	15	0	20	0	25	3¢
All Banks		Wapello	100¢	10	75¢	10	50¢	10	0	10	0	15	0	20	4¢
Majority Banks		Wayne	50¢	5	50¢	10	25¢	10	0	10	0	15	0	20	4¢
Both Banks	Creston	Union	50¢	5	0	5	0	10	0	15	0	20	0	25	3¢
All Banks	Des Moines	Polk	---	---	100¢	15	50¢	15	0	15	0	25	0	35	4¢
All Banks	Keokuk	Lee	---	---	50¢	10	0	10	0	20	0	30	0	40	4¢
Farmington St. Bk.	Farmington	Van Buren	50¢	---	---	---	---	---	---	---	---	---	---	---	---
Mahaska St. Bk.	Oskaloosa	Mahaska	50¢	5	25¢	7	0	10	0	12	0	15	0	20	3¢
All Banks		Taylor	50¢	5	25¢	5	25¢	8	25¢	11	0	10	0	13	3¢
All Banks		Davis	50¢	5	50¢	10	25¢	10	0	10	0	15	0	20	4¢
Peoples Sav. Bk.	Indianola	Warren	50¢	---	---	---	---	---	---	---	---	---	---	---	---
Both Banks	Fairfield	Jefferson	50¢	5	0	5	0	10	0	15	0	20	0	25	3¢
All Banks	Burlington	Des Moines	---	---	50¢	6	0	10	0	15	0	20	0	20	4¢
All Banks	Cedar Rapids	Linn	---	---	100¢	10	50¢	10	0	10	0	15	0	20	4¢
Henry Co. Sav. Bank	Mt. Pleasant	Henry	---	---	50¢	10	---	15	0	---	0	---	0	---	4¢
Both Banks	Iowa City	Johnson	---	---	75¢	7	50¢	10	0	15	0	20	0	20	4¢
Peoples T. & Sa. Bk.	Riverside	Washington	50¢	8	50¢	16	---	---	---	---	---	---	---	---	3¢
Both Banks	Lone Tree	Johnson	---	---	50¢	10	0	15	0	1	Check Each	\$10.00	Balance	---	4¢
Muscatine Bk. & Tr.	Muscatine		---	---	100¢	10	50¢	10	0	10	0	15	0	20	4¢
Buffalo Sav. Bk.	Buffalo		*50¢	---	---	---	---	---	---	---	---	---	---	---	---
Davenport Bk. & Tr.	Davenport	Scott	---	---	100¢	10	Over	\$100	Analyzed	---	---	---	---	---	4¢
West Liberty St. Bk.	West Liberty	Muscatine	---	---	50¢	10	0	10	0	20	0	30	0	40	---
Solon State Bank	Solon	Johnson	---	---	50¢	4	0	8	0	8	0	12	0	12	2¢
Mt. Vernon B. & Tr.	Mt. Vernon	Linn	*50¢	---	---	---	Over	\$50	Unusually Active, Analyzed	---	---	---	---	---	---
First National Bk.	Marion	Linn	*50¢	---	---	---	---	---	---	---	---	---	---	---	---
Fairfax St. Sav. Bk.	Fairfax	Linn	50¢	10	---	Over	\$50	Unusually Active	Accounts Analyzed	---	---	---	---	---	4¢
Most Banks		Benton	---	---	50¢	5	0	5	0	10	0	15	0	20	3¢
Watkins Sav. Bk.	Watkins	Benton	50¢	5	---	1 Free	Check for	Each	\$20.00	Average Balance		---	---	---	3¢
Farmers Sav. Bank	Victor	Iowa	50¢	15	0	15	0	20	0	25	0	Analyzed		---	3¢
Both Banks	Grinnell	Poweshiek	---	---	50¢	10	0	15	1 Free	Check for	Each	\$10.00	Av. Bal.	---	4¢
Both Banks	Newton	Jasper	50¢	3	0	6	0	15	---	---	---	---	---	---	3¢

\*No Charge for Extra Checks Unless Unusually Active

# SHALL WE HAVE POLITICIANS *or* BANKERS Run the Federal Reserve System?

*(Editor's Note—Although NO BANKING CRISIS faces the country today, the Administration is asking Congress to pass the "Banking Bill of 1935," which will revolutionize the banking system of the United States, without allowing proper time for debate and study of this bill.*

*The bill places the Federal Reserve system in the POLITICAL control of the President, to operate as he pleases—a procedure which is unsound in theory and would be worse in practice.*

*Read carefully this excellent article by Clarence W. Fackler, Ph.D., which was written especially for The Northwestern Banker, and see for yourself what a "fool piece" of legislation this is in almost every particular.)*

SEEMINGLY never weary of representing itself to be a jack of all trades, the Government is about to try its hand at the public control of commercial banking—still a private business in the United States. But, not only does it believe itself to be more proficient than private interests in this domain, as in almost every other one, but it still seems unable to shake the idea that credit expansion is anything less than the precursor of industrial recovery. Anyone, however, who has cut his eyeteeth must surely realize by this time that the proposed bill, while omitting all reference to a "credit authority," a "central bank," or the "nationalization of credit," could scarcely accomplish any more by the conspicuous insertion of these words in its provisions. Even a hasty reading of the proposal, which the administration has dubbed the "Banking Act of 1935," shows that to enable the politicians to dabble in banking, more radical changes in the country's credit system have not been proposed in recent years by any responsible authority.

And, because few of the new rules are constructive in any real sense of the word, there appears to be little or no desire to improve the present banking system. Indeed, it can more easily be demonstrated that the sponsors of the new bill, while professing to chasten those interests which they have ridiculed as "money-changers," are striving for centralized power to control the man-

The Author of This Article Explains in No Uncertain Terms What the Bankers of the United States Could Expect Should the "Banking Bill of 1935," As It Now Stands, Be Made a Law

By CLARENCE W. FACKLER  
*Assistant Professor of Economics  
New York University*

ufacturing and use of bank credit. Politically astute, these strategists have no wish at the moment to start the monetary printing presses, and so to earn for themselves the badge of "inflationists."

However, there is nothing in the new banking bill that makes speculation, extravagances, and financial misdemeanors impossible. People never seem to learn that if such pottage is permitted to leave the commercial banking kitchens of any country, their unsavory odors are bound in the end to drive away many cash customers. But the political chefs do not promise that the control of commercial banking by the Government will be any less nauseating. Neither do they guarantee that it will be any more successful than the operation of the railroads during the World War, or any less expensive to the public than the Federal management of the postal system is today. They only make clear that some of the old recipes will not be followed, and that greater reliance will be placed upon how the credit chowder tastes. Such dependence upon the whims and human impressions of political supervisors to control modern-day banking is bound to create skepticism.

### Faulty Arguments

To begin with, the major premise advanced by the proponents of more intensive Federal control of banking is faulty.

They still believe that business will recover, if only credit is heaped higher upon the banking counters. They forget that sick horses are never cured simply by piling more hay in their mangers. And so they do not realize that in such a weakened condition, it is today impossible for business to digest the growing volume of bank deposits, which the Government makes possible by its spending orgies. Instead of increasing bank credit, only to see its velocity decline, the administration should first try to get business on its feet again. For, like making more gold dollars by devaluation, and more paper dollars by purchasing silver, manufacturing more credit dollars by selling Government bonds is as ineffective as whistling jigs to a milestone.

In addition to this misconception, there is apparent throughout the bill a strong adherence to erroneous principles regarding the conduct of central banks, to the part that these institutions should play in the control of money and credit, and to their fiscal relations with the Federal Government. The main objections, therefore, lie in the unqualified and exclusive political control which is imposed upon the Federal Reserve System, in the encouragement given to the use of short-time funds for long-time use, and in the reconstruction of the Federal Reserve Banks into non-liquid and into what must eventually be unsafe institutions.

### Board Members

From the argument that the expansion of bank credit might get out of hand, springs the motive for concentrating control in the Federal Reserve Board, which is to be, as now, subjected to political (presidential) determination. Membership on this board will require the ability to formulate economic policies as well as monetary ones. Supposedly, therefore, any economist by name or by profession will qualify, who has spent enough time cloistered in thought, orating before the microphone, or writing lengthy manuscripts on social planning. One can only hope that the destinies of the country's banking machinery are never subjected to the fancies of such



dreamers. Of course, anyone who is at all familiar with the plans of the philosophers at Washington these days are not surprised that this bill makes it possible for the President to appoint and retire the Reserve Board members at will. And, though the pension basis is not entirely clear, to retire board members at the age of 70 with an emolument will not possibly cause much alarm. But, one will be as amazed as the gaping rustic when he perceives that any governor of the board, who is appointed even for a day, after reaching the age of 65, is apparently eligible for a \$12,000 pension.

Member banks in each district will still be able to choose their Class A and B directors. But their selections for the office of governor-chairman, and of vice-governor must be approved politically. Two Class C directors, and a person to take over the duties of the Federal Reserve Agent, all appointed by the Reserve Board, will increase the Government representatives in each bank from three to five. What is more important, however, is that through the politically-approved governors, responsible only to it, the Federal Reserve Board will be able to execute its decisions respecting rediscount rates and open market policies without unnecessary delay.

For, according to the bill, the Federal Reserve Banks will be compelled to invest their funds only in ways approved by this board. They may, for example, be forced to buy Government securities or the obligations of recognized agencies of the Government. In this manner, ways and means are provided for the expansion of Government credit on favorable terms, regardless of what rating it would deserve in a free market. This is a great deal like a gate-crasher telling the management of the entertainment where he will sit.

### *Dominate Banking System*

Once in its seat, the Federal Reserve Board will dominate the affairs of the entire banking system. Notice will be given at once that member banks may abandon their critical and careful scrutiny of loans. For the Board can decree, as could any monarch of old, that any asset is sound, even though it is not. Saleability and worth can be made secondary. Furthermore, by proclamation any maturity is satisfactory for purposes of rediscounting or sale to the Reserve Banks no matter how remote it may be. Even a twenty-year loan by a member bank in Oregon on Florida real estate, might be an extremely satisfactory risk.

The extent to which short-time funds can thus be loaned for long-time ventures, merely by the Reserve Board's declaration of soundness is phenomenal. From the point of view of social security it is, however, most disheartening, for

the lessons of the last decade are completely ignored. According to the provisions of the bill, commercial banks will be permitted, in fact induced, to expand their mortgage banking business. Loans on real estate mortgages can be made up to an amount equivalent either to all of a bank's capital and surplus, or to 60 per cent of its time deposits, whichever is the larger. But, this raising of the loan limits on real estate mortgages from 50 to 60 per cent of the time deposits, and from 25 to 100 per cent of the capital and surplus is not enough. **The authors of the bill have raised the value of the real estate for lending purposes from 50 to 75 per cent. And, as an additional incentive, they have exempted loans for industrial purposes from these restrictions, if made in cooperation with the Reserve Banks or the Reconstruction Finance Corporation. On such terms as these, about four billion dollars in real estate loans could be made available at once. And, to throw the helve after the hatchet, stockholders in national banks after July 1, 1937, will be relieved from double liability. How foolish it is, then, to expect the commercial banking system to be safer, and the countryside more secure!**

### *Bank Credit*

Under these circumstances, member banks will not be forced any longer to offer extremely liquid and high-grade business paper, or their own promissory notes with collateral in order to increase their legal reserves. Nor will their sales to the Reserve Banks be limited to Government securities and bankers' acceptances. Member banks will, therefore, find it easier to obtain paper currency should depositors storm the gates for money. Even poorly managed institutions can stop bank runs quickly, if the Reserve Board in some way can for their benefit

stretch its definition of sound assets. Whether any expansion in business or in real estate, once started, could be curbed before widespread distress appeared is highly questionable. The Treasury's gold stocks in dollars are so large (from imports and devaluation) that havoc might be done long before a gold shortage would bring people to their senses and stop the boom.

Very often has it been demonstrated that the encouragement and restriction of bank credit is extremely difficult, and so there is always the tendency for the amount of it to be either excessive or next to nothing. But such experience decreases the courage of the Administration not one whit. For, besides assuming control over the open market operations and the rediscount rates of the Reserve Banks, the Reserve Board is granted the power by the bill to change the reserve requirements for member banks in any district or class of city. Obviously, higher rates in some places would attract funds from localities where returns were smaller, and thus restriction would be defeated.

Undaunted as the ancient Perseus with the possibilities of such failures, the authors of the bill, nevertheless, move for a reduction in the reserve requirements for Federal Reserve notes. If the bill is enacted into law, the Reserve Banks will need to keep hereafter only 40 per cent of their notes in gold certificates, instead of having to keep an additional 60 per cent in either eligible business paper and/or Government bonds. On this revised basis, from 20 to 25 billion dollars of Federal Reserve notes can be issued. Obviously, should an over-extension of commercial bank credit occur, and runs begin on the member banks, the Reserve Banks will have plenty of paper currency to satisfy whatever de-

(Turn to page 28, please)

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***"The Banking Act of 1935 rudely shatters any beliefs that the Administration has turned conservative. A study of it reveals that any objections which the President has had to a 'central bank' have been in name only. Moreover, it is plain that no attempt has been made to give the banking problem the careful study which it deserves. Instead, the entire banking system is to be subjected to the wishes of the President. Together with his colleagues, he can expand either currency or credit for the Government's use in social experimentation. To make this possible, many rules of sound banking have been eliminated. How any Administration can be so Machiavellian and so two-faced as to talk concurrently about improving the social security of the Nation, is beyond any reasonable person's imagination. Certainly with disaster written on almost every page of the new banking bill, it would be better to talk less of planning, and resort to the trial and error method on all fronts."***

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# Brief News of Iowa Banks

By J. A. SARAZEN  
Field Reporter

**H**UMBOLDT county has three banks, two at Humboldt and one at Renwick, and the following charges are made on checking accounts, which were adopted since the first of the year:

A steady charge is made on all checking accounts of 50 cents per month. Two cents is also charged for every check drawn against the account.

**THE CENTRAL STATE BANK**, Muscatine, makes the following charges on checking accounts:

Fifty cents per month on all checking accounts where two or more checks have been drawn. Three cents for each check written and 3 cents for each check deposited to the account drawn on other banks. As a basis of analysis 4 per cent interest is figured on 80 per cent of the loanable balance.

**THE VICTOR STATE BANK**, Victor, have a minimum service charge of 50 cents per month on all checking accounts. Three cents is charged on each check drawn against the account and 3 cents for each out of town check deposited to the account. If fewer items are drawn or deposited to amount to 50 cents the 50 cent charge applies, if more items are deposited or drawn against the account to amount to more than 50, then the full amount is charged to the account. Illustration: 30 items at 3 cents each, 90 cents.

**CHAS. FRUSH**, vice president, Farmers State Bank, Jesup, spent the winter at Long Beach, California, and is expected back about the middle of April.

**THE BENTON COUNTY Savings Bank**, Norway, is not a member of the F. D. I. C. and reports a steady increase in deposits ever since opening up after the national banking holiday. Deposits increased about \$30,000 in the last year and now are around \$230,000.

**THE WALCOTT TRUST & Savings Bank**, Walcott, had a deposit gain of \$100,000 in the last year and are now nearing the half million mark. Two and one-half per cent interest is paid on deposits.

**E. F. SORG**, cashier, Farmers State Savings Bank, Independence, reports a very substantial increase in deposits since last June when the bank moved into quarters formerly occupied by the Buchanan County National Bank. Deposits were then about \$700,000 and today are about \$1,500,000.

**THE WEST LIBERTY State Bank**, West Liberty, which opened as a new bank last June already have deposits of over \$500,000. Capital is \$50,000, surplus and undivided profits of \$11,000. The rate of interest paid is 2½ per cent.

**R. S. Kirkpatrick**, formerly in receivership work in Iowa City, is vice president and cashier.

**OTTO G. OLSON**, president, Citizens National Bank, Belle Plaine, says he believes in service charges only when not used to excess. His bank charges 50 cents on checking accounts which do not average over \$50.00 per month. No charge is made for checks written. A charge is made of 3 cents on each out of the county check deposited to customers' accounts.

This bank was released from Senate File 111 March 19, 1934, with deposits of \$266,000 and now are over \$675,000 for a gain of around \$400,000 during the past year. Two and one-half per cent interest is paid on deposits.

**THE FARMERS NATIONAL BANK**, Webster City, discontinued accepting deposits on an interest bearing basis over a year ago. Officers say even though no more deposits are accepted on an interest bearing basis deposits continue to increase and we have shown an increase of about \$300,000 in the last year. Total deposits are now around \$1,000,000.

**AT MUSCATINE**, the Muscatine Bank & Trust Company pays 2 per cent interest on savings and six months' C. D.'s and 2¼ per cent interest on 12 months' C. D.'s. Restrictions are made on the maximum amount accepted from any one new depositor on an interest bearing basis which is \$1,000. Maximum amount accepted in any one month on an interest bearing basis is \$250.00 from any one depositor.

**THE NODAWAY Valley National Bank**, Villisca, make the following service charges on checking accounts: Average balance of less than \$100, 3 cents for each check written. Balances \$100 to \$250, 10 free checks, extra 3 cents each. Balances \$250 to \$500, 20 free checks, extra 3 cents each. From \$500 to \$2,500, 25 free checks, extra 3 cents each.

**WATSON ENYART**, who has been with the state banking department for several years, joined the Jasper County Sav-

ings Bank, Newton, as vice president March 1st. He will spend a great deal of his time taking care of the bank's interest on the outside.

**W. T. ROBINSON**, formerly connected with the Citizens National Bank, Hampton, and more recently cashier of the Grinnell State Bank, affiliated himself with the Newton National Bank, as cashier, effective February 10, 1935. **O. L. Karsten**, formerly cashier, is now executive vice president.

**A. J. WARNKE**, deputy manager, Iowa Savings Bank, Marshalltown, said it is expected this bank will be released from Senate File 111 about the middle of April.

**THE TAMA STATE Bank**, Tama, has capital structure of \$20,000 common stock, \$20,000 preferred and \$28,000 surplus and undivided profits.

**F. W. LINDAHL**, formerly cashier of the Commercial Savings Bank, Marion, has accepted a position as assistant cashier of the Center Point Walker Bank & Trust Company, and will spend most of his time at Walker as manager of that office.

**Keith Vawter**, president, will now make his home at Marion, having purchased a home there and moved from Walker March 1st.

**OFFICERS NOW** at the Grinnell State Bank are **C. A. Frasier**, president; **A. J. Blakely**, vice president, and **H. C. McCleery**, cashier.

**C. A. Frazier** came from Osceola, Nebraska, about one year ago.

**H. C. McCleery**, who has been assistant cashier for many years, was elected cashier March 5, 1935, and succeeds **W. T. Robertson**.

**SERVICE CHARGES** in effect on checking accounts at Fort Dodge are as follows:

Maintenance charge, 25 cents; checks on self, none; clearing house items, 1 cent; items on reserve cities, 3 cents.

Other points: .01 to \$9.99, 3 cents. \$10.00 to \$24.99, 4 cents; \$25.00 to \$49.99, 5 cents; \$50.00 to \$99.00, 7 cents; \$100.00 and over, per hundred, 8 cents; checks drawn against account, 3 cents.

As a basis of analysis, 5 per cent interest is figured on 66 2/3 per cent of loanable balance. In other words, if sufficient balance is maintained, all above charges can be offset.



THE STATE BANK, Fort Dodge, has deposits of about \$1,250,000 with cash and due from banks of about \$850,000. The capital is \$100,000 which is common stock.

THE STATE NATIONAL Bank, Iowa Falls, which opened as a new bank May 24, 1933, now has deposits of about \$600,000. This bank is not a member of the Federal Deposit Insurance Corporation. Time money here is less than \$50,000 and savings accounts amount to only about \$8,000.

THE FARMERS SAVINGS Bank, Danbury, make a charge of 50 cents per month to individuals on checking accounts which fall below \$50.00 during the month and on which more than one check has been drawn.

On merchants' accounts a charge of \$1.00 is made if the balance falls below \$100.00. Three cents is charged depositors for each out of town check deposited to the account without the average balance is \$500.00; in that case no charge is made.

THE EXCHANGE STATE Bank, Collins, allows one free check or one foreign item deposited to the account for each average balance of \$10.00 maintained. Additional checks drawn or items deposited are charged at the rate of 3 cents each if sufficient balance is not maintained to absorb these charges.

Illustration: If balance is \$50.00 during the month and five checks are drawn and five foreign items deposited, the charge would be 15 cents on such an account.

THE POWESHIEK COUNTY Savings Bank, Brooklyn, makes a service charge on checking accounts of 3 cents for each check drawn against the account and 3 cents for each out of town check deposited to the account. The only exception is when counter checks are used and in such cases no charge is made for cashing them.

THE FIRST STATE Bank, West Branch, has a service charge on checking accounts which is just a little different than anything I have found and according to F. L. Pearson, cashier, is working out very well.

There is really a distinctly different service charge for individuals and another for merchants. Other than merchants' accounts are handled as follows:

Average balance under \$50.00, 50 cents and 10 free checks allowed. Balances from \$50.00 to \$200.00, 25 cents, with one free check for each average balance of \$10.00. Items in excess of the number in the schedule, 4 cents each. Each out of town check deposit to the account to be counted as checks drawn against the account.

Merchants' and business firms' accounts:

Average daily balance, \$0 to \$49.99, base charge, 50 cents; credit against charges, 40 cents; average daily balance, \$50.00 to \$199.99, base charge, 25 cents; credit against charges, 4 cents for each \$10.00; average daily balance, \$200.00 up, base charge, none; credit against charges, 4 cents for each \$10.00.

Debits against the account are 4 cents each.

AT TAMA, the Tama State Bank makes the following charges on checking accounts:

Accounts falling below \$75.00, 50 cents base charge, five free checks and additional checks, 3 cents each. Accounts going below \$50.00, 50 cents base charge and 3 cents for each check written.

THE WRIGHT COUNTY Bankers Association was reorganized last month, with C. J. Birdsall, cashier, First National Bank, Clarion, as president, and O. G. Uhr, cashier, Security Savings Bank, Eagle Grove, as secretary.

THE FIRST NATIONAL Bank, Clarion, recently installed a Recordak machine to help preserve records and take care of the additional business coming into the bank. This makes about five of these machines in use in the state.

THE MUSCATINE BANK and Trust Company recently adopted a charge of 5 cents per hundred on all transfer drafts on depositors who use accounts for that purpose only. No interest is allowed on

balances when making analysis. This charge is especially intended for chain stores and oil companies who make a deposit and immediately draw a draft for it.

THE IOWA COUNTY Savings Bank, Marengo, is making a service charge of 50 cents on checking accounts falling under \$25.00 during the month. One free check is allowed for each average balance of \$20.00 maintained and additional checks 3 cents each.

THE ROWLEY SAVINGS Bank is using the \$2.00 per year service charges on all checking accounts, payable 50 cents every three months. Five cents is also charged for each out of town check deposited to the account.

THE GRINNELL STATE Bank makes a charge of 3 cents per item on all out of town checks deposited to customers' accounts regardless of the amount or days to clear.

ALL BUT ONE bank in Hancock county has adopted the service charge on checking accounts of \$2.00 per year. One dollar is deducted from the customer's account every six months.

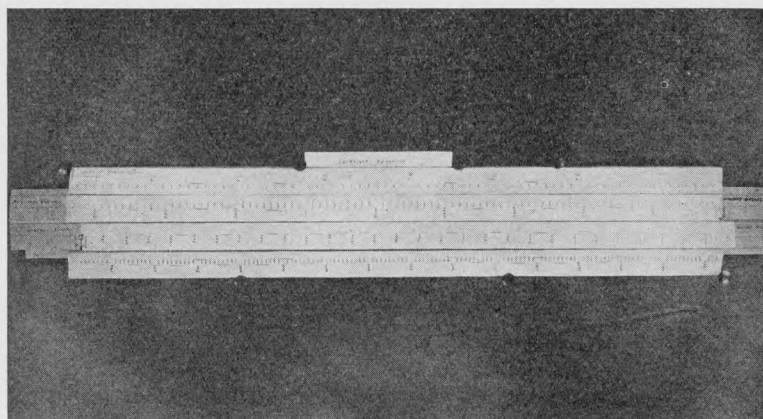
Banks using this form of charge are as follows:

State Savings Bank, Goodell; First National Bank, Klemme; Farmers State Bank, Kanawha; First State Bank, Britt.

The Hancock National Bank, Garner, did not come in on this service charge but instead has the float and activity charge.

Britt and Kanawha also make a charge

## Account Analysis Slide Rule



T. J. BARCLAY, of the First National Bank of Mason City, Iowa, has perfected a system to analyze accounts which has proved most practical, and is a tremendous time-saver. Mr. Barclay analyzes more than three thousand seven hundred accounts per month, just in his spare time.

Illustrated above is the slide rule, specially designed by Mr. Barclay, which he uses to make his analyses. Through the use of the rule, the analysis equation is reduced to simple terms of Balance, Float, and Activity. By setting the slides at those three factors, the rule gives the correct analysis of the account.

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on foreign items deposited to the account which is 5 cents up to \$100.00 and 10 cents for items over \$100.00 or fraction thereof.

THE ROLFE STATE Bank, which opened as a new bank last fall, has deposits of about \$130,000. Capital is \$12,500, surplus \$5,000. This bank does not accept deposits on an interest bearing basis and has no public funds.

SOME BANKERS in Butler and Bremer counties are keenly interested in adopting service charges. These two adjoining counties have done very little in the way of applying service charges and a number of bankers mentioned that they were going ahead and make their own setup very shortly.

BOTH BANKS at Emmetsburg, the Central Savings Bank and the Iowa Trust & Savings Bank, which were organized

in 1929, are running very close on total deposits and footings. Both banks have deposits of around \$1,000,000.

Capital structure is also nearly the same and reserves that both of these banks can be mighty proud of. Capital of the Central Savings is \$30,000, surplus \$30,000 and undivided profits of \$30,000. This bank paid its first dividend of 6 per cent last year.

The Iowa Trust & Savings has capital of \$25,000, surplus \$50,000, and undivided profits of \$30,000.

THE UNITED STATE Bank, Cedar Rapids, had a deposit gain of about \$150,000 during the last year and deposits are now around \$500,000.

THE WALCOTT TRUST & Savings Bank made a profit of \$5,600 last year which was added to the reserves; \$1,500 was made from service charges alone and

service charges here are not at all excessive.

THE GOLDFIELD State Bank & Trust Company paid a 5 per cent dividend the past year. This bank pays 3 per cent interest on deposits, and is a member of the FDIC.

THE FARMERS Savings Bank, Rock Falls, is not a member of the FDIC, pays 3 per cent on deposits. The capital is \$10,000 and deposits \$90,000.

SERVICE CHARGES used by the Citizens Savings Bank, Hanlontown, are as follows: to individuals, accounts averaging less than \$50.00 are charged 50 cents. Business accounts, 10 cents each is charged for the first 15 foreign items deposited during the month and 5 cents for each additional.

MOST BANKS in Hancock county have adopted the charge of \$2.00 per year on all checking accounts. One dollar is deducted from the amount every six months.

Banks using this form of service charge are as follows: State Savings Bank, Goodell; First National Bank, Klemme; First State Bank, Britt; Farmers State Bank, Kanawha.

The Hancock County National Bank, Garner, continued service charges already in effect, which includes float and activity.

Britt and Kanawha also make a charge on foreign items deposited to the account of 5 cents each.

THE FIRST NATIONAL Bank, Thornton, makes the same charge to customers as non-customers for cashing out-of-town checks when the check contains more than one signature. This has stopped non-customers from taking foreign items to merchants for cashing.

## If Your Bank Is Robbed

THE director of the Federal Bureau of Investigation of the United States Department of Justice makes the following statement with regard to the procedure to be followed in communicating with the field offices of the bureau in the event of a bank robbery:

"The Federal Bureau of Investigation of the United States Department of Justice is charged with the duty of investigating violations of the act approved by the President on May 18, 1934, making the robbery of national banks and member banks of the Federal Reserve System a Federal offense. Since the passage of this act the Federal Bureau of Investigation has been handicapped in the investigation of a number of bank robberies due to the delay of the bank in notifying the bureau's field office of the robbery.

"The Federal Bureau of Investigation requests that, in the event a robbery should occur in your bank, immediately after notifying the local authorities thereof, you communicate by telephone or telegraph, collect, with the nearest field office of the bureau, giving that office at the earliest possible time all of the details of the robbery which are available, including a description of the participants in the robbery, the make, color and model of any automobiles which may have been used by the robbers in making their getaway, together with the license numbers of such automobiles and the direction taken by the robbers in fleeing from the bank. In the event it has been observed that the robbers touched any objects in the bank or placed their hands on any furniture or other arti-

cles, such places should be carefully guarded until an opportunity is afforded some competent person to endeavor to develop latent fingerprints which might be thereon. Articles, which may have been left behind by the robbers, should be preserved from promiscuous handling so that any fingerprints thereon will not be destroyed.

"Every member bank of the Federal Reserve System has been furnished with the telephone number of the nearest field office of the Federal Bureau of Investigation, and a list of the field offices of the bureau showing the office address and telephone number is attached.

"It is the desire of the Federal Bureau of Investigation to cooperate with all banks to the fullest extent possible in an effort to identify and prosecute those guilty of bank robberies. Your cooperation in promptly reporting to the nearest field office of the Federal Bureau of Investigation will be greatly appreciated and will be of mutual advantage in these cases."

Field offices of the Bureau of Investigation with which middle western bankers can have quickest communication are:

Chicago—1900 Bankers Bldg. Tel. Randolph 6226.

Indianapolis—506 Fletcher Savings & Trust Bldg. Tel. Riley 5416.

Kansas City—1616 Federal Reserve Bank Bldg. Tel. Victor 3113.

Omaha—629 First National Bank Bldg. Tel. Atlantic 8644.

St. Paul—232 Post Office Bldg. Tel. Garfield 7509.

## Your Radio Program

*Tune in every Saturday evening, 6:45 to 7:00, on Station WHO, Des Moines, and hear the Financial News and Views feature sponsored and presented by The Northwestern Banker, Des Moines. It will be to your advantage to have your customers listen to these programs, also.*



# The Effect of the Proposed Public Utilities Act of 1935 Upon Public Utilities Operating Companies

Memorandum prepared by  
COMMITTEE OF PUBLIC UTILITY  
EXECUTIVES

Philip H. Gadsden, *Chairman*

**T**HIS BILL is not a "holding company bill." It has been generally referred to by that term, but the term is misleading. It is really a bill designed to break down private operation of public utilities and lead to government ownership.

The bill consists of 178 pages of highly complicated and intricate provisions. It is one of the most drastic measures ever submitted to a United States Congress.

Title I would eliminate the holding company within five years. By thus destroying the financial support and the skilled central management of the holding company system, it would seriously weaken the operating companies.

A previous memorandum discussed this phase of the bill and pointed out the ruinous effects which the elimination of the holding companies would have upon the millions of people who put their savings into public utility securities. This memorandum will consider only the provisions of Title II in regard to operating companies, which are of even greater significance.

Title II can be analyzed as follows:

1. It makes the Federal Power Commission virtually the manager of the operating companies, thus nullifying the private initiative and independent management upon which American industry is based.
2. It directly interferes with the principle of state rights and largely sets aside the authority exercised by the state public service commissions.
3. It leaves competing municipal plants entirely free from any regulation whatsoever.
4. It leads directly to nationalization of the entire electric and gas industry.

## *Powers Given to the Federal Power Commission*

The bill would place under the Commission's authority the operating plants which produce 91 per cent of the na-

*The very widespread public discussion which the proposed Public Utilities Bill has aroused has centered almost entirely on that part of the bill calling for the elimination of the holding company. Disastrous as this provision would be, it is of no greater significance than the provisions of the bill relating to operating companies. Under these provisions a Federal Bureau-cracy would not only assume powers hitherto exercised by the states, but would so extend these powers that they would constitute a condition of Government Management without responsibility.*

tional output, as measured in kilowatt hours. It gives the Commission more power over the operating units than has ever been granted to a government commission in connection with any industry, with the one exception of the temporary government control over the railroads during the war.

These powers represent more than a transfer of regulation from the states to the federal government. In addition to the regulation of rates and services heretofore exercised by the state utilities commissions, the Federal Power Commission would become practically the manager of the operating companies. The list of powers is extraordinary. Let us summarize them briefly under the following headings:

- (1) Control of Rates.
- (2) Control of Properties and Management.

### *Control of Rates*

In the bill as introduced, the Commission is given, in effect, control over all

rates. In the hearings before the House Interstate Commerce Committee on March 12, 1935, one of the draftsmen of the bill stated that it was not intended to apply to local retail rates, and that the bill should be amended to make that clear. The Commission's approval is required for all rate changes which are subject to its jurisdiction, and rate reductions may be made retroactive for two years, as to any complainant.

The basis of valuation for rate making purposes is the "prudent" cost of the facilities involved. This is a new idea. It rejects entirely the idea of "present fair value," long established by the United States Supreme Court.

The "prudent" cost is to be determined by the Federal Power Commission in its own judgment. It is a vague term, unrelated to actual cost or to cost of replacement. It may be affected by hindsight or by foresight or by neither.

The power of the federal courts to hear appeals from rulings of the Commission is restricted by the bill. Courts would have to accept the Commission's own record of earlier hearings as the sole basis for their consideration. This would block the introduction of new arguments or new evidence or new facts.

Moreover, the bill would require courts to accept the facts as determined by the Commission, if supported by evidence. The federal district courts, which normally determine the facts, are deprived of jurisdiction under this bill; their normal fact-finding role is absorbed by the Federal Power Commission.

### *Control of Properties and Management*

Innumerable court decisions have barred state regulatory commissions from exercising powers of management. This precedent is overthrown by the pending bill which authorizes the Federal Power Commission to exercise detailed managerial authority. If anyone doubts that

(Turn to page 28, please)

*Northwestern Banker April 1935*

# Radio Program

Presented by the Northwestern Banker, Des Moines, Iowa

## "The Value of Your Checking Account"

*Presented here is the twelfth of a series of weekly broadcasts sponsored by the De Puy Banking and Insurance Publications, put on the air at 6:45 to 7:00 p. m. every Saturday evening over Station WHO, Des Moines. In this program of March 2d, Ralph W. Moorhead, associate publisher of The Northwestern Banker, Des Moines, and the Central Western Banker, Omaha, is interviewed by Francis Robinson, of Station WHO. Featured in this broadcast is a discussion by Fred C. Atkins, assistant cashier of the Bankers Trust Company, Des Moines, on "The Value of Your Checking Account"*

**R**OBINSON: Do you think the average customer appreciates the value of his checking account?

Moorhead: Unfortunately, no. Most of us take the checking privilege more or less for granted. But actually it's of great value to the depositor and one of the broadest services your bank renders.

Robinson: Well, can you tell me something about the advantage of a checking account?

Moorhead: There are many advantages in having a checking account. I believe our audience would like to have them explained by a competent banker. So, we've asked Fred C. Atkins, assistant cashier of the Bankers Trust Company, Des Moines, to discuss this subject with you tonight. May I introduce you to Mr. Atkins, who will be very glad to answer your questions as to "The Value of Your Checking Account."

Robinson: Thanks, Ralph—and good evening, Mr. Atkins.

Atkins: Good evening, Mr. Robinson. Now what do you want to know about your checking account?

Robinson: Well, first of all, what is the real value of a checking account?

Atkins: A checking account offers five advantages. First, it's easier and safer to write checks than to carry large sums of money. Second, you understand that your cancelled check acts as a receipt, don't you?

Robinson: Yes—it's a good receipt.

Atkins: In the third place, your check stubs help you keep an accurate record of your expenditures. Fourth, a well managed checking account improves your credit standing among people with whom you do business. Finally, your regular deposits in your checking account, build up your bank's deposits and help the bank serve your community.

Robinson: I had never thought of that angle. Now, here are some other questions: Just what is a bank check?

Atkins: A check is an order drawn by a bank depositor directing his bank to pay a certain amount of money to a person named as payee, and charging the amount against the depositor's account.

Robinson: What is the difference between an ordinary check and a counter check?

Atkins: A counter check is usually payable to self for cash. It's for use only over the bank counter. You cash such a check by just filling out the amount and writing your signature.

Robinson: Didn't banks change the form of their counter checks a few years ago?

Atkins: Yes, they did, to exempt the customer from paying the two-cent federal bank check tax. Such checks were issued in receipt form and were non-negotiable. The check tax, by the way, was discontinued January 1st of this year.

Robinson: Yes, so I understand. Now, Mr. Atkins, supposing I wish to issue a check but have mislaid my check book. Can I draw up any other form which will answer the purpose of a check?

Atkins: Any order to pay, written in proper form, binds your bank to disburse that amount according to your wishes. A lumber dealer once wrote a check on a shingle. The shingle was negotiated for cash.

Robinson: It's a good thing he wasn't a monument dealer.

Atkins: Well, in any event, you should stick to your regular check form to avoid any difficulties.

Robinson: Here's my next question: How do you define a certified check?

Atkins: A certified check is a customer's check guaranteed by the bank.

Robinson: Is it possible to stop payment on a certified check?

Atkins: No, it's impossible. When a bank certifies a check, it assumes legal responsibility for its payment and the mak-

er's account is charged immediately just as though it had been cashed.

Robinson: Tell me, please, what is the difference between a cashier's check and a bank draft?

Atkins: A cashier's check is the bank's own order to pay, no matter where the item is to be collected. On the other hand, a bank draft is a bank's check payable against the issuing bank's account in another bank. It is, therefore, payable at the correspondent bank, usually located in another town or state.

Robinson: What about the cost of handling checks? Is this a large item of expense to a bank?

Atkins: Yes, it's an expensive item. In the larger banks that handle thousands of checks daily, you'll find several departments with many skilled employes who do nothing but handle checks. They must be equipped, also, with costly machinery to clear your checks promptly and efficiently.

Robinson: Does a bank keep a record of all checks deposited?

Atkins: Oh, yes. Our records are so complete we can trace back to its source, any check we receive, even though the check may be lost.

Robinson: I understand that in the larger cities, banks clear their checks through clearing houses. Can you tell me, what is a clearing house?

Atkins: A clearing house is an organization of several banks in any city or locality to simplify the collection of checks drawn on each other.

Robinson: Well, how is this done through a clearing house?

Atkins: In a city with several banks and no clearing house, each bank must send a messenger to every other bank in the city to present checks for payment. In the larger towns, this would be a long and expensive process. Where you have a clearing house, messengers from each



bank meet at a specified hour, exchanging their checks and settling their differences by clearing house receipts.

Robinson: I can see where this would save a lot of time and effort. Now, how did the clearing house idea originate?

Atkins: Entirely by accident. Back in 1680, two messengers of banks in opposite ends of London met in a tavern one day for a cup of coffee. They found the totals of their clearings were identical, so traded clearings and arranged to meet the following day. Other bank messengers took up this idea, meeting in the same tavern at the same time, to exchange clearings. That's the origin of the clearing house plan.

Robinson: Does a bank on an average day, receive many checks that cannot be paid?

Atkins: Unfortunately, yes. Many people either purposely or otherwise abuse the checking privilege.

Robinson: What is the principal reason for turning down a check?

Atkins: Insufficient funds is the most common cause. Many customers are careless in keeping a record of their balances. On the other hand, some depositors just shut their eyes and write checks, fully aware that they have insufficient funds to cover them. This, of course, is in violation of the law.

Robinson: Can you explain, please, what's meant by an "overdraft"?

Atkins: An overdraft occurs when a bank pays a check against insufficient funds, either by mistake or by previous agreement.

Robinson: How do you handle overdrafts?

Atkins: The maker of the check is notified at once. This is always an unpleasant task for the bank. Invariably, the writer of the overdraft believes special attention should be given his case. The bank, however, must treat all depositors alike.

Robinson: Mr. Atkins, how can payment be stopped on a check?

Atkins: Notify the bank on which it is drawn that you wish payment stopped and it will be returned, marked "payment stopped."

Robinson: Do you have many "stop payment" requests?

Atkins: Yes. The number of such requests is almost unbelievable.

Robinson: What is the usual cause for such requests?

Atkins: Ordinarily it's the loss of a check, either misplaced, lost in the mail or accidentally destroyed before it's paid.

Robinson: What should I do if I want to stop payment on a check?

Atkins: First, call at your bank and find out whether the check has been paid against your account. If it hasn't been paid, then issue a stop payment order in

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# NEWS AND VIEWS

## OF THE BANKING WORLD

By Clifford De Puy

I HAVE JUST RETURNED FROM A TWO MONTHS business trip through the East and during that time called on all of the larger banks and insurance companies from Chicago to the Atlantic coast. In all of my contacts I found only two executives who approved of the Roosevelt policies in toto. All of the others expressed the opinion that the administration is putting too much emphasis on REFORM and not enough on RECOVERY, but that in spite of administration hurdles which are many and difficult, that the United States would continue to go forward in the months ahead.

L AURITZ G. HAUGEN, assistant vice president of the City Bank Farmers Trust Company of New York, invited me to have lunch with him in the private dining room of the National City Bank while I was in New York. Mr. Haugen is the son of the late Congressman Haugen of Iowa, who was co-author of the McNary-Haugen bill.

Larry Haugen is in constant touch with the political situation in Washington, giving especial attention to banking legislation.

G ENERAL HUGH JOHNSON proved to be a master debater when he poked his rhetorical pins in the fallacious economic balloons of Father Coughlin and Senator Long, and gave expression to his feelings by saying:

"There's less national harm in 100 of our worst gunmen than there is in these two political racketeers. I feel so strongly on this subject that without any strings of any kind, I should like to pledge myself to fostering a non-partisan, non-political nation-wide movement to exterminate the influence of this pair of political termites."

W ALKER D. HANNA, president of W. D. Hanna and Company, Investment Bankers of Burlington, has been named Republican Committeeman from the First Congressional District of Iowa, subject to approval of the State Party Committee.

Mr. Hanna has long been active in the affairs of the Republican Party in his district and the state and brings to his new position a thorough understanding of the business and economic needs of his territory.

N OW THAT THE INCOME TAX REPORTS have all been filed, I wish some of the literary-inclined brain-trusters would rewrite the income tax blanks in common, ordinary, every-day, understandable English! Or perhaps I am wrong, but if so, will you kindly give me your interpretation of this "clear and concise" paragraph:

"The surtax on any amount of surtax net income not shown in the table below is computed by adding to the surtax for the largest amount shown which is less than the income, the surtax upon the excess over that amount at the rate indicated in the table."

SOME OF THE HARVARD BOYS don't seem to think so much of DICTATOR HITLER. At least the National Students League of Harvard University demanded that the wreath placed in Appleton Chapel in memory of Germany's war dead be removed at once. The wreath bearing the swastika emblem was placed by BARON KURT VON TIPPELSKIRCH, German consul general in Boston.

The League's protest said: "The National Student League of Harvard University demands the immediate removal of the Nazi wreath in Appleton chapel.

"That the friends and representatives of the Hitler government should dare to lay this swastika wreath in the name of peace at the precise moment when Hitler throwing aside all pretense, is arming his enslaved nation to the teeth is a fitting sign of the obscene hypocrisy which is typical of Fascist decay."

I N SPITE OF ALL THE VILIFICATION which has been poured on the heads of the banking fraternity of the country, the experience with the R.F.C. has shown that the banks have paid back more of the money which they have borrowed than any other group. Out of loans aggregating \$1,800,000,000, bankers have paid back \$1,200,000,000.

The railroads have been the poorest pay and out of \$450,000,000 borrowed, they have only paid back \$70,000,000.

All of which is only additional proof that when the complete banking story of the last five years is written, it will show up a great deal better than many have anticipated.

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# ARE WE GOING TO HAVE INFLATION?

(Continued from page 8)

duced or forced to take payment in currency. Butter was selling at \$12 a pound; tea at \$90; coffee at \$12, and flour over \$1,500 a barrel. Hence the expression, "Not worth a Continental."

France went through a similar situation, when immediately following the French Revolution 400,000,000 francs were issued, known as "Assignats," deriving their name from the assignment of certain confiscated church properties, as security for the franc, and although the original issue was 400,000,000, by the autumn of the same year, 1790, an additional amount of 800,000,000 francs were issued under a solemn promise that this would be the last and by 1796, the total amount outstanding had reached the staggering sum of 45,000,000,000 francs.

Coming down to a later date, you are all familiar with what has recently happened in our own generation with France and Germany; particularly, Germany. I will touch on this very lightly as it is all fresh in our memories. Suffice it to say, that before the war, the total money in circulation in Germany had averaged 6,000,000,000 marks. By 1924, after the printing presses had been running, the authorized circulation was 518 billions of billions. No wonder that a box of matches sold for approximately 6 billion marks.

Please do not get the impression that I anticipate that we will ever have inflation in this country, either credit or currency, to an extent such as happened in Germany, or even in France. But I wish to point out the greatest danger of inflation, particularly currency, is that as money decreases in value, prices rise, expenses increase, more is required, and as requirements increase, more is printed, each time at a lessened value.

## *Its Effect*

*How will it affect the average man?* Living costs will continue to rise but the wage earner and the man with a fixed income will not keep apace. That is evidenced by the fact that although commodity prices have advanced 33.6 per cent, wages have only advanced a maximum of 20 per cent. There is always a lag. Business will prosper but it will be a false prosperity, as it will not be maintained.

It is frequently said that once inflation starts, you cannot stop it. This is not true, for we have many examples before

us of countries, which checked their periods of inflation and brought it, at least, to a temporary standstill, but if it is the will of the people to continue a prosperity, which they do not realize is false, and the Administration hasn't the courage to halt what they realize can only bring disaster, will they listen to the voice of the people, or court disaster?

Today, most of us are not only debtors but creditors. We have debts in the way of mortgages, business and personal obligations and the popular opinion is that with inflation these debts will be paid in a depreciated dollar, but don't lose sight of the fact that savings, insurance policies and all debts owing to us will be paid back in the same depreciated dollars. This is one reason why prices of tangible goods rise so rapidly because immediately inflation becomes rampant, there is a mad scramble to turn cash into something tangible before the cash depreciates further. The farmer would benefit materially as his income is derived from the price he receives for his products and this would keep apace and probably run ahead of his living costs; whereas, the wage earner's compensation would lag behind.

## *Its Control*

We all know that many crimes have been committed by big business. But, it is not good business to disrupt the entire organization because one department has been mismanaged, particularly, at a time when the business is losing money and there is a question about its future, and the executives are all discouraged. We have heard much about what can be done to control inflation. The ability to do this will be in the hands of the government, but can and will our government do it? Will we be able to regulate our actions when everything appears prosperous?

Was France able to do it from 1914-27, when it had unbalanced budgets; large government borrowings from her central banks, rehabilitation expenditures; panics and crises? The French people, nor the government were able to stop the mad rush to more and more inflation. This kept on until it ran itself out and confidence was again restored by revaluation of the franc at about 20 per cent of its original value.

By the time inflation is at a white heat, there is no doubt measures will be enacted which should enable our government to

put on the brakes. The big problem is, "Will the brakes be applied?" Inflation is like a shot in the arm. It's easy to take but hard to stop. When you become slowed down, another shot peps you up again and so it goes, until it becomes a habit. As shots of inflation are given, the public receives the pleasant effect and demands more and more. Let me again point out that as history shows, the great danger of inflation is—can and will it be controlled?

If all these measures that tend toward inflation have been going on, you can rightly ask the question, "Why isn't inflation more pronounced?" The answer is that there are presently many retardants that act as brakes, chief of these being fear and uncertainty. If these two were removed, the vast reservoir of credit would be released and business men would avail themselves of credit opportunities and push ahead, once they had some idea where they were going.

Methods by which individuals can counteract the ill effect of inflation are as follows: Exchange money for commodities, real estate and common stocks. This, however, is not quite so simple as it sounds. While we believe commodity prices will continue to rise over the next few years, that industrial production will have a sharp advance, that real estate will revive and prices advance, that common stocks will perhaps double—there is the matter of *what, when and how to do it?*

Personally, I don't think we need inflation. There is such a back-log of business requirements, built up over the last four or five years that if industry once could have confidence restored to the extent that it was not going to be legislated out of business—in other words, if the government would let business alone, stop kicking it when it is down and defer a number of the panaceas until such time as normal forces have restored business to some degree of health, the necessity for artificial measures would cease. Threatened government ownership of railroads, the threat of government control of banking, the proposed Rayburn bill to eliminate holding companies—all of these are confidence disturbing factors.

Don't kill the patient; help him to get well and in an effort to help him, don't give him Castor Oil for a broken leg.

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# A Letter That A Country Meat Packer Might Write To His Banker:

Dear Fred:

I'm writing you because we're both interested in the business future of towns in the Corn Belt—towns with populations of anywhere from a few hundred up to a hundred thousand people. We're both interested in the welfare of farmers whose trade helps keep these towns alive. I want these farmers to prosper and to continue in the business of raising livestock. You want them to prosper because that means prosperity for the men served by your bank.

Due largely to paved roads, truck transportation and other economic factors, the interior or direct markets have been receiving more and more of the farmer's livestock business—business that formerly went by rail to the central markets. Farmers like to sell direct to their local markets for a number of very good reasons, chief among which is the fact that they save considerably in marketing expense, and eliminate some of the risks and losses. As a result, country packing houses have been growing steadily. They have built additions to their plants, furnished more employment, and have become an important factor in the prosperity of many moderate-sized Corn Belt towns.

A few years ago, packing houses located at the big central markets discovered that they weren't getting as many hogs as formerly. The country packers were intercepting so many hogs at their source that the central market packers sometimes found themselves short of slaughter supplies. They immediately went out into the country to compete for the hogs. The result was that instead of the farmer having to ship his livestock long distances to market, he found that the market had been brought to his farm gate. Today, he has numerous local outlets available to him, and incidentally, he has competition of the keenest sort, right out in the country. Remember, he still has access to the central markets exactly as before. Can you imagine a more desirable set-up for the farmer?

To illustrate: The Extension Service of Iowa State College analyzed the records of an Iowa cooperative livestock shipping association for the period December 1, 1933, to December 1, 1934, and found that the manager of this association, by selling direct to local outlets had netted for his patrons an average of 13 cents per hundred pounds over the Chicago top for the entire period on all classes and grades, all expenses considered. I am not citing this example as proof that the local markets always offer the highest net dollar. I do feel, however, that the favorable experiences of many who sell direct prove that producers should be left free to select the markets they like best and that the saddling of red tape and consequent additional expense on direct marketing cannot but react to the disadvantage of producers.

I suppose you are wondering why I am telling you these things. Well, here's the reason. In spite of these facts and the many others established by the Bureau of Agricultural Economics of the U. S. Department of Agriculture, there is still considerable discussion about this matter of direct marketing.

Knowing that you like to keep posted on such things, I have pointed out a few of the facts in this letter. Now, if you would like to go into the matter more completely, drop a letter to the Association to Maintain Freedom in Livestock Marketing, 515 Insurance Exchange Bldg., Des Moines, Iowa. They will send you a summary of the the recent report on direct marketing of hogs, by the Department of Agriculture. I know some of the facts established by government experts will not only interest you but surprise you.

Very truly yours,

JOHN.

**P R U D E N T   b u s i n e s s   m e n,  
careful not to take unneces-  
sary risks, always observe the  
old adage:**

“Never give your check to a  
stranger.”

**T h o u g h t f u l   b a n k e r s   a v o i d  
preventable delay and need-  
less risk of loss by routing  
their c u s t o m e r s’ checks  
through an institution widely  
and favorably known for its  
excellent collection facilities.**

...THE...

## **PHILADELPHIA NATIONAL BANK**

ORGANIZED 1803

PHILADELPHIA, PA.

Capital, Surplus and Profits-----\$34,000,000

### **Quarterly Dividend**

The board of directors of the Guaranty Trust Company of New York has declared a dividend for the quarter ended March 31, 1935, of \$3 per share, payable on April 1, to stockholders of record March 8th. This represents a disbursement of \$2,700,000 for the quarter. William C. Potter, chairman of the Company, in announcing the action of the board, stated that it was occasioned by the desire to adhere to a conservative disbursement policy following reduction in earnings due to low prevailing rates of interest, the continuing inactivity of security markets, and the lack of use by business of the superabundant bank credit available.

### **Soaked Again**

The spending of \$15,000 of Minnesota money, which amount was consumed in the trial several months ago of several officials of the Northwest Bancorporation, and which resulted in an acquittal for the defendants, was just another way of “soaking the taxpayers,” according to W. A. Syreen, a representative of that state.

The trial was held in Clay County, Minnesota, and a legislative bill originally call for \$30,000 to reimburse the county for the cost of the trial. This amount was later reduced, however, to \$2,700.

### **So What?**

R. S. Hecht, president of the American Bankers Association and chairman of the board of the Hibernia National Bank, New Orleans, announced the special committee of the Association which goes to Washington to confer with leaders of Congress and Administration officials in regard to changes in the proposed Banking Act of 1935.

This committee consists of Rudolf S. Hecht, president American Bankers Association, and chairman of board Hibernia National Bank, New Orleans; Robert V. Fleming, first vice president American Bankers Association, and president Riggs National Bank, Washington, D. C.; Tom K. Smith, chairman of Committee on Banking Studies of the Association, and president Boatmen's National Bank, St. Louis; W. W. Aldrich, member of the Committee on Banking Studies of the Association and chairman of board Chase National Bank, New York City; Ronald Ransom, chairman of Federal Legislative Committee of the Association and executive vice president Fulton National Bank, Atlanta.

On behalf of the Administrative Committee of the Association, Mr. Hecht issued the following statement:

“The Administrative Committee and the Executive Committee on Banking Studies of the American Bankers Association in joint session have made a care-



ful analysis and study of the proposed banking bill of 1935. While the committees realize that certain provisions of Title I of the pending bill affect adversely the larger banks, and that other provisions of the bill are not entirely acceptable to some of the (Federal Reserve) non-member banks, they believe that the aims and purposes expressed in the provisions of Titles I and III of the bill are in the main in the public interest.

## Dividend

The regular quarterly dividend of 45 cents per share has been declared on the capital stock of the Chemical Bank & Trust Company, payable April 1, 1935, to stockholders of record March 9, 1935.

## R. J. Friss and Company

R. J. Friss & Co., Inc., Chicago, recently completed a comprehensive survey and analysis of the assets and potential work-out of a representative Joint Stock Land Bank. According to information and figures derived, it is their conclusion that the prospect generally of the bonds of these banks being redeemed at *Face Value*, with interest, is contingent upon a policy of *voluntary cooperation* between management and bondholders. Underlying assets can not be liquidated to the best advantage without careful handling; some are *quick*, some *slow*, many involve *losses*, and some are *worthless*. The business of these banks, from making loans and issuing bonds, has changed into large refinancing, land selling and farm maintenance organizations, *legally* in the process of liquidation.

Bondholders have a predominant claim upon the assets of these banks which can not be disregarded. Nevertheless, abnormal economic developments are affecting bondholders adversely and while arbitrary compromises do not appear necessary, intelligent safeguards in the premises are incumbent. The fallacy of emergency measures enacted by Congress is that *good* loans of these banks are being lost to the inherent detriment of bondholders, and if and as farm values improve *other* loans will be refinanced and property sold, leaving *poor* loans and unsalable property as the likely inheritance of apathetic bondholders. Nor, in their opinion, do so-called Farm Relief Bills being introduced in Congress attempt to remedy inequalities. During the past year market prices of bonds have shown considerable advances and many bondholders are misled into the belief that their bonds now are worth *par*. To be lulled into this belief and retaining bonds, simply because no other investment yielding a comparable return is obtainable, in effect makes it possible for bondholders who take advantage of the situation, *marketwise*, to obtain more than their

warranted share of current underlying equities securing outstanding bonds.

It is unfortunate perhaps that banks resorted to purchases of bonds to keep themselves currently solvent, instead of following a policy of liquidation more in harmony with the best interests of bondholders generally. Thereby forces were set in motion which operated contrarily and high prices of bonds resulted, not so much because of the improved status of these banks but mostly because of the speculative opportunity for profit that was engendered. Though bonds bought by banks help them and assist liquidation, bonds resold elsewhere are an impediment since banks, obviously,

must pay higher prices to acquire them. Bona fide investors whose bonds were dislodged at lower prices now are disgruntled, while others, influenced by the upward trend, apparently are disinclined to surrender bonds below *par*. Banks, when revenues are deficient and assets can not be liquidated productively, *must* obtain bonds for retirement at prices that offset, and when levels of bond prices are too high banks are checkmated; unless this condition is relieved by voluntary arrangement, as we construe the alternative likelihood, *receiverships* or *conservatorships*, in many cases, are indicated.

*Book values of assets* underlying each



## "Glad to See You!"

When our officers greet correspondent customers, both formality and back-slapping familiarity are conspicuously absent. Fortright and friendly, our relations are the natural outgrowth of long acquaintance and shoulder-to-shoulder work on

common banking problems. The First of Minneapolis has enjoyed the friendship and confidence of three generations of Ninth District bankers. Only superior service to correspondents could make and hold so many good and loyal friends.

## FIRST NATIONAL BANK and TRUST COMPANY OF MINNEAPOLIS

*Department of Banks and Bankers*

M. O. Grangaard, V. P. • C. B. Brombach, A. C. • W. A. Volkmann, A. C. • J. J. Maloney, Rep.  
Bank Advisory Division, K. T. Martin • L. C. Vobayda

AFFILIATED WITH FIRST BANK STOCK CORPORATION

*Northwestern Banker* April 1935

\$1,000 bond unit (\$1,000 bond plus Notes Payable pro rata) govern the *per cent* at which *assets* must be sold to produce \$1,000 for each \$1,000 of *debt* principal. Concurrently, this factor must be combined with the basic *ratio* the bank is deficient in *earnings* per each \$1,000 bond unit. *Capital stock liability*, while assessable up to the par amount issued, is disregarded because of the questionability of collection, and *only* in receivership can enforcement be attempted. Technically, therefore, when bonds cannot be bought within the determined *earning*

*ratio price*, in order for the bank to maintain solvency, the increment must be absorbed in the *price realized* by them upon the sale of *assets*.

### Business Better

Business is definitely better now than at this time last year. Practically every industry is increasing sales, earnings moderately higher profits. Complete figures for January show that the index of industrial production was at the highest January level since 1930.

The fact remains, however, that in the view of many competent observers, fundamental conditions are unchanged, and all that is keeping us going is government spending.

It is true that 10,000,000 men are out of work, are being supported by relief—about the same number that was unemployed two years ago, when the great recovery drive started. That is the most ominous fact the country faces now.

### Dividend

First Bank Stock Corporation, Minneapolis, announced that the regular semi-annual dividend of 10 cents per share will be paid on April 1, to stockholders of record, March 20th. On the basis of 3,083,894 shares now outstanding in the hands of approximately 18,000 stockholders, this distribution will total \$308,389. This is the twentieth consecutive dividend paid by the Corporation, the first seventeen of which were made on a quarterly basis and the balance semi-annually.

### Nebraska Group Meetings

The Spring Group Meetings of the Nebraska Bankers Association have been arranged as follows:

April 22nd, Group 2 at Columbus.

April 22nd, Group 3 at Norfolk.

May 20th, Group 6 at Alliance.

May 21st, Group 7 at Ogallala.

May 22nd, Group 5 at Ord.

May 23rd, Group 4 at Holdrege.

May 24th, Group 1 at Lincoln.

Special cars will be provided for the trip to make the meetings at Alliance, Ogallala, Ord, Holdrege, and Lincoln on five successive days. Reservations for this trip can be made with William B. Hughes, 420 Farnum Building, Omaha.

### Code Laws vs. Economic Laws

The President has stressed the need for more adequately applying the fundamental principles of the anti-trust laws to NRA codes.

Many of the codes have violated anti-trust laws and the result has been either unjustified price gains, or the squeezing out of small businesses which could not survive, once the opportunity of offering lower prices was denied them.

It seems to be an inescapable fact that efforts to eliminate the ancient laws of supply and demand are doomed to failure.

### Pays Dividend

At the meeting held March 19th, of the board of directors of The Northern Trust Company of Chicago, the regular quarterly dividend of \$4.50 was declared payable April 1, 1935, to stockholders of record as of March 19, 1935.

## A GENERAL BANKING SERVICE



## COMMERCIAL HATCHERIES

SUPPLY FIVE HUNDRED MILLION BABY CHICKS  
EACH YEAR TO THE FARMS OF AMERICA

THE DROVERS BANKS SERVE MANY COMMERCIAL  
HATCHERIES THROUGH THEIR LOCAL BANKERS

## DROVERS NATIONAL BANK DROVERS TRUST & SAVINGS BANK

Union Stock Yards - CHICAGO

Northwestern Banker April 1935



# Bonds and Investments

## How One Bank Made Its BOND ACCOUNT PROFITABLE

IT IS readily apparent that the governmental plan of easy money will continue for an undeterminate period. Perhaps its most distinct effect is felt in the need of banks for investment media. Where previously, bank reserves, both primary and secondary, ranged between 20 and 35 per cent of deposits, they now are 50 to 70 per cent of deposits. Deposits, although rising more slowly now, continue to rise, whereas loans are being liquidated. Interest on deposits has been lowered, which makes investment of excess funds in high grade short term issues possible. A yield of 1½ per cent is attractive when funds costing little, except safety of principal, are available. Such situations seem to be the salvation for banks at the moment. The effect on the bond market, however, is marked by the persistence of prime quality obligations to hold their top prices in face of continued meager earnings and business improvement.

Standard Statistics report that, "The primary motivating force behind this insistent investment demand . . . is unquestionably the huge and still growing total of idle funds pressing for employment." At the same time private refinancing in cases where existing bond issues can be called, continues to shrink the existing supply of investment issues while federal securities regulations choke off public financing of new credit issues.

A recent article in *Barrons* entitled, "Are Bonds Too High?" points out that, while there are reasons to believe that a protracted era of low yields is at hand, still arguments for an evacuation of high levels are sound enough to assure only the uncertainty of the length of time which these levels are held. This outlook creates a problem of investment even more com-

By VERNON L. GRANT

Manager Trading Department  
McMurray, Hill & Company  
Des Moines

plicated than bankers have heretofore faced. Many banks, having been able to eliminate speculative issues from their portfolio, are anxious to solve this new problem intelligently.

Never was there a better example of the statement: Banks are necessarily forced, by the very nature of their business, to invest when bonds are high and to liquidate when bonds are cheap. The bond portfolio today must be converted into cash—thence to the note case tomorrow. But the business expansion which occasions this profitable conversion also occasions competition for capital, reducing money rates. Even normally, then, intelligent investment in bond portfolio goes hand in hand with the basis for profitable operation of a commercial bank.

I use, in the following study, as an example, in pointing out the factors that my associates and myself believe must be considered in the formulation of an account containing the essence of safe, profitable use of reserve funds in the bond portfolio today, the actual figures taken from a report of recent date of the account of one bank which we believe has been ideally designed. We have been instrumental, having had full cooperation by the bank's management, in directing the investment of the reserves.

The first consideration in designing the bond portfolio is its size. Normally the account will be 2 to 2½ times the capital funds of the bank. The type of business the bank does will dictate this consideration. If the majority of its loans are of a



VERNON L. GRANT

commercial nature the normal relative size of the bond portfolio may fluctuate between 2 and 3 times capital funds. In times such as the current period, an excess bond account may be set up containing short term issues of extreme liquidity.

It is, we believe, of great importance, to concentrate the funds in short maturities. Maturity diversification and a high quality of investment will lend equal strength and stability to the bond portfolio.

The bank whose account is used as an example showing practical application of these considerations has the approximate balance sheet totals, as shown in Exhibit No. 1.

### EXHIBIT NO. 1 ASSETS

Cash .....	\$ 600,000
Bonds (Municipal, Corporation, Ex. Governments) .....	233,500
Loans and Discounts .....	700,000
Other Assets .....	142,500
	<hr/>
	\$1,675,000

### LIABILITIES

Capital and Surplus .....	\$ 175,000
Deposits .....	1,500,000
	<hr/>
	\$1,675,000

The ratio of the bond account is less than 1¾ times capital funds and this is reflected by the large amount of cash on hand which totals 40 per cent of deposits and 3.42 capital funds. Further extension of this account, however, is being designed along the lines herein set forth.

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### EXHIBIT NO. 3

	Par Value	Cost
(1) \$53,000 Municipal Obligations .....	20.5%	20.9%
51,000 Industrial Mortgages .....	21.7	22.0
53,000 Equipment Trust Certificates .....	22.6	23.4
60,000 Railroad Issues, Underlie .....	25.6	23.8
15,000 Underlying Public Utility Issues .....	6.6	6.7
8,000 Terminal Mortgages .....	3.0	3.2
	<hr/>	
(2) AAA	Par %	Cost %
AA	\$ 52,000—22.8%	\$ 54,306.00—23.2%
A	136,000—58.5	137,949.40—59.0
B1+	25,500—11.0	26,628.64—11.3
B1	15,000— 6.4	11,484.50— 4.5
	5,000— 2.1	4,425.00— 1.7

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The bond account of \$233,500 has an average maturity of two and one-half years. Further 77 per cent of the total amount matures prior to, or on, June, 1937. By this sort of maturity diversification, in excellent proportion, protection against either a higher or lower level of money rate is afforded.

Inasmuch as the outlook for medium grade issues has not been clear, because of their dependency on individual improvement of business or future clarity of governmental policies only a very small proportion of issues having a rating lower than "A" have a place in this account. Less than 2 per cent of the bonds maturing on or before June 1, 1937, have a rating lower than "A." The rating on one issue maturing serially each year to 1937 is B1+; this rating being accorded because of the small size of the issue rather than for lack of other investment qualities. Less than 10 per cent of the entire account has a lower than "A" rating, all of these being rated B1+. Some of these issues represent investment prior to the depression for which no reason can be seen for immediate liquidation. The important factor is to keep the proportion of medium grade issues to total group low and to carefully analyze these for weakness.

From the standpoint of diversification this account contains a coordination of industry and maturity diversification which is most efficient. The Municipal and Equipment Trust issues appear to be relatively higher in price than are the Industrial, Public Utility and Railroad groups. Thus the shortest term maturities are made up principally of the higher priced group—Municipals and Equipment Trust obligations. Approximately 50 per cent of the \$46,500 bonds maturing in 1935 are Municipals or Equipments carrying an "A1" rating; over two-thirds of the \$74,000 bonds maturing in 1936 are of those two groups.

Exhibit No. 2 is a schedule showing the above mentioned factors in this account:

1935		EXHIBIT NO. 2	
\$20,000	Railroad	.....	A1
5,000	Equipment Trust	.....	A1
2,000	Industrial	.....	B1+
19,500	Municipal	.....	A—A1
<hr/>			
\$46,500	or 20 per cent of total		
1936			
\$10,000	Railroad	.....	A1
33,000	Equipment Trust	.....	A1—A1
11,000	Industrial	.....	B1+—A1
20,000	Municipal	.....	A—A1
<hr/>			
\$74,000	or .32 per cent of total		
1937			
\$ 6,000	Municipal	.....	A—A1
5,000	Equipment	.....	A1
18,000	Industrial	.....	A—A1
10,000	Public Utility	.....	AAA
<hr/>			
\$39,000	or 13 per cent of total		
1938			
\$ 2,000	Municipal	.....	A1
20,000	Railroad	.....	A1—A1
5,000	Equipment Trust	.....	A1
<hr/>			
\$27,000	or 12 per cent of total		



1939			
\$ 7,000	Terminal .....	AAA	
10,000	Industrial .....	A1	
\$17,000	or .08 per cent of total		
1940			
\$ 5,000	Railroad .....	B1+—A1	
5,000	Industrial .....		
\$10,000	or .05 per cent of total		
1941			
\$ 5,000	Equipment Trust .....	A1	
	or .03 per cent of total		
1945			
\$ 5,000	Public Utility .....	A1	
	or .03 per cent of total		
1948			
\$ 5,000	Industrial .....	B1	
	or .02 per cent of total		
1949			
\$ 5,000	Railroad .....	B1+	
	or .02 per cent of total		

Exhibit No. 3 shows percentage diversification (1) as to industry, with both the percentage of par value to total par and of cost to total cost, (2) Rating diversification percentages. It will be seen that the proportion of medium grade bonds are even more insignificant from a cost percentage standpoint.

Following is enumerated the figures of each group making up the total portfolio:

**MUNICIPAL GROUP**—Total amount, \$47,500 par value; average cost is 103.246 per \$1,000; average yield, 1.95 per cent; average maturity, using the option date, is one year and one month. The issues making up this group are: \$35,000 county obligations within the state, \$11,000 city obligations of other states all having ratings of "A" or "Aa."

**EQUIPMENT TRUST GROUP**—Total amount, \$53,000 par value; average cost is 103.94 per \$1,000; average yield is 2.20; average maturity is two years and two months. All issues in this group carry a rating of "Aa" or "AAA."

**INDUSTRIAL GROUP**—It is a matter of record that the mortgages of industrial concerns fluctuate more market-wise than underlying mortgages of utilities or railroad companies. For this reason it is imperative that either the industrial bonds be secured by a wide margin of asset value as well as strong trust indenture provisions which provide for adequate sinking funds and/or a wide margin of earnings as measured by earnings to interest charges ratios. The following industries are represented in this group: (1) Publications, (2) Steel manufacturing, (3) Electrical manufacturing, (4) Food industry, (5) Investment trust. Average par value, \$51,000; average price per \$1,000 is 101.50; average yield is 4.60; average maturity is three years and nine months. Only \$5,000 par value of this group carry a "B1" rating, the rest being "A" to "AA."

**PUBLIC UTILITY UNDERLYING MORTGAGES**—Without going deeply into the public utility question, we feel that the belief held generally by investment

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counsel for our large institutions is well founded. They have expressed the belief that senior obligations of operating utility companies, particularly those whose income is derived in the large by distribution of electric power, light and gas, rather than by the manufacture of it, whose investment is reasonable and earnings reasonably stable, whose rates are normal and whose auditing principles sound, are not going to be influenced harmfully by governmental efforts to regulate holding company operations. These conditions fit in a general way the issues in this account: Total par value, \$15,000; average cost per \$1,000 par is 102.68; average yield is 3.15 per cent; average maturity five years. Ratings on \$10,000 is "AAA" on \$5,000 is "Aa."

**UNDERLYING RAILROAD ISSUES**—In normal periods it has been readily assumed that the senior obligations of railroad and utility companies

were more stable than any other group because of the large amount of physical property pledged under the mortgage. In the last analysis, however, the security of principal depends on earnings. This statement has been proven during the four years of deflation we have witnessed. Further, it would be proven during an inflationary period due to the rapidity of rise in cost versus the slower rise in service rates.

It is necessary to choose issues in this group with care. In this account cash funds have been invested on important sections, of the stronger rail systems; which issues were outstanding in relatively small amounts and which as further security are guaranteed by the parent company. Usually these are issues of long standing and their past records can be scrutinized. Further, issues of medium-short maturities with good ratings were required. Some issues in this group were

acquired through exchange of other issues of other industry not so well rated or secured. This accounts for a slightly larger percentage of par value to total par value of the account. In selecting the medium grade rails it has been the policy to choose those with a strong mortgage position and a brightening earnings future. Total par value of this group is \$60,000; average cost per \$1,000 is 94.75; average yield is 6.20 per cent; and average maturity is three years and six months. Ratings for the group are \$10,000 "A1," \$40,000 "A1," and \$10,000 "B1."

**TERMINAL ISSUES**—Total par value \$7,000; average cost per 100 is 104½; average yield is 2.90 per cent; average maturity is four years and three months. Rating "AAA."

The total account has total par value of \$233,500; average price per 100 of 100.83; average yield of 4.25 per cent; average maturity of two years and six months.

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# Primary Road Refunding Bonds

—obligations of the issuing  
IOWA COUNTIES

**P**RIMARY roads in Iowa are constructed by the counties under State supervision. Bonds for financing the costs are direct and general obligations of the respective issuing counties but the State Primary Road Fund is annually budgeted so that allotments from it are made each year by the State to the several counties and used by them to pay the annual principal and interest requirements of the bonds.

The Primary Road Fund, supported by gasoline taxes, and motor vehicle fees, averaged in the five-year period 1930-1934, \$16,340,044.42 according to reports from the Iowa State Highway Commission, and in 1934 amounted to \$14,513,823.07. It is officially reported by the Commission that when and if, during the next few years, the refinancing plan authorized by the General Assembly of Iowa is fully carried out, the annual requirements for principal and interest of all presently existing Primary Road indebtedness of all the counties in the State will be between \$8,000,000 and \$8,250,000.

*Exempt from all present Federal Income Taxation and, in the opinion of the Attorney-General of Iowa, exempt from the Iowa State Income Tax; also exempt from Personal Property Taxation in the State of Iowa and eligible, in our opinion, as security for Postal Savings Deposits.*

\$ 423,000 Black Hawk, (Waterloo) 2's 1936-44	\$ 880,000 Linn, (Cedar Rapids) 2½'s 1943-49
306,000 Carroll, (Carroll) 2's 1936-44	300,000 Lucas, (Chariton) 2¼'s 1936-48
244,000 Clarke, (Osceola) 2¼'s 1936-44	855,000 Mahaska, (Oskaloosa) 2½'s 1936-49
763,000 Clinton, (Clinton) 2½'s 1939-49	200,000 Muscatine, (Muscatine) 2½'s 1944-49
453,000 Des Moines, (Burlington) 2¼'s 1936-48	491,000 O'Brien, (Primghar) 2's 1936-45
1,240,000 Dubuque, (Dubuque) 2½'s 1936-48	765,000 Page, (Clarinda) 2½'s 1936-49
360,000 Hamilton, (Webster City) 2¾'s 1946-49	353,000 Polk, (Des Moines) 2¾'s 1946-49
656,000 Harrison, (Logan) 2¼'s 1936-48	375,000 Wapello, (Ottumwa) 2¼'s 1936-49
638,000 Jackson, (Maquoketa) 2¼'s 1936-49	491,000 Washington, (Washington) 2½'s 1936-49
185,000 Jasper, (Newton) 2's 1936-44	473,000 Webster, (Fort Dodge) 2½'s 1946-49
320,000 Kossuth, (Algona) 2's 1938-45	858,000 Winneshiek, (Decorah) 2½'s 1936-49
490,000 Lee, (Fort Madison) 2¼'s 1936-49	315,000 Woodbury, (Sioux City) 1¾'s 1936-43

*Prices and descriptive circular will be supplied upon request.*

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## Shall We Have Politicians or Bankers?

(Continued from page 11)

mand there is for it. What would happen if the purchasing power of this money fell so low that depositors refused the currency, is too remote to be of any concern to the champions of this bill.

### *One Redeeming Feature*

The most redeeming feature of the entire bill is found in the requirement that all commercial banks, who are members of the FDIC, must join the Reserve System by July 1, 1937. This not only makes for uniformity, but in an emergency prevents state officials from calling separate state holidays one by one so as to precipitate a national crisis. Under Title I of the bill, banks must pay premiums on their total deposits, even though accounts are only insured up to \$5,000. While this provision works a hardship on the larger institutions, because they must pay high premiums and receive a relatively smaller protection on their large deposits, they feel that the better regulation of the smaller banks ultimately will offer some consolation.

The bill rudely shatters any beliefs that the Administration has turned conservative. A study of it reveals that any objections which the President has had to a "central bank" have been in name only. Moreover, it is plain that no attempt has been made to give the banking problem the careful study which it deserves. Instead, the entire banking system is to be subjected to the wishes of the President. Together with his colleagues, he can expand either currency or credit for the Government's use in social experimentation. To make this possible, many rules of sound banking have been eliminated. How any Administration can be so Machiavellian and so two-faced as to talk concurrently about improving the social security of the Nation, is beyond any reasonable person's imagination. Certainly with disaster written on almost every page of the new banking bill, it would be better to talk less of planning, and resort to the trial and error method on all fronts.

All of these provisions, and many others which would extend this article beyond a reasonable length, indicate that the responsibilities of the new political money-changers are just as tremendous as those which have, heretofore, fallen upon the shoulders of the private cash-keepers. But, as long as loans by commercial banks do not expand beyond the ability of borrowers to pay, and the loans on corporate securities, mortgages, commercial paper, and Government bonds do

not get sadly out of proportion to one another, no difficulties will be experienced. Nevertheless, there is no reason to suppose that the commercial banking system in general will be improved greatly because of any particular features of this bill. The business of a local merchant is certainly not improved by the impressed rules of racketeers, who demand the privileges of partners without incurring any of the risks.

Poor management may still be the source of many financial headaches. To dodge the pitfalls of a former day, the new supervisors must avoid large and unbalanced loans, and must maintain equilibrium throughout the banking structure. Private management hesitated in the past because of the chance of losing large profits. Political management may, also, hesitate under the new bill because of the risk of losing popularity. The truth is that financial bonfires can be lighted by supervisors of either sort. On the eve of passing the new banking bill, then, the toast of the politicians may very well be: "The Money-changers are dead! Long live the Money-changers!"

## The Effect of the Proposed Public Utilities Act of 1935

(Continued from page 15)

this bill is an attack against private management and operation, he need only glance at the following summary.

Here is what the Commission can do:

The Commission has authority to order:

(a) The making of additions, extensions and improvements to and changes in facilities, irrespective of whether the utility is able to obtain the funds required.

(b) Making interconnections with others; use of facilities by others; use of facilities of others; sale to, purchase from, transmission for, exchange with, other persons; *all on terms and conditions prescribed by the Federal Power Commission.* The "others" may be other utilities, industries, etc., but governmental power developments are presumably the principal objective of these provisions.

*This provision would permit a government power project to use a utility's own facilities for competition with it at any point in the utility's system.*

The Commission's approval is required for:

(a) All additions or extensions to facilities, acquisitions of facilities, receipt of energy from a new source.

(b) Abandonment of any facility or service, except for routine retirements. This will prevent an intrastate company from terminating the Commission's juris-



diction by abandoning an interconnection with an interstate system.

(c) Sale, lease or encumbrance of any property.

(d) Merger or consolidation.

(e) Acquisition of securities of another utility. (This, furthermore, would make the utility company a holding company, and bring it under Title I of the Bill.)

And finally the Commission has power to determine:

(a) Operating and business practices. This might include labor policies, pension plans, salary schedules, purchasing policies, etc.

(b) Methods of production, transmission and supply.

(c) Supervision over all contracts and arrangements made with operating companies in regard to services (legal, financial, engineering, and so on), sales, and construction.

When you get through this list of powers, there is practically nothing left to the company itself. The Commission does not have jurisdiction over the "facilities for the retail distribution of electric energy." However, since all production and transmission facilities, as well as methods of production, accounting practices, security issues, etc., are under the Commission's control, this exception seems immaterial.

In view of this it is fantastic to speak of the pending legislation as of a "holding company bill" alone. It affects the operating companies vitally and destructively.

### *What Happens to the State Commissions?*

The answer to this question is that, even if the bill is amended so as not to apply to local retail rates, the state commissions will be left with practically no function at all. Regulation of interstate rates apparently involves regulation of *all* production, transmission, etc., since jurisdiction over these matters is expressly conferred on the Commission. However, the regulation of local retail rates also involves regulation of production and transmission. Is there, then, to be dual and conflicting regulation between the Commission and the states? This was attempted when the federal government first started regulating railroads, but soon became intolerable to the companies and the commissions. The final result was complete displacement of state regulation. Similar results may be expected in the public utility industry should this bill be passed.

Under such conditions, state commissions, to the extent that they survive at all, could be only minor and unimportant bureaus dominated by the Federal Power Commission.

The preceding analysis of the powers of the Federal Power Commission reduces to an absurdity the statement in the bill

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Wayne County	2½%	119,000.00
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Taylor County	2¾%	45,000.00
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that nothing in it "shall be construed to impair or diminish the power of the state commissions."

It is, therefore, not surprising that on March 8, 1935, one state public service commission (Georgia) made the following statement:

"We have concluded that the provisions of the Rayburn Bill as introduced, vitally encroach upon the power of state commissions to regulate the production, transmission, and sale of electric energy."

### *Government Ownership*

As has been stated, the provisions concerning operating companies in the bill apply to 91 per cent of the electric power and gas industry. Under these conditions, it is difficult to believe that the industry will be able to survive as a privately operated enterprise. The obvious intent of the bill seems to be not to regulate the industry, but to *force it into the hands of the government*. It should be noted that, after providing for the elimination of holding companies and after establishing control over operating companies, the bill specifically contemplates the breaking up of existing utility systems and their reorganization under a plan to be formulated in Washington.

The government's road to ownership of the utilities is not difficult to chart. Here is what would happen: It builds a power plant, charging most of the investment to reclamation or flood control and exempting it from taxation. It provides federal funds through PWA or otherwise for distribution facilities and sets up *government holding companies*, like the Tennessee Valley Authority, to handle production and sale of electricity. (Note that the government uses holding companies, even while it attempts to prohibit them among privately operated utilities.) It then has the power to use the facilities for this governmentally produced power, at any terms which the government may prescribe. And it places the private companies, after separating them from holding companies, under restrictions from which the government is free.

Under these conditions competition is a mockery. Under these conditions private utilities could not survive.

Do the American people want government ownership? Is it desired by the millions of individuals who have invested a total of twelve billion dollars in public utility securities? Is it in accord with American economic principles?

The public utility companies do not oppose fair regulation. The abuses charged against certain utilities would seem to have been corrected by the Federal Securities Act of 1933 and the Securities and Exchange Act of 1934. If any abuses remain, they should be corrected by appropriate legislation.

But this bill is not a regulatory bill. It



is a bill to destroy an existing system and to substitute a government-operated industry. Not only the public utilities will suffer but all industry; not only the ten million public utility investors but all the people.

## "The Value of Your Checking Account"

(Continued from page 17)

writing. You should then issue a duplicate check.

Robinson: Suppose the original check is found and returned to me. What should I do then?

Atkins: Notify your bank that the check has been located, so they can release your stop payment request. Then destroy the original check.

Robinson: Aside from losing a check, are there any other reasons for stopping payment on checks?

Atkins: Yes, breach of contract, misunderstanding or dissatisfaction on services or merchandise for which a check has been given, are frequent causes. Some thoughtless people even write checks to get rid of persistent salesmen, then telephone their bank to stop payment on the checks.

Robinson: Is this a safe practice for the depositor?

Atkins: Emphatically, no! If the check falls into the hands of an innocent third party the maker of the check must pay it even though the bank returns it marked "payment stopped."

Robinson: Well, what happens if a "stop payment" request is made and the bank pays the check by mistake?

Atkins: No business in the world, Mr. Robinson, keeps better or more accurate records than banking. We are custodians, not of our own money, but of the depositor's money. Our clerical errors are few, indeed. If, however, a bank by mistake pays a check on which payment was stopped, some adjustment is usually worked out with the customer.

Robinson: Can you illustrate this point for our listeners?

Atkins: Yes, here's an example. A woman customer issued a check for a rug which was to be cleaned before delivery. It was delivered, but hadn't been cleaned as agreed. The buyer stopped payment on her check, but the bank paid it by mistake.

Robinson: Well, how was this adjusted?

Atkins: That was easy to settle. The bank had the rug cleaned at its own expense and everyone was happy.

Robinson: I issued a check recently to a man who tried to cash it at my own bank. A few minutes later he came back saying the bank had refused to cash it for him. Now, why was he turned down? I had

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JULIUS D. ADELMAN, *President*  
SHOPS BUILDING DES MOINES, IOWA

funds to cover the check, and the bank knew my signature.

Atkins: Well, of course, the bank knew you had funds to cover the check and that your signature was genuine. However, they probably had no way of knowing that this man was the man to whom you had issued the check. He might have lost it en route, some other man might have found and presented the check.

Robinson: Would the bank have been liable if it paid the money to the wrong man?

Atkins: Yes, indeed. The bank must always make sure it's paying the amount of the check to the proper individual.

Robinson: Our time is about up. Now,

here's one more question. I phoned my bank the other day to get the amount of my balance. The bank asked me a lot of questions before giving me this figure. Now, why was this "cross-examination" necessary?

Atkins: The bank must identify you in order to protect both yourself and the bank. The amount of your balance is a confidential matter. You don't want someone else to phone your bank and find out the amount of your balance, do you?

Robinson: No, I don't want my face to be red! And I can see where you're protecting me.

Atkins: That's the idea, Mr. Robinson. Such rules and regulations are all pri-

marily for the depositor's benefit. They improve our service to you, as a part of your checking account privilege, and increase the great value of your checking account.

Robinson: Thank you, Mr. Atkins, for this fine information.

## How to Aid the Railroads

Government could take the nation a long step toward recovery through one relatively simple act—aiding the railroads.

Government could provide such aid in a number of practical ways. It could pass legislation whereby all carriers would be taxed and regulated on an equitable basis, and thus establish a transport policy that would treat all fairly.

It could make grade crossing elimination a part of public works, for which billions are being spent. The railroads are absolutely unable to meet such expense. It is primary in the interest of the public, not the railroads, and should be paid for with public funds. Inasmuch as the elimination of grade crossings would employ a great deal of labor, would stimulate heavy industries, advance safety and otherwise benefit all the people, it fits perfectly the principles laid down for public works expenditures.

Government could credit the railroads with at least part of the tremendous sums they have been forced to spend for valuation proceedings which have produced little or no useful information. This work was started in the public interest, not the railroad interest, and should be paid for by the public.

Here are specific suggestions for granting justice to our greatest single industry which, normally, provides more jobs and purchasing power than any other. They should be given immediate consideration by law makers.

## So That's the Way Of It

A traveler was questioning Rastus about his home town.

"How many people live in this town?" he wanted to know.

"Bout four thousand people, suh. It's been that way for forty years."

"You mean to tell me that there were four thousand people here forty years ago, and only four thousand now? Haven't any people moved in—any babies been born here?"

"Yes, suh, babies been born, but eve'y time a baby is born, somebody leaves town."

## Disturbing

Hi—I didn't sleep well, the shade was up.

Heck—Why didn't you pull it down?

Hi—It was across the street.

# FRIENDLINESS

## ... A 45-YEAR OLD

### TRADITION

1889



1935

Today, as throughout the years since 1889, customers at The Northern Trust Company find that their problems receive friendly, individual treatment. From the standpoint of a correspondent this personal attention, with efficient handling of all routine matters, has been considered most desirable by many conservative banks throughout the country. Inquiries are cordially invited from other out-of-town banks seeking a Chicago connection.

# THE NORTHERN TRUST COMPANY

NORTHWEST CORNER LASALLE AND MONROE STREETS  
CHICAGO



# A Good Life Insurance Man must be a GOOD BUSINESS MAN

After more than ten years experience in the life insurance business, I am thoroughly convinced of one definite truth—a good life insurance man must, first of all, be a good business man. In other words, you cannot persistently be a poor business man and a good life insurance man as well.

Since 1929 all insurance periodicals have been filled with the constant admonition to exercise time control, preselection of prospects, program selling, package selling and a dozen other plans, all dominated with the thought that you can finally make good life insurance men out of a group containing a high percentage of poor business men.

## Five Points

To further analyze this proposition just what need a man do in the life insurance business to be considered a good business man? Listing these points in the order of their importance I would say about as follows:

1. He first should have accurate financial records to show whether or not he is making money.

2. He must have accurate records of policyholders, prospects and possible new contacts.

3. He must have a definite plan by which to follow up the points mentioned above and so definitely be able to sell life insurance to these people.

4. He must correlate all his activities whether at work or at play so that finally they have some definite benefit in at least the ultimate sale of life insurance.

5. He must have a definitely good mental attitude; in other words, he should act like a good business man and a successful life underwriter, both in his personal affairs, his personal life insurance program and his association with business men in all other lines so as to earn the respect of, not only his clients, but his business associates as well.

It seems to me that life insurance companies in selling agents on this business have over emphasized the philosophical and altruistic side of the life insurance

By H. B. HARPHAM

General Agent  
Reliance Life Insurance Company  
Akron, Ohio

business, forgetting that a good life insurance man can be neither philosophical nor altruistic in the absence of sufficient production to enable him to earn a fair and decent living. So today, we hear from every side that it will be necessary to revise the agency system, remuneration of agents and what not so as to rehabilitate the insurance sales field in an effort to make admittedly poor business men successful business men.

## Trying to Sell

In this effort to do the impossible the companies have been selling lip service to the salesmen and the salesmen in turn have been selling lip service to the prospect. By this I mean that thousands of agents who can't operate their own affairs successfully have been trying to tell the general public how they should operate successfully.

To prove the fallacy of this you need only inquire into the average life insurance agents' personal set-up to find that at heart he is considerable of a hypocrite and consequently is not competent to advise the average business man in his personal or business affairs.

Would it not be wiser and more to the point if life insurance companies generally focused their attention on the points mentioned above. After all, they will largely determine whether or not the prospective agent is a good business man and certainly if he finds it impossible to follow out such a simple set of rules he cannot hope to produce a satisfactory volume, or permanently stay in the life insurance business.

The things which I am about to say in this discussion will not, I hope, be interpreted as the conversation of an egotist for after all it is likely that my plan could not be used identically by many other life insurance men. But, as stated above the trouble with most life insurance men

is that they have no plan, either good or bad.

After all the only thing I know better than anyone else about the life insurance business is how I should operate my own personal affairs and the plans which I use to personally sell my clients.

## Rough and Tumble

During the first two years in business I simply went at it rough and tumble, using the argument that life insurance being a good thing, you should have more of it. Finally it became obvious that a more definite program of my own was necessary in order to organize myself and keep organized, so as to sell a profitable volume of life insurance year in and year out.

With this thought in mind the plan of selling a life program from a protection, and a financial standpoint as well, seemed most logical for my particular type of sales ability. So, too, it looked like better judgment—that rather than sell large policies I should try and develop permanent clients, selling whatever they could safely buy, with the idea that many sales over a period of time would be better than a few temporary large sales. As a consequence we now have a very wide distribution of clients in all lines of business and the safety of this plan is borne out by the fact that since the depression there has been a loss of only 10 per cent of the business which was in force at that time, and my total business in force has increased each year.

The safety factors of a plan of this kind are obvious for the greater the distribution in any business the smaller chance of loss, whereas larger policyholders are harder to sell, harder to keep sold, and the reasonable lapsation and mortality experience will cut down one's renewals not only materially but usually very rapidly as well. I have rather studiously avoided business insurance for the same reasons and while I have naturally sold some of it I have tried to sell only where the future of the business looked secure.

Instead of trying to make the sale of

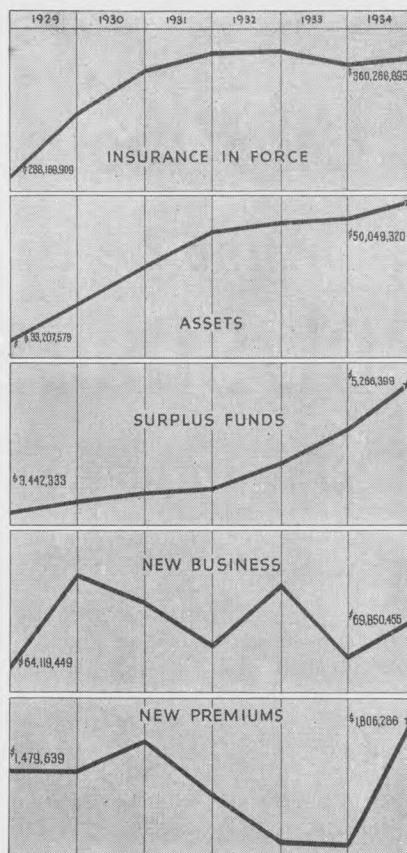
Northwestern Banker April 1935



## NWNL Steps UP to Its Second Half-Century

★  
1934  
Was a Year of  
**GAIN**  
in Every Respect

★  
Established  
1885



★ Highest in history.

life insurance a high pressure affair or a complicated mental process, it's my idea to make it appear a very simple thing and a simple decision for the prospect to make. Everyone admits that when we approach a man to buy life insurance he immediately gets tied up in a mental knot and as a consequence we are likely to spend most of our time trying to untie the knot with little chance to actually make a sale.

### A Good Listener

Another thing I have learned is that most of the time I should be a good listener rather than a good talker, in other words, really give the prospect an opportunity to buy instead of literally trying to push him into a sale.

To illustrate this point we hear a great deal about the psychological moment when you should get out the application and just what you should say to precipitate a sale. After trying all of these plans my experience has been that whenever the prospect is actually sold, signing the application is really a minor matter and you don't have to use any subterfuge or freak selling in order to get a decision.

I conscientiously try to impress upon the prospect that I am only asking him to do something I am actually doing myself, pointing out that it is really he and his family I am concerned about, since that sale, or a number of sales, is not necessarily the answer for me.

Another point: I never try to sell on the first interview, assuring a new prospect that it is only my desire to make his acquaintance and determine whether or not there is a need for insurance and further if there is some common ground on which we may meet which might ultimately lead to a sale and a permanent customer. In fact, I always assure them that I have no idea of trying to sell them life insurance unless I know intimately of their affairs, for without an intimate knowledge of these family and business affairs I can be of no assistance in helping arrive at a solution of their life's plans.

At all times and in all phases of my sales effort I try very definitely to convey the impression to the prospect that it makes no serious difference to me whether he buys of me or not or whether he buys now or later, since we have a good service to sell with good reasons for him to buy. After all, if he can't appreciate these facts, perhaps there is no point where we can finally do business.

It seems that too many times life insurance men are in the position of needing an immediate order and consequently they unconsciously convey to the prospect the idea that after all this talk of his interests, it is really the life insurance salesman's own interests which dominate his action.

### Good Advice

In maintaining a desirable service with intelligent advice on matters pertaining to

## We Know How to Work With Iowa Banks

Iowa National's president, himself, is a former Iowa banker. No wonder this strictly Iowa company so fully understands the needs of its banker agents, and can offer such close, effective cooperation.

We have been serving Iowa people for 18 years, and our financial rating is one of the strongest—\$201 of assets for every \$100 of liabilities.\*

Before you make a connection for the new year, let us explain our agency proposition in full. Write

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

C. Ed Beman, President

**IOWA  
NATIONAL  
FIRE INSURANCE  
COMPANY**  
C. ED BEMAN, PRESIDENT  
DES MOINES, IA.

Fire—Lightning—Tornado—Auto

Northwestern Banker April 1935



his personal and business affairs, it is always brought to the prospect's attention that after talking to 25,000 men I am competent to give him good advice, because after all, a cross section of what these 25,000 people do under any given circumstance or condition is something he can gainfully use himself, and I am after all, only the medium of interpreting this experience.

To put this another way, I rather like to feel that instead of selling life insurance I am really helping my clients to buy judiciously and with the best possible future results.

During the first seven months of 1933, when business was perhaps the hardest to get in my experience, most of my time was spent in the office counselling with clients, friends and prospects who seemed to need advice as to just what they should do, not only on life insurance but on other subjects as well.

When the business situation finally cleared up late in the summer and life insurance began to come back I immediately began to get a substantial business return so that in 1934 with somewhat less direct effort it has been possible to sell a total of seventy cases with paid premiums for ten months totalling \$26,250.

This convinces me that people like to have you treat them as you personally would like to be treated were the situation reversed, since there are probably few things which the average man buys about which he is so totally uninformed as the purchase of his life insurance.

### *The Telephone*

Another thing, for the past year and one-half I have regularly used the telephone in soliciting appointments, feeling that if we cannot sell a man an interview on the phone our chances for selling him life insurance are almost zero. In following this procedure you eliminate needless footwork and whenever you do sell an interview you obviously have a better chance to make a sale. This use of the telephone is not only confined to policyholders but strangers, referred prospects, and casual acquaintances as well.

During the past two years and against the natural trend toward investment insurance—most of my efforts have been confined to the sale of protection life insurance, feeling that perhaps we have gone too far on the side of investments, notwithstanding the fact that I was the first man with Reliance Life to sell insurance with life income and pioneered its sale in our city.

Here again, I think, is one of the difficulties with all insurance salesmen. We tend to follow the line of least resistance so that during the past few years, with financial matters concerning so many peo-



# Over \$100,000.00

Assets are UP for the Western Mutual Fire Insurance Company. Likewise, there is a continued steady increase in the amount of insurance written and in the number of agencies contributing to this fine record.

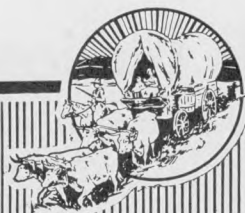
Western Mutual's healthy growth is a reflection of the confidence of its agency force. Western Mutual, first of all, provides fire, windstorm, automobile casualty, and kindred lines of insurance at sound, money-saving rates. It backs this savings with the promptest kind of service—service which makes friends of policyholders and more business for the agencies servicing these same property owners.

Western Mutual agents are a carefully chosen group of conscientious underwriters. If you would like to join this select body of insurance men—or if you would like to know more about this sound, growing company—just write the home office at Des Moines.

*Ask to be placed on the mailing list for "Contact," Western Mutual's prize winning insurance publication.*

## WESTERN MUTUAL FIRE INSURANCE Company

1008 HUBBELL BLDG.  
DES MOINES, IOWA



ple we have frequently made the easy sale rather than the right sale.

Furthermore it is my impression that insurance men generally should get back to the fundamentals of life insurance which involve the protection of one's family on a definite program, mainly for their benefit.

If we will but do these simpler things, it seems to me with life insurance as an institution occupying such a preferred position in the minds of the public, our future production records will be entirely satisfactory for both ourselves and our companies.

## Socialism vs. Rugged Individualism

From a practical standpoint, Paul Smith, financial editor of the San Francisco Chronicle, sums up the political aspects of the crusade against the public utility industry, in a masterly manner. His comment was inspired by the demand for \$750,000 of tax funds to investigate the American Telephone and Telegraph Company. In part, he said:

"The writer does not care whether any particular utility is 'right' or 'wrong.' That some holding companies may be 'bad' and some 'good,' he does not doubt.

That some rate structures may be 'fair' and some 'unfair,' he readily admits. That some utility managements may be 'smart' and some 'dumb,' some 'honest' and some 'dishonest,' he believes not only possible but among the facts of life. . . Those things are beside the point. . .

"The fact remains that a definite, destructive campaign has been launched against the public utility industry. Some of the campaign is open and above board, some subtle and insidious, like certain phases of certain PWA grants to communities and states. The attack has been mapped out, pushed, promoted, energized and pressed in New Deal headquarters, Washington, D. C. There is no use dodging the issue. . .

"If 10,000,000 utility investors and all utility managements want to wave the white flag and surrender their economic position, that is their business. . .

"But even if peace at any price is their desire, they are not going to get it from the politicians today. This public utility thing is stock in trade to a large share of present-day politicians. Peace would liquidate one of their stocks in trade.

"As soon as one sector quiets down, they will attack another. Their scouting force will find, somehow, enough Indians in the brush to 'justify' each new attack in the public eye. It is war and, like other forms of warfare, will bring stupidly uneconomic costs.

"There will be the cost of unnecessary construction; public competition with private enterprises; gradual socialization; growing taxes to fill the gaps of inefficient political operation and, worst of all, perhaps, the cost of depreciation in the value of securities held by hundreds of thousands of small investors. . .

"And the scene will not change while millions of voters sweetly accept political indictment of the public utilities."

Mr. Smith speaks frankly, but the situation justifies it. The present campaign is unfair, unnecessary and unAmerican. The seeds of destruction of private enterprise that are being sown, will sprout in other places to the infinite damage of other industries, unless the political utility baiters are stopped by an informed public revolt against demagoguery that is promoting socialism instead of rugged individualism. \*

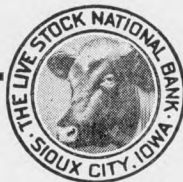
## Correct

Professor: Can you give me an example of a commercial appliance used in ancient times?

Student: Yes, sir, the loose leaf system used in the Garden of Eden.

"How did you stop your husband from staying out late?"

"When he came in I called out, 'Is that you, Jack?' His name is Robert."



# Your CORRESPONDENT in Sioux City

## OFFICERS

A. G. Sam, President  
C. L. Fredricksen, Vice-President  
M. A. Wilson, Cashier  
W. G. Nelson, Asst. Cashier  
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When we become your correspondent bank, we handle your account as we think you would handle it, in our place. Backed by forty years of experience in Iowa, Nebraska, South Dakota and Minnesota.

# Live Stock National Bank

Sioux City, Iowa

"THE BANK AT THE YARDS"





L. M. LARSEN  
President

## South Dakota Bank News

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Vice President, Geo. C. Fullinweider  
Huron

Executive Manager, Geo. A. Starring  
Huron



GEORGE A. STARRING  
Executive Manager

### Makes Fine Record

Dan H. Otis, director of the Agricultural Commission of the American Bankers Association, says that the Agricultural Committee of the South Dakota Bankers Association scored a rating of 995 out of a possible 1,000 points for the activities of the year 1934. Chairman W. S. Given, the members of his committee, and the County Key Bankers of the state are to be congratulated for this excellent record due to their cooperation in putting across a valuable agricultural program under adverse circumstances. The missing 5 points which would have given a perfect rating were due to the fact that there was not a full attendance of officers and committee members at the annual conference with representatives of the State College and the Agricultural Commission of the American Bankers Association.

The committee on agriculture held its annual meeting in Brookings on March 8. Those present included 9 bankers and committee members, 45 county agents and representatives of State College and the Extension Service.

W. S. Given, chairman of the Committee on Agriculture of the South Dakota Bankers Association, opened the meeting by greeting the county agents present and thanking the members of the College staff and Mr. Otis who had made this meeting possible.

Director Otis spoke twice. In the afternoon he gave a general talk on agriculture. He stated that difference in farm success is largely a question of farm management. It is advisable to give attention to those investments on farms that will give the greatest returns. The bankers should carefully study this in making loans.

### Secretary Resigns

After twenty-seven years as private secretary to R. J. Mann of the Clark County National Bank, Clark, Miss Anna Artz has resigned her position and will take an extended vacation, spending part of the time in her home and Aberdeen, and will spend some time visiting with

relatives in Hoven. Miss Artz has held this secretarial position continuously since her graduation from business college except for a few months in 1922 when she made a tour of Europe.

### Awards Revolver

The Protective Committee of the South Dakota Bankers Association recently presented a 38 Colt police revolver to D. A. Woodburn, city marshal at Rock Rapids, Iowa, in appreciation for his services in apprehending the bandit who robbed the Farmers State Bank of Flaudreau. The presentation was made by chairman D. V. Meyhaus of Sioux Falls.

### New Bank

The State Banking Department has recently granted a charter for a new bank in Watertown, S. Dak., under the title of Codington County Bank.

The bank will have a capital stock of \$50,000.00 with \$5,000.00 surplus. Incorporators include the directors of The Oldham National Bank, namely; K. N. Folsland, Geo. C. Jorgensen, J. A. Nelson, Hans Hanson, N. P. Lund and F. F. Phillippi. Also Harmon Kopperud of Lake Preston and Joe Matthews of Lansing, Mich.

### Dividends

Frank R. Strain, South Dakota banking superintendent, announced recently that dividends totaling \$53,600 are being paid to creditors of six closed state banks.

The dividends are:

Bi-Metallic Bank, Colome, final dividend of \$3,458.42 or 1.4 per cent, making total of 8.4 per cent paid to creditors.

Bank of Bijou Hills, Bijou Hills, final dividend of \$57.50 or three-fourths of one per cent, making total of 10.75 per cent paid.

Farmers and Merchants bank, Willow Lake, first dividend of \$10,939.35 or 7 per cent.

Bank of Hot Springs, Hot Springs, dividend of \$25,629.82 or 5 per cent, making total of 35 per cent paid.

Harding County Bank, Buffalo, divi-

dend of 10 per cent or \$11,804.70, making total of 45 per cent paid.

State Bank of Carpenter, Carpenter, dividend of 2 per cent or \$962.72, making total of 22 per cent paid.

### 1935 Convention

Plans for the 1935 Convention are getting under way to make this event equal to the best efforts of previous years. The general program will be about as follows:

May 22—Golf tournament in the afternoon at Sioux Falls Country Club. Smoker in the evening.

May 23—Morning and afternoon sessions. Banquet in the evening.

May 24—Morning session. Adjournment at noon.

Prominent among the speakers will be representatives of the American Bankers Association, Federal Deposit Insurance Corporation, Farm Credit Administration, Reconstruction Finance Corporation, U. S. Department of Justice, and some prominent South Dakotans.

### Legislation

The following bills, touching directly or indirectly on banking, have been passed by the South Dakota legislature, the sessions of which closed recently:

#### SENATE BILLS

**S. B. 10. Kidnapping**—Makes kidnapping punishable by life imprisonment.

**S. B. 12. Fural Credit Loans**—Repeals Section 17 of Chapter 187 of Session Laws of 1927 and Chapter 169 of Session Laws of 1933. Provides method of sales of lands acquired under Rural Credit Act and/or under the Land Settlement Act.

**S. B. 24. Credit Unions**—Authorizes organization of credit unions.

**S. B. 36. Taxation**—Provides tax on net income and retail sales, somewhat similar to Iowa plan, and replaces gross income tax on July 1st. (See printed law for corporation net income deductions.) Special bulletin later giving interpretation of Director of Taxation and of our Association Council.

**S. B. 39 and S. B. 63. Bank Examination**—Companion bills requiring examination of state banks at least once in each calendar year (instead of twice).

**S. B. 53. School and Public Lands**—Provides 20-year payment plan to enable counties to pay obligations to department of school and public lands.

**S. B. 55. Bank Examination**—Permits exchange of examination of State Banks by Banking Department and FDIC and Federal Reserve Board and exchange of reports.

**S. B. 61. School District Bonds**—Permits method of refunding by school districts at lower rate of interest. (Emergency.)

**S. B. 64. Capital Stock Impairment**—Provides that capital stock of state bank is not impaired when its capital notes or debentures represented by cash or sound assets exceed the impairment.

**S. B. 91. State Planning Board** created to make investigations covering the natural and human resources of the state and to formulate plans for their conservation and development.

**S. B. 109. Foreign Peace Officers** are given same authority as local police while engaged in their duties in this state. (Emergency.)

**S. B. 110. Authority for FDIC**—Authorizes FDIC to liquidate closed state banks whose deposits are insured thereunder; provides for subrogation of FDIC to rights of closed banks; authorizes Superintendent of Banks to borrow from FDIC and pledge assets of closed banks therefor, etc.

**S. B. 111. Authorizes State banks** to become members of FDIC and issuance of capital notes or debentures.

**S. B. 112. Notice of Dishonor**—Eliminates requirement that bank must give notice of dishonor on checks not honored account of delay in presentation. See Legislative Bulletin No. 9. Makes our law uniform with other states.

**S. B. 115. Building and Loan associations** permitted to insure in Federal Savings and Loan Insurance Corporations and insure their mortgages in FHA.

**S. B. 116.** Building and Loan associations permitted to convert to Federal Savings and Loan Associations.

**S. B. 120.** Extension Work—Authorizes county agricultural extension work. Divorces Extension from County Farm Bureau.

**S. B. 138.** Chattel Mortgages—Permits register of deeds to destroy chattel mortgages, bills of sale or conditional sales contracts after they have been on file for 12 years.

**S. B. 161 and S. B. 162.** Clarify law re taxation of shares of stock under moneys and credits tax.

**S. B. 164.** Securities Commission Fees Schedule revised by adding following fees to Section 18, Chapter 206 of 1927 Session Laws:

- (5) On application for reinstatements of registration, \$10.00.
- (6) Extension of registration, \$1.00.
- (7) Bond filing fee, 50 cents.
- (8) Annual report filing fee, \$1.00.
- (9) Quarterly report filing fee, 25 cents.

**S. B. 166.** Department of Justice created with complete law enforcement set-up. Too long to review here, but compares favorably with constabulary system of eastern states. Income may not permit all activities provided in the law for few years.

**S. B. 170 to S. B. 178.** Public Works projects requested by Federal Government. All are emergency measures creating State Board of Public Welfare; South Dakota Electric Corporation; City Improvement Authorities for water, sewage, gas and power, etc.

#### HOUSE BILLS

**H. B. 20.** Provides a two-year moratorium on mortgage foreclosures, mortgagor to pay all or a reasonable part of income or rental value towards insurance, taxes, etc. (Emergency.)

**H. B. 23.** Enables banks to qualify for making FHA loans. (Emergency.)

**H. B. 27.** Prohibits recording of mortgages when mortgagor waives any of the specified legal exemptions.

**H. B. 51.** Extension of Corporate Existence of banks and other corporations provided for under certain restrictions. (Emergency.)

**H. B. 60.** Gives government loaning agencies crop lien on crops grown from government supplied seed. (Emergency.)

**H. B. 75.** Bank Offices—State banks permitted to open offices in bankless towns. Same privilege to national banks if allowed by Federal law. Does not authorize branch banking.

**H. B. 80 and H. J. R. No. 5.** Exempts State banks stockholders from double liability if and when Congress makes same provision for national banks. Must be voted upon in 1936 election, as H. J. R. 5 provides for Constitutional amendment.

**H. B. 109.** Deficiency Judgment Law amended so as not to apply with respect to government loaning agencies. (Emergency.)

**H. B. 111.** Guardians—Authorizes guardians to mortgage homesteads of wards under certain conditions. (Emergency.)

**H. B. 126.** State Seed Department created. Endorsed by our agricultural committee. (Emergency.)

**H. B. 144.** Fidelity Bonds on bank officers required instead of surety company bonds.

**H. B. 165.** Action on Default under surety or fidelity bonds required to be held in county where indemnified resides.

**H. B. 212.** Uniform Pistol Law, with slight amendments.

## A Logical Government Undertaking

In his address to Congress on proposed public works for the current year, the President laid down certain broad principles on which he wished the program to be based. Among them were: That projects be determined on the basis of the amount of direct labor they would provide; that the highest possible percentage of the money spent go into pay envelopes; that the work produce things that would be of definite public usefulness; that the projects be of a type that would not compete with private endeavor.

Few public works projects could better fit those principles than grade-crossing elimination. The great bulk of every dollar spent would go to labor, both on the job and in heavy industries — paint, cement steel, etc. — providing necessary supplies. No private business would be harmed. And the public would not only receive the boom of stimulated purchasing power, but would be benefited in another vastly important field—safety.

Thousands of people have been killed at grade crossings; each year brings its heavy toll. Only a small proportion of the thousands of existing crossings are adequately protected. Past campaigns to eliminate crossings have produced some results—but lack of funds has brought such work almost to a stop.

## Your Radio Program

*Tune in every Saturday evening, 6:45 to 7:00, on Station WHO, Des Moines, and hear the Financial News and Views feature sponsored and presented by The Northwestern Banker, Des Moines. It will be to your advantage to have your customers listen to these programs, also.*

**T**

HE 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.

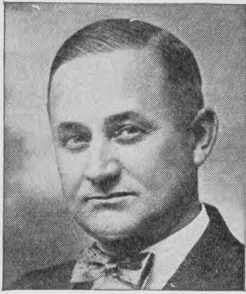
**FIRST NATIONAL BANK**  
IN SIOUX CITY

A. S. Hanford, President

Frederick R. Jones, Vice Pres.

Fritz Fritzson, Cashier





OTTO KOTOUC  
President

# Nebraska Bank News

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Omaha



WM. B. HUGHES  
Secretary

### Banker Dies

Chas. Cook, well known Spencer banker and resident until the last few years, passed away at the home of his son, Dean, at Beaver Dam, Wisconsin.

He is survived by three sons and two daughters: Renard E. of Wausaw, Lucian L. of Spencer, Dean C. of Beaver Dam, Wisconsin, Mrs. Charles C. Morgan of Omaha, and Emma V. Cook of Battle Creek, Michigan. He is also survived by two brothers, Wesley of Omaha and Edwin of Beaver Dam.

Burial was made at Blair, Nebraska, former home of the Cook family, before moving to Spencer.

### Depository

A resolution designating the First National Bank of the city of Randolph, a depository for city funds, providing for a service charge on any deposits carried therein and providing for the security of any deposits made therein, was passed recently by the Randolph city council.

### Paid in Full

Work of H. A. Tunnell, an officer, director and stockholder of the defunct State Bank of Logan county at Gandy, has brought depositors there one hundred cents on the dollar for funds on deposit at the time the bank failed. Tunnell turned over to the receiver a first mortgage for \$16,000, which was \$9,300 more than his stockholder's liability. This contribution of \$9,300 plus funds secured from the Reconstruction Finance Corporation made the 100 per cent pay-out possible. The final payment of 35 per cent, amounting to \$22,500 was recently announced by the state banking department.

### A. I. B. Convention

Richard W. Hall, national secretary of the American Institute of Banking, in Omaha recently to arrange for the national convention, said he expected at least twelve hundred delegates to attend the convention to be held June 10th to 14th inclusive.

Hill was in Omaha conferring with the local arrangements committee, consisting

of Gwyer Yates, chairman, J. T. Stewart III, C. J. Flowers, E. H. Spetman and M. F. Barlow.

The two principal convention business sessions will be held in the Brandeis theater. Delegates classified as to character of their work will hold individual group meetings.

Convention delegates, elected on a membership basis, will come from the 229 chapters.

One principal speaker will be Rudolph S. Hecht, president of the American Bankers Association, and chairman of the board of directors of the Hibernia National Bank of New Orleans.

### Chief Counsel

Franz C. Radke was recently reappointed chief counsel for the state banking department by governor R. L. Cochran. He will continue to receive a salary of \$3,500 per year.

Radke once served as private secretary to former governor Charles W. Bryan.

### Returns to Work

Chas. E. Wood, who has been ill, has returned to his duties at the Bank of Talmage.

He has been suffering with an ailment to his feet and limbs, but is much improved at the present time.

### Another Check-up

The fact that about \$150,000 was appropriated from the state treasury and spent less than five years ago on an investigation of bank failures and the operations of the old guaranty fund commission was apparently forgotten by Nebraska senators as they voted, over the protest of a few of their number, to provide \$20,000 more for an audit of the banking department covering the period since 1930.

This new probe is in reality to be a checkup on the banking administration during the Bryan regime. The bill authorizing it and making the appropriation is H. R. 392, already passed by the lower chamber. Auditor Price is to have charge of the investigation which will require employment of some extra accountants by his office.

Senators Stewart and Sullivan tried vainly to have the amount cut down to \$10,000. The bill was advanced to third reading with the larger sum included. It specifies that the finding of the auditor and his assistants shall be reported to the next legislature.

### New Home

The Mason State Bank has moved into its new and permanent home, having purchased the building formerly occupied and owned by the Mason City Banking Company.

This is one of the finest and best equipped business buildings in Custer county. The building is equipped with modern and up-to-date furniture and fixtures, with all safety appliances and protective features against gangsters and robbers, and has ample room for the accommodation of patrons.

### In Bank

Fritz Stevens of Hartington began his new duties as an employee at the Bank of Hartington recently. He was formerly employed at the People's store in Hartington.



Direct Contact with the Livestock Industry Enables  
Us to Give Efficient Service to Our Customers

LIVE STOCK NATIONAL BANK  
O M A H A

## Reduce Payroll

Administrative personnel in the Nebraska banking department has been reduced from 109 people at the close of 1934 to 101 in February, and the total payroll has been cut from \$17,298 per month to \$15,530 during the process of its reorganization under Governor Cochran's direction, since Ben Saunders took charge as superintendent.

Each of the four divisions in the department is being run now at less outlay for salaries than it was during the previous regime. Governor Cochran says that some further changes in personnel will be made from time to time.

## Deposits Gain

Throughout 1934 the DeLay National Bank, Norfolk, one of Nebraska's leading financial institutions, enjoyed an increase in business and number of customers, which on Jan. 1 showed a gain of \$62,000 in deposits alone.

Deposits on Jan. 1, 1935, amounted to \$1,200,000, and on the same date this year they totaled \$1,822,000.

January also brought about an additional increase in the bank's business, the number of accounts and deposits, and officers of the institution are confident 1935 will be another year of progress for Norfolk and its trade territory.

This strong financial institution is operated under the personal direction of J. J. DeLay, president, who has been in the banking business more than thirty years in the middlewest.

Officers and directors of this bank are President DeLay, Paul Zutz, cashier; A. H. Steffen, O. W. Gladem and Harry Atkinson, assistant cashiers; Otto Beckenhauer, W. O. Eichelberger, W. G. Flint, Dr. A. E. Gadbois, H. F. Thenhaus, all of Norfolk, and A. R. Olson, Beresford, directors.

## Bank Position

The resignation of Louis Murdock as deputy county treasurer has been announced and was effective March 15. Mr. Murdock will accept a position in the Washington County bank of Blair, left vacant when John Davis resigned.

Mr. Davis, who resigned his job at the local bank about March 18, has been a resident of Blair for about a year and a half.

## Dies in Osceola

S. A. Snider, 71, president of the First National Bank of Osceola for many years, died after a long illness. He also was prominent in public life, having served as mayor of Osceola six years and once as deputy county clerk. Snider was born in Canada and lived here since shortly after the turn of the century. Surviving are his widow, three daughters and a son.

## Self Help Is Best Help

It is forecast that the government is going to make a change in its policy toward agriculture. It will have less to say about what the farmer should do and not do—and will leave more up to the farmer himself.

Progressive American farmers will welcome that change. And they will also welcome the chance it will give them to show the stuff they are made of. Farmers face great problems—and the only way they will ever be satisfactorily solved is by the efforts and work of the farmers themselves. Even if government, by fiat, could make all rosy in the agricultural world, it would be of small worth if the farmer became a financial and mental dependent in the process.

Today several millions of farmers are banded together in cooperative associations, handling dairy products, cotton, walnuts, wheat and other goods. The co-ops are controlled by the farmers—they reflect farm sentiment and farm ambitions. They represent real private initiative through collective action that doesn't ask for favors, that doesn't depend for existence on government, and that gets results. Cooperatives are the best weapons the farmer could have for fighting depression.

1863



1935

**T**HE accumulated experience of The First National Bank of Chicago covers more than seventy years. The Divisional Organization since 1905 has developed direct contacts between officers of the bank and its customers.

Correspondent banks have found the relationships under the plan both pleasant and profitable.

**The First National  
Bank of Chicago**

Charter Number Eight





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

### To California

A hundred members of the Minneapolis banking fraternity last month gave a testimonial farewell dinner in honor of Evan M. Johnson, assistant controller of the First National Bank & Trust Company, and L. L. D. Stark, trust officer of the Midland National Bank & Trust Company. Mr. Johnson and Mr. Stark are leaving the Minneapolis institutions with which they have been connected for several years. Mr. Stark has taken a position with a bank in California.

### Bank Raided

Burglars raided the First National Bank of Lake Lillian recently, set fire to the building to cover their tracks and destroy clues, and escaped with about \$1,000.

The burglary was discovered when E. J. Strom, who lives across the street, saw smoke coming from the building. The flames were extinguished with loss confined to a few hundred dollars damage.

### Enlarges Quarters

Enlarging of quarters in the Wolvin building for the Duluth Morris Plan bank, with the institution occupying the additional First street frontage now occupied by a barber shop, is now under way. A building permit for \$4,000 for the alterations has been issued.

### Banker Dies

R. T. Amel, president of the First National bank of Alden, died recently of heart trouble. He had been president of the bank 10 years. Surviving are his widow, two daughters, Lois, student at St. Catherine's college at St. Paul, Dolores, at home, and a son, Earl, student at the University of Minnesota.

### Cashier Retires

Wesley E. Steele, connected with the Security State Bank of Ellendale for 20 years, and prominent in community activities, has retired from his position as cashier because of poor health. E. Olson of St. Paul succeeds him.

### Bank Moved

Steps have been taken with the state banking department for the removal of the State Bank of Verdi in Pipestone county to Comfrey. E. H. Tams is cashier of the bank.

The bank will open in Comfrey with a capital stock of \$20,000, with \$4,000 surplus.

Comfrey has been without a bank since the First State Bank closed June 16, 1932.

### Dies in Chatfield

M. D. Balsiner, 51, vice president of the First State Bank of Chatfield, died suddenly of a heart attack there recently.

### To Establish Bank

A. E. Hoese, of New Germany, and M. A. Bell, of Minneapolis, have applied to the State Banking Department for a charter permitting them to establish a bank in Glencoe, to be known as the Security State Bank of Glencoe.

Both applicants are experienced bankers. Mr. Hoese has conducted the State Bank of New Germany for 15 years, and for five years prior to that time was associated with the bank at Zap, North Dakota.

M. A. Bell was cashier of the State Bank of Plato for 30 years, which was liquidated in January, 1933, paying all depositors in full. Since that time, Mr. Bell has been associated with the Reconstruction Finance Corporation.

### New Cashier

Arnold Kindseth of Kenyon has been engaged as cashier of the Security State Bank of Bemidji to succeed H. B. Swenson, deceased, it was learned recently.

Mr. Kindseth took over his duties last month. He was formerly assistant cashier of the Kenyon State Bank which merged with the Citizens State Bank in 1932.

### County Meeting

A meeting of the Clay-Wilkin County Bankers Association was held in Moorhead. The meeting was called to order by president Geo. E. Buscher.

The committee on constitution and by-laws submitted a proposed form which was read to the members by secretary I. C. Larsen of Breckenridge.

President Buscher named the following committees, to serve until the next annual meeting of the association, or until such time as the next administration may name new committees:

1. Educational Committee—Oscar Rusiness, chairman; Halbert Shirley, Melvin Hanson.

2. Agricultural Committee — Oscar Barness, chairman; M. A. Anderson, Geo. Wastvedt.

3. Banking Practice and Ethics—D. G. Johnson, chairman; Peter Erickson, Lawrence Paulson.

4. Legislative Committee—Phillip M. Boll, chairman; L. L. Olson, Theo. Gunderson.

### News and Views

(Continued from page 17)

I WANT TO AGAIN EXPRESS MY PERSONAL APPRECIATION for the hundreds of letters which are pouring into our office from bankers who are telling us of the fine radio programs which we are presenting each Saturday night over WHO, from 6:45 to 7:00, Central Standard Time.

Here are two letters which are typical of the many which we have received.

One banker writes:

"Permit me to say that it is with pleasure that I listen to the weekly broadcasts of the DE PUY PUBLICATIONS. This is getting information to the people in a new way on everyday banking problems. I congratulate you and may the good work go on."

Another banker writes:

"Want you to know how much I enjoy the weekly program that you sponsor on Saturday evening. The one last week was especially interesting to me and am anxious to receive the next NORTHWESTERN BANKER so that I will have those figures that you gave. I think that it is very interesting data and gives us an idea of how we are doing financially."

WHEN I WAS IN CHICAGO recently, after my two months' in the East, I had the pleasure of being invited to luncheon with some of the Officers of the Federal Reserve Bank as the guest of GEORGE J. SCHALLER, governor.

I must confess that the food which they served me in their private dining room compared most favorably with any of the hor d'oeuvres, crepe suzettes or caviar which I inhaled in such high class restaurants as Childs and Thompsons in Philadelphia, Boston, New York and Baltimore.

Other officers who joined us at the luncheon were EUGENE M. STEVENS,

Northwestern Banker April 1935

Federal Reserve agent; C. S. YOUNG, assistant Federal Reserve agent; and C. R. McKAY, deputy governor.

I WAS INTERESTED in reading the annual report of the Directors of the AMERICAN TELEPHONE AND TELEGRAPH COMPANY, and noted that there are 13,458,000 Bell telephones in service. There are 675,000 stockholders in the Company, of whom 379,000 are women and 100,000 or more are Bell system employes. No stockholder owns as much as 1 per cent of the stock outstanding and the average holding per stockholder is only 28 shares.

TOM R. WATTS, president of the People's Trust & Savings Bank of Grand Junction, and for many years an active official in the Iowa Bankers Association, has reason to be proud of the 100 per cent liquidation of the Citizens Bank of his city, which he managed for many years, and which he placed in voluntary liquidation on March 13, 1933, following the bank holiday. I will venture to say that many depositors in the Citizens Bank had investments which did not turn out to be worth one hundred cents on the dollar, as did their deposits in this bank.

TWO of my esteemed fellow publishers, I have written me letters recently congratulating us on the excellent issues of the NORTHWESTERN BANKER which we have been producing and for these kind words from my contemporaries I express sincere thanks. Here are the letters:

"I have just read the NORTHWESTERN BANKER from cover to cover. Probably in a few years you will be able to publish even a better journal than this issue, but I do not know how you are going to do it because that is just about as well balanced a publication as there could be.

GEORGE P. EDWARDS, Editor and Publisher, Coast Banker and Pacific Bank, San Francisco."

And J. C. SCARBORO, Associate Editor of the Mountain States Bank of Denver, Colorado, had this to say:

"I want to take this opportunity to congratulate you on the splendid March issue of the NORTHWESTERN BANKER."

W. DALE CLARK, president of the Omaha National Bank, is not "up in the air" but he is "on the air" with a radio program for his institution which takes place every Sunday afternoon at 5:00 p. m. over station KOIL. The programs are electrical transcriptions of interviews with prominent and successful business men by John B. Kennedy, noted editor and lecturer. In addition to this part of the program, musical numbers are furnished by the Metropolitan Symphony Orchestra.

In commenting on these radio programs, Mr. Clark had this to say:

"We have long felt that a bank could properly attempt to disseminate information which would do more than merely advertise its own services. We believe that its influence could be exerted to harness public unrest with sane ambition, and to promote a more constructive attitude toward business in general."

JESSE H. JONES, chairman of the Reconstruction Finance Corporation, has made Uncle Sam "the gas man of St. Louis" by seizing control of the Public Utilities Securities Corporation and ousting its board of directors who were formerly headed by Harley L. Clarke.

"All that the country needs now is a thorough spirit of cooperation. And when I say 'cooperation' I mean a condition in which government does not attack business and business does not attack the government."—Silas H. Strawn, United States Chamber of Commerce.

It's just as much a deception of the public to have something GOOD for them and NOT tell them, as it is to have something BAD for them and tell them it is GOOD.

SINCE YOU UNDOUBTEDLY PLAN SOME  
ADVERTISING FOR YOUR BANK  
WHY NOT CHOOSE THE KIND

## The Public Demands

### Calendars Are a Necessity

but the public has come to depend on the advertiser for them. Why not take advantage of this method of winning good will? More bankers are doing this very thing

DROP US A LINE ON YOUR LETTERHEAD  
WE'LL SEND YOU A CALENDAR AND A  
SERIES OF LARGE LEDGER BLOTTERS

FREE OF CHARGE!

**THE THOS. D. MURPHY CO.**

RED OAK, IOWA

*The Birthplace of Art Calendars*





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

### Brief News

ROBERT P. ROSCOE has been elected director of the Farmers & Merchants State Bank of Dickey, succeeding C. E. Larson who has passed away. James Waldie succeeds Mr. Larson as vice president.

PAUL WISHEK has been elected director of the Farmers State Bank of Zeeland to succeed Adam J. Hezel, who passed away recently.

MAURICE W. CHAPEK has accepted a position as bookkeeper of the Farmers State Bank of Anamoose.

E. T. CARLEY, formerly cashier, has been elected president of The Casselton State Bank, succeeding J. E. Carley, who has resigned. Julia Brekke, formerly assistant cashier of that institution, has been elected cashier, and Glenmore Jahnke is now assistant cashier.

WM. BAHM has been elected president of the Stockmens State Bank, Medora, succeeding Matilda J. Parker, who passed away recently. Mrs. Anna Pederson succeeds Mrs. Parker as director.

GAIL HERNETT, formerly assistant cashier of the Farmers State Bank of Zeeland, has been elected cashier to fill the vacancy caused by the death of Adam J. Hezel.

F. E. MARSHALL has been elected president of the German State Bank, Beulah. Emil V. Slavick has been elected cashier of the institution, succeeding F. O. Gentz, who has resigned. Dana Waggoner succeeds B. Aanderud as assistant cashier.

ROSA JOHNSTON has been elected director and vice president of the Forest River State Bank, succeeding Evans M. Scott, who passed away recently.

MARTIN PETERSON, formerly vice president, has been elected president of the Bank of Steele to fill the vacancy caused by the death of Alex Stern.

W. J. JOHNSTON, formerly cashier, has been elected vice president to succeed Otto Bremer, who has resigned as vice president of the Farmers & Merchants State Bank, Fordville. J. E. Bannerman, formerly assistant cashier, succeeds Mr. Johnston as cashier. Mr. Bannerman succeeds Mr. Bremer as director.

H. J. VORACHEK, formerly assistant cashier, has been elected cashier of the Citizens State Bank of Lankin, succeeding O. A. Bygland, who has resigned.

### Cashier Resigns

Theodore Serr of Mandan has resigned his post as cashier of the First National Bank there to accept a position as district supervisor of field collections and field work in 19 North Dakota counties for the Federal Home Owners Loan Corporation.

Serr has a wide acquaintance throughout the territory he is to supervise. In addition he has had several years of experience in supervising field and collection work. He was formerly a field man for the bank and has served as cashier for several years.

No one has as yet been named to fill his place as cashier.

### New Officers

Almost a complete change in officers has been made by the German State of Beulah, North Dakota. Frank E. Marshall is the new president; Emil V. Slavick, cashier; and D. L. Waggoner, assistant cashier. L. F. Temme, vice president, was re-elected. Mr. Slavick has been with the Citizens State of Belfield for the last 12 years and D. L. Waggoner was connected with the Farmers State of Dickinson for a year and a half.

### Legislation

The following is a report on legislation passed at the recent session of the North Dakota legislature, which should be of particular interest to bankers:

S. B. 23 provides for a legal moratorium on real estate mortgages, land contracts, and rental agreements, and provides for the supervision of moratorium provisions by the district courts with right of appeal to the Supreme Court. Emergency measure.

S. B. 128 authorizes banks and other institu-

tions to make loans under the Federal Housing Act, under both Titles I and II, and authorizes the charging of interest on such loans at the rate provided in the Federal act. Emergency measure.

S. B. 132 reconciles state banking laws with the Federal deposit insurance; authorizes investment in stock of the Federal Deposit Insurance Corporation; and gives to state banks the right to receive postal savings deposits, and to take any and all action necessary to procure the deposit of the same. Emergency measure.

S. B. 133 validates the issuance of debentures, and authorizes the issuance of preferred stock, by banks, and provides that preferred stock may be included in determining the capital structure, and in reduction of common stock. It also provides for no double liability on such preferred stock. The State Examiner has mailed to all state banks copies of 132 and 133, and these bills should be read carefully. They are both emergency measures, and effective at once.

S. B. 134 amends the law fixing capital requirements for state banks, and was proposed by the State Examiner's office for the purpose of assisting in moving small banks from one point to another. Effective July 1st.

S. B. 37 amends the law with reference to the prohibition against corporation farming, and authorizes the taking of a deed in satisfaction of any mortgage, lien, or other encumbrance owned by the corporation on such real estate. Emergency measure.

S. B. 114 outlines and simplifies the procedure for refinancing of existing indebtedness of municipalities. Emergency measure.

S. B. 26 authorizes the scaling down and discounting of past due interest on loans of the Board of University and School Lands. Effective July 1st.

S. B. 143 raises alternate exemptions to \$1500 for married men and \$150 for single men.

S. B. 233 limits the renewal of chattel mortgages, and provides that any chattel mortgage and any renewal thereof shall become void and cancelled of record against all persons at the end of six years from the date of filing of the original mortgage. Emergency measure. Whether this applies to any mortgages heretofore taken, is very questionable.

S. B. 297 provides for the cancellation of crop mortgages which have been filed more than three years, except where given for the purchase price of land; and for the cancellation and discharge by the register of deeds of any written agreement relating to personal property other than chattel mortgages three years after such instrument by its terms has expired or terminated. Effective July 1st.

H. B. 3 fixes the legal rate of interest at 4 per cent. Effective July 1st.

H. B. 100 fixes the rate of interest on judgments at 4 per cent. Effective July 1st.

H. B. 107 defines usury and fixes the contract rate of interest at 7 per cent. Effective July 1st. This bill was introduced at 4 per cent, passed the House at 6 per cent, and finally passed at 7 per cent, after three conference committees of the House and Senate had attempted to get together on it. The House insisted on 6 per cent, the Senate on 7 per cent.

H. B. 86 provides for the establishment of credit unions under the supervision of the Banking Department. This law is similar to the provisions of the Federal act and regulations covering the same subject. Effective July 1st.

H. B. 299 requires chattel sales to be held on the place where the property is located, and amends the 1933 law to provide for publication of notice in the official newspaper instead of legal newspaper. In the discussion on this bill it was pointed out that the original bill, Chapter 206 of the 1933 Session Laws, was invalid by reason of irregularity in its passage, and this law amending the 1933 statute is likewise said to be ineffective because of the invalidity of the original act. Effective July 1st.

H. B. 72 requires the investment of trust funds by executors, administrators, and guardians only after specific authorization by the probate court. Emergency measure.

H. B. 287 provides for sugar beet production lien covering cash advances, material, or services furnished in the production of sugar beets. Effective July 1st.

H. B. 126 provides that all crop and grain, both threshed and unthreshed, raised by the debtor on not to exceed 160 acres in one tract occupied by the debtor, either as owner or tenant, as his homestead, may be claimed as exempt. This law does not affect seed, farm labor, thresher, or landlord liens, and if the debtor claims the crop as exempt he cannot avail himself of any additional or alternate exemptions. Effective July 1st.

H. B. 292 provides for the issuance of bonds for the purchase of outstanding special improvement warrants before or after maturity, but not to exceed 60 per cent of the par value and accrued interest. Emergency measure.

### TAX LEGISLATION

H. B. 48 provides that personal property taxes levied for the year 1934 and prior years may be cancelled upon payment of the following amounts: 1930 and prior years, upon payment of 40 per cent of original tax; for 1931, upon payment of 50 per cent of the original tax; for 1932, upon payment of 60 per cent of the original tax; for (Turn to page 50, please)



The facilities of this bank  
are at the command of  
conservative firms and individuals

## STATEMENT OF CONDITION

March 4, 1935

### OFFICERS

E. P. Adler.....*President*  
V. O. Figge.....*Executive Vice Pres.*  
Herman Staak.....*Cashier*  
A. H. Hiegel.....*Asst. Cashier*  
Fred Gruenwald.....*Asst. Cashier*

\* \* \*

J. M. Hutchinson.....*Trust Officer*  
H. W. Braack.....*Asst. Trust Officer*

### DIRECTORS

E. P. Adler  
*Pres. Lee Syndicate Newspapers*  
V. O. Figge  
*Executive Vice President*  
J. L. Hecht  
*French and Hecht, Inc.*  
Jos. S. Kimmel  
*Pres. Republic Electric Co.*  
Frederick H. Lamb  
*Physician*  
H. E. Littig  
*Vice Pres. Peoples Light Co.*  
H. O. Seiffert  
*H. O. Seiffert Lumber Co.*  
Herman Staak  
*Cashier*  
Kuno H. Struck  
*Physician*  
Karl P. Teske  
*Teske Milling Co.*  
T. J. Walsh  
*Walsh Construction Co.*  
C. D. Waterman  
*Lane and Waterman*

### ASSETS

Cash on Hand and in Reserve Banks	\$4,554,785.94	
United States Government Securities	9,008,285.46	
Iowa Road and Municipal Bonds	2,037,342.62	15,600,414.02
Loans and Discounts		3,756,257.99
Federal Reserve Bank Stock		30,000.00
Federal Deposit Insurance Corporation Fund		25,224.77
Furniture and Fixtures		16,553.11
Overdrafts		1,566.00
		<hr/>
		\$19,430,015.89

### LIABILITIES

Capital	\$ 600,000.00
Surplus and Undivided Profits	517,179.28
Reserve for Interest, Taxes, Contingencies	226,756.58
DEPOSITS	18,086,080.03
	<hr/>
	\$19,430,015.89

# DAVENPORT BANK AND TRUST COMPANY

Member Federal



Reserve System

DAVENPORT, IOWA





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

### More Checks

Check transactions through banks of eight major Iowa cities showed an 18 per cent gain for the week which ended March 20th, as compared with the corresponding week of 1934.

The total volume was \$41,867,000 compared with a total of \$35,510,000 for the like week a year ago. The gain was \$6,357,000. Every reporting city participated in the gain, although Des Moines accounted for nearly half the total.

Check transactions are one of the generally accepted business indicators.

### Added Duties

Cashier George A. Guyan of Spencer, former Rock Rapids man, has been given new responsibilities in the Farmers Trust and Savings Bank of Spencer. He will share with vice president Leon A. Witter the duties formerly the responsibility of Clarence W. Bittinger, assistant vice president, who is leaving the bank. Two additional employes will be added to the bank's personnel.

### Paid in Full

A final dividend payment of 25 per cent has been made to depositors of the Citizens Bank of Grand Junction. Since 75 per cent had already been paid, this dividend will reimburse depositors in full, according to the receiver, O. G. Clause.

The Citizens Bank was operated as a private banking institution by T. R. Watts. Following the banking holidays two years ago Mr. Watts chose to liquidate his bank rather than continue through a period of uncertain conditions, and a voluntary receivership was made March 13, 1933.

It was announced at that time that the bank's assets were ample to cover its deposits, and a fine record has been made in bringing about a prompt liquidation without causing inconvenience to the community.

Mr. Watts has been engaged in the banking business at Grand Junction for thirty years. He recently purchased stock in the Peoples Trust and Savings Bank

and after a reorganization of that institution was made he became its president.

### Buy Toy Bank

A deal was completed recently when local men purchased the interests in the First National Bank, Paullina, of James F. Toy of Sioux City, resulting in the bank now being completely owned by home men. Following the special meeting which was attended by officers and directors of the bank, Albert H. Meyer was elected the new president; Adolph Fintel, vice president; C. G. Kislingsbury, cashier; and the following men as directors: W. A. Blaesser, J. T. Cousin, John Ginger, Wm. Hellmann, H. J. Hibbing, and O. J. Strampe. The officers are also members of the board.

### In Grundy Center

I. T. Parkhurst, from Frederick, South Dakota, has arrived in Grundy Center and entered upon his duties as vice president and one of the active managers of the Farmers Savings Bank, a position to which he was elected by the board of directors at their meeting in February.

Mr. Parkhurst has had 22 years' experience in the banking business.

### New Cashier

Melvin Arendt, Delta Young man who has been working at the Gibson Savings Bank the past year, has been employed as cashier of the bank to fill the vacancy caused by the resignation of Harvey Paul who has accepted a position in the Winterset bank. Mr. Arendt has had considerable banking experience.

### Cashier at Walker

Frank W. Lindahl, of Coggon, a resident of Marion until a few months ago, and formerly cashier of the Commercial Savings Bank there, has been appointed cashier of the Walker office of the Center Point-Walker Trust and Savings Bank, according to an announcement of Keith Vawter, president of the bank. He succeeds H. E. McDonald in the position, who has resigned.

### To Panora

Lester King, who has been employed for the past twelve years as clerk and assistant cashier at the Adel State Bank, and who has been working as clerk in the Dallas County State Bank since the latter came into existence, has resigned his position and accepted one with the Guthrie County State Bank at Panora.

Mr. King has been named as manager of the Panora bank. Mrs. King will join him in the new location as soon as they can find a suitable house.

### Dies in Boone

C. E. Rice, 78, banker in Boone for many years, died unexpectedly last month of heart disease. His widow, a son and daughter survive.

### Capps Makes Address

Experimentation and reform don't mix with recovery, J. Roy Capps, cashier of the Central National Bank and Trust Company, Des Moines, told members of the Des Moines Engineers club at a recent meeting.

"Industry is still afraid of fluctuation of the dollar and is therefore holding back on expansion of business. It is not going to run any risk until there is stability," Mr. Capps said.

Mr. Capps declared that nations where experimentation had been kept at a minimum and mediums of exchange had not been "doctored" had experienced a better rate of recovery than the United States.

### 100 Percent

It became known last month that the closed Farmers & Merchants State Bank of Marion would pay out 10 per cent, when Judge F. O. Ellison in district court set March 15th as the date for hearing on the application of the state banking department to pay a final dividend of 5 per cent to the depositors of the closed institution. The 5 per cent dividend would bring the total paid to the one hundred per cent mark, previous payments of fifty, twenty-five, ten and ten having been made.

### Cashier Resigns

C. W. Bittinger, cashier of the Farmers Trust & Savings Bank, Spencer, for many years, and more recently promoted to an assistant vice presidency, has announced his resignation to take effect April 1st.

The banker stated he had purchased the insurance business of the Farmers Trust & Savings Bank and would operate it as his own business, severing all connection with the bank.

He expects to lease office space on the second floor of the bank building. In addition to the insurance business, he will also handle automobile finance loans.

## Killed in Accident

Harold M. Edwards, 40, former cashier of the First Trust and Savings Company at Oxford, was killed recently while walking on U. S. highway No. 30, five miles east of Cedar Rapids.

Mr. Edwards, Federal Land Bank appraiser, was driving to Cedar Rapids when his automobile ran out of gasoline. He started walking to a filling station when he was struck by a car driven by James Krueger of near Cedar Rapids. The latter took Mr. Edwards to a hospital in Cedar Rapids but he died en route.

## Secretary

Miss Lide Pearson of Slayton, Minnesota, is working in the Sheffield Savings Bank as secretary to E. F. Oberg. Miss Pearson was associated with Mr. Oberg in bank work in Minnesota. Miss Eleanor Lees, who was formerly bookkeeper for the Hansell Savings Bank, has been serving in the same capacity there since the new bank opened recently.

## New Cashier

Walter T. Robinson of Grinnell, Iowa, has assumed his duties as cashier of the Newton National Bank.

Mr. Robinson was cashier of the Citizens National Bank at Hampton, Iowa, for 13 years and was cashier of the State Bank at Grinnell during the last year.

He succeeds O. L. Karsten, named executive vice president of the Newton bank.

M. G. Addicks, an employee of the bank for many years, has been named assistant cashier.

## New Quarters

The Rock Rapids State Bank is now located in its new building, at the northwest corner of the intersection of Main and Story streets, property purchased recently.

Bank equipment was moved to the new location recently, and the bank opened for business in quarters that 11 years ago housed the Iowa Savings Bank, which suspended operations in July, 1924.

## Named Cashier

Hugh McCleery was elected cashier of the Grinnell State Bank recently. Mr. McCleery has many friends in Grinnell who rejoice in his advancement to the position of cashier.

Mr. McCleery came to Grinnell years ago and took a position in the old Grinnell Savings Bank under S. J. Pooley, who was president. Later he went to the Citizens National Bank while Carl Child was cashier. For three years he was in the bank of the Fidelity and Savings of Marshalltown.

When he first started out in the banking business he was with the Laurel bank known as the Peoples Savings and worked in that institution for three years. In 1926 he graduated from Grinnell college. When the Grinnell State Bank was organized he allied himself with this institution, serving under J. E. Bach.

## At Coon Rapids

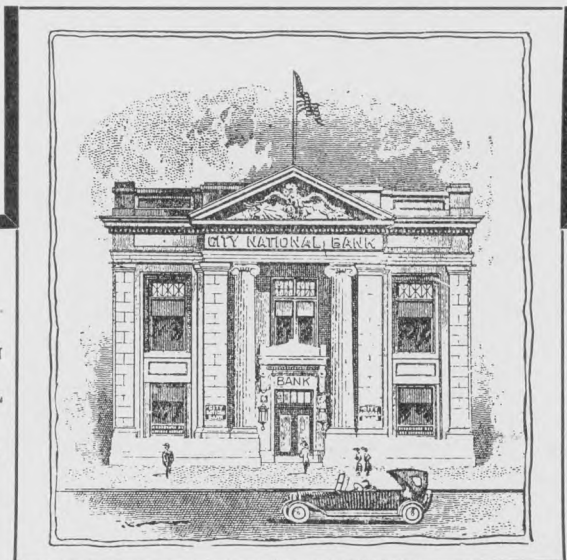
J. E. Howe of St. Charles, Minnesota, formerly employed by the First National Bank there, started to work recently for the Iowa Savings Bank, Coon Rapids, replacing Frank Clayburg who has gone to Atlantic.

## Steele Recovering

Condition of Harrison Steele, president of Steeles' Bank, Cherokee, who was injured when his horse threw him, was reported "much better."

Unable to move after his horse faltered on federal highway No. 59, threw him and fell over backwards on him, Steele was found 30 minutes after the accident by Dale Diek, farm boy, who summoned Claude Davis to the rescue.

Davis brought Steele to his home, where medical aid was immediately summoned. It was feared at first that he was suffer-



Clinton County's Largest Bank

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MILO J. GABRIEL  
Vice President

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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

**T**HE aim of the City National Bank is to give full, personal, and attentive service to its correspondent accounts.

Our complete facilities, and the recognition we give to the increased importance of investment problems, provide a sound basis for satisfactory service to our customers.

# THE CITY NATIONAL BANK

CLINTON, IOWA

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Vice President and General Manager Eclipse Lumber Co.  
G. E. WILSON  
Pres. Clinton Bridge Works



ing internal injuries. Later reports, however, were that Steele was badly bruised and suffering from shock and exposure.

### Heads Clearing House

V. O. Figge, executive vice president of the Davenport Bank & Trust Company, was elected president of the Quad-City Clearing House Association at the annual meeting held last month.

I. S. White of the State Bank of Rock



V. O. FIGGE

Island was elected vice president of the association and K. L. Vernon, of the Rock Island Bank & Trust Company, secretary-treasurer. H. E. Otte, president of the Moline National Bank, is the retiring president. The clearing house committee is composed of H. E. Otte, G. Herbert Pemberton and B. H. Ryan. Figge and Otte are ex-officio members.

### More Checks

Check transactions through Muscatine banks in the week ending March 6th showed an increase of \$63,000 over the same week in 1933, a recent report of the Chicago Federal Reserve Bank showed.

Figures for the week this year were reported at \$564,000 as compared with \$501,000 a year ago.

An increase of 31.2 per cent in eight major cities of Iowa was included in the report. Transactions for the week ending March 6, 1935, totaled \$48,810,000, as compared to \$37,189,000 for the corresponding week last year.

A gain comparative to Muscatine's was also reported for Davenport where the totals this year were \$3,384,000 as opposed to \$3,177,000 in 1934.

### Install Gas System

Representatives of the Chemical Arms Corporation were in Rock Rapids recently and installed a protective system in the Rock Rapids State Bank, a system that is said to make hold-ups unpleasant and unprofitable.

The new protective system consists of a number of tear gas guns installed at strategic points in the bank. All of these guns are connected with a number of push buttons, and they can be discharged in-

stantly at the first sign of danger—and from many different stations in the bank.

### Assistant Cashier

At the regular monthly meeting of the directors of the Pocahontas State Bank, L. E. Eekerson of Fonda was elected assistant cashier.

In the employ of the James F. Toy banking system for the past 15 years, Mr. Eekerson comes to his new position with high recommendations.

As soon as a suitable home can be obtained, Mr. Eekerson will move his family to Pocahontas. His family is residing in Fonda at present.

## DIRECTORS

B. F. KAUFFMAN	<i>President</i>
S. C. PIDGEON	<i>Vice President</i>
R. R. ROLLINS	<i>Assistant Cashier</i>
PAUL BEER	<i>President, The Flynn Dairy Co.</i>
DR. O. J. FAY	<i>Surgeon</i>
HENRY FRANKEL	<i>Treasurer, Younker Bros.</i>
J. G. GAMBLE	<i>Attorney</i>
J. W. HOWELL	<i>Vice President, Warfield-Pratt-Howell Co.</i>
F. W. HUBBELL	<i>Vice-Pres.-Treas., Equitable Life Ins. Company of Iowa</i>
J. W. HUBBELL	<i>Vice President, F. M. Hubbell Son &amp; Co.</i>
S. L. SHEUERMAN	<i>Pres., Sheuerman Brothers, Inc.</i>
JOHN D. SHULER	<i>Pres., Shuler Coal Co.</i>
L. B. BARTHOLOMEW	<i>Trust Officer</i>

**W**E are proud of the increasing list of Iowa bankers who have chosen this bank to look after their Des Moines business.

## OTHER OFFICERS

C. W. MESMER	<i>Vice President</i>
C. H. STEPHENSON	<i>Cashier</i>
F. S. LOCKWOOD	<i>Secretary</i>
F. C. ATKINS	<i>Assistant Cashier</i>
WM. ELLISON	<i>Assistant Cashier</i>
A. F. ERICKSON	<i>Assistant Cashier</i>
L. NEVIN LEE	<i>Assistant Cashier</i>
L. W. WALLETT	<i>Assistant Secretary</i>

# BANKERS TRUST CO.

## DES MOINES

*Northwestern Banker April 1935*

## Time Lock

The Farmers Savings Bank, Keota, has installed a new safe with delayed time lock, electrically operated, that cannot be opened within less than 15 minutes after plugging in.

This safe is used during business hours only, and at night the bank's cash is kept in the heavy time lock safe, as usual.

According to Cashier Walter Stoutner, the bank's safety measures now meet all the requirements for full coverage burglary insurance, and with the more general use of this type of safe, the rates of insurance will be reduced and daytime bank holdups discouraged.

## To Organize

The organization of the State Bank of Wapello was given decided impetus when E. L. Penniston of Carson, Iowa, met with a committee of farmers and business men of this community and plans made to open an active campaign to complete the incorporation.

## New Bank

Ed Winne of Rock Rapids, formerly of Humboldt, is heading a project to open a new bank at Laurens, Pocahontas county. The town of Laurens has been without a bank for some time. The new organization is to be known as the Laur-

ens State Bank and will have a \$25,000 capital with \$5,000 surplus. It will be open for business about the first of April in the former First National Bank building which the organization has purchased.

## State Banks Protest

An outbreak of protest in the banking field was disclosed recently in high official quarters, which said that many small state banks are vigorously criticizing the present law compelling them to join the federal reserve system by July 1, 1937, in order to retain deposit insurance.

The amended banking act of 1933 which created the Federal Deposit Insurance Corporation, says state banks not members of the reserve system will lose the privilege of insurance after July 1, 1937. They contend they would be forced out of business through inability to compete with banks in which deposits were insured.

## Des Moines Fifth City

Des Moines is the fifth city in the seventh federal reserve district in point of importance as a financial and business center.

Figures on check transactions through banks of the district, as published by the Chicago Federal Reserve Bank, show that only four cities in the district surpass the Iowa capital in check volume.

Check transactions through banks, it is generally agreed by financial authorities, are the best single business barometer available. Financial activity also is reflected accurately by check volume.

Chicago, Illinois, second largest city and banking center of the country, ranks first in the seventh district, with Detroit, Michigan, second; Milwaukee, Wisconsin, third; Indianapolis, Indiana, fourth, and Des Moines, fifth.


## Another Dividend

The directors of the Farmers & Stock Growers Savings Bank, Tennant, have declared a dividend of 1 per cent for the benefit of all holders of trust certificates, this dividend available March 20, 1935.

This is the second dividend paid by the bank since being released May 16, 1934. The first dividend was for 20 per cent, paid June 20, 1934.

## President Dies

Frank G. Ray, 83, president of the State Bank of Vinton, died at the university hospital at Iowa City recently. Mr. Ray was president of the State Bank for 25 years and also was president of the Iowa Canning Company. He is survived by two children, Earl Ray of Boston, Massachusetts, and Mrs. John Knapp of Boone.



# Prompt Correspondent Service For Northeastern Iowa

This organization maintains efficient facilities to render satisfactory service on all your Northeastern Iowa business. An extensive list of correspondent banks in this territory assures the quick handling of all transactions.

*Your Account Is Invited*

## The NATIONAL BANK of WATERLOO





## Effects of Dollar Devaluation

The Administration's recent decision to use part of the gold "profit" derived from the reduction in the gold content of the dollar for the retirement of government obligations eligible as security for national bank notes, has once again directed attention to the actual results and possible future consequences of devaluation, states the Guaranty Trust Company of New York in the current issue of *The Guaranty Survey*, its monthly review of business and financial conditions in the United States and abroad.

"It is a little more than a year since legal devaluation took place," *The Survey* continues. "In view of recent developments, as well as of the importance that was attached to this step when it was taken, the sweeping benefits that were expected by those who advocated this expedient, and the disasters that were predicted by those who opposed it—to say nothing of the fact that the President still has authority to devalue further at his discretion—the reduction of the gold content of the dollar is still a subject of lively current interest.

"The devaluation of the dollar was one of the most drastic expedients resorted to by the present Administration. The question as to what the step has accomplished thus far is unusually significant in that the answer may throw some light on the possibility of controlling prices by monetary management and of expanding foreign markets for American goods by the process of cheapening currency.

"However, a fair appraisal of the benefits derived from devaluation cannot be made unless the events preceding this step are taken into consideration, because devaluation was merely a formal recognition of a situation that had already been precipitated. First, domestic gold payments were suspended at the time of the banking crisis and were not restored. Second, gold exports were prohibited except under special license by the Treasury. Third, the 'gold clause' was outlawed by Congress. Fourth, the President transmitted to the economic conference at London a message that precluded any possibility of immediate international currency stabilization. Finally, in a radio address to the nation on October 22, 1933, President Roosevelt announced his intention of authorizing the Reconstruction Finance Corporation to purchase newly mined domestic gold at prices to be determined by the Administration and also to buy and sell gold in the world market. Under this plan gold was purchased on the international market at prices well above its legal value in respect to the dollar.

### Foreign Exchange and Price Movements

"The weakening effect of these success-

ful actions on dollar exchange was such that, by the time devaluation was officially effected a few months later, dollar exchange had already been driven close to the parities that were established by devaluation, and most of the immediate possible influences of a cheaper dollar on domestic prices and exchange had already been felt. As far as the practical effect is concerned, it is depreciation that is thus far the active force. The sponsors of the policy believed that, as a result of this depreciation, there would be a prompt readjustment of prices and that the vol-

ume of business would respond quickly to the higher price level. It is true that an advance in business activity and a fair degree of rise in domestic prices took place during the period when the inflationary influence was most pronounced in the late spring and early summer of 1933. But, in view of the recessions that followed in the volume of business and the general trend of prices (except for agricultural prices, which have been raised by other artificial means), the results have certainly not been anything like what the advocates of depreciation appeared to promise.

## Iowa Primary Road Refunding Bonds

	Rate	Due
Monona County	2 $\frac{1}{4}$ %	1936 to 1948
Pottawattamie County	2 $\frac{1}{2}$	1946 to 1949
Boone County	2 $\frac{1}{2}$	1946 to 1948
Taylor County	2 $\frac{3}{4}$	1946 to 1949
Franklin County	2 $\frac{1}{2}$	1945 to 1948
Adair County	2 $\frac{1}{2}$	1945 to 1949
Wayne County	2 $\frac{1}{2}$	1936 to 1948
Hardin County	2 $\frac{3}{4}$	1946 to 1949
Union County	2 $\frac{1}{2}$	1945 to 1949
Tama County	2 $\frac{3}{4}$	1946 to 1949

Prices and Descriptive Circulars Will Be  
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**CENTRAL NATIONAL**  
**BANK & TRUST COMPANY**  
Fifth Ave. Between Walnut and Locust  
**Des Moines, Iowa**

### Higher Prices An Objective

"By what reasoning it was believed that the cheapening of dollar exchange on foreign markets would result in a prompt proportional rise in domestic commodity prices is somewhat puzzling. In the case of international commodities, it is clear that fluctuations in exchange rates must result in price changes either in the exporting or importing countries, or in both. These changes are gradually communicated to other prices: first, to sensitive basic commodities; then to other commodities; and, finally, to wages, real estate values, and other elements in the general level of values. In the end, the entire price structure adjusts itself to the lower gold value of the currency. But this readjustment may take many years and cannot be regarded as an immediate and automatic effect of a change in the price of gold.

"Judged by official statements, it is apparent that the success or failure of de-

valuation should rightly be measured primarily by its effect on domestic commodity prices, and, in turn, on business recovery. Although, as has just been seen, the exchange value of gold currencies in terms of the dollar has increased, during the period of depreciation as a whole, by approximately the amount of devaluation, the advance in wholesale commodity prices has been much smaller; and the increase in business activity has certainly fallen far short of what the advocates of depreciation predicted. It is uncertain, moreover, to what extent the advances in prices and business activity are the result of depreciation and to what extent they are due to other causes.

"Although there may be some doubt regarding the extent of the influence of dollar depreciation on domestic prices and business, it had a very pronounced effect on international capital movements. For several months after the new Administration came into office, a fear of inflation led to a large-scale movement of American capital to foreign financial markets. After October, 1933, when the President authorized the gold operations on international markets, it appeared more and more clear that devaluation was contemplated. When it was announced that the dollar had been stabilized, at least for the time being, at approximately 59 per cent of its former parity, much of this American capital was brought back to the United States, while many foreigners, in the belief that the new dollars was sounder than their own currencies, invested their funds in this country. So vast was the movement of money to the United States that, for some time following devaluation, dollar quotations remained above the new parity in terms of the principal foreign currencies.

"While there was some concern regarding the possible use that the Government

might make of the profit gold and some fear that the latter might eventually be used in a manner that would permit it to serve as a basis of unwarranted currency and credit expansion, a step which would undoubtedly be inflationary, the fact that devaluation ended the Government's heavy purchases of gold and defined within narrow limits the degree of the contemplated devaluation had a strengthening influence on confidence in business quarters at a time when such influence was badly needed.

"From the business point of view, the chief practical objection to the policy of depreciation is not that it has failed to exert an influence on prices, but that, first, the uncertainties engendered by the policy have tended to impede business recovery, and, second, the carrying of devaluation to such a low point has so expanded the monetary base that the way is opened for an ultimate rise in prices far beyond anything that the sponsors of the policy originally intended.

"This situation points to the necessity of adopting whatever measures are constructive to control the inflationary base and of keeping government expenditures within reasonable limits in order to remove the temptation to make use of that base."

### Legislation

(Continued from page 43)

1933, upon payment of 70 per cent of the original tax; for 1934, upon payment of 100 per cent of original tax. This is an emergency measure.

**H. B. 76** re-enacts Chapter 264 of the Session Laws of 1933, and extends the time for the issuance of tax deeds to be issued to the county until the 31st day of December, 1937.

**S. B. 82** provides that at any time after any land was bid in at tax sale for the county, and while such land remains unredeemed, the county auditor may assign the tax certificate to any person upon payment of the amount due on tax sale plus subsequent delinquent taxes, with interest at the rate of  $\frac{1}{2}$  of 1 per cent per month. Effective July 1st.

**S. B. 262** extends the time in which redemption may be made from tax sales, two years from and

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Cedar Rapids, Iowa

offers congratulations to the Northwestern Banker as  
sponsor of the weekly broadcast "FINANCIAL NEWS  
AND VIEWS" over Station WHO.

FRANK C. WELCH, President.



after the date of the passage and approval of this act, and extends the time in which the holder of a tax sale certificate may apply for tax deed, to a period of 10 years from and after the date of such certificate, and provides that the holder of such tax certificate shall be entitled to collect interest thereupon at the same rate of interest as provided in the certificate during the period of this extension.

S. B. 313 is the retail sales tax measure, providing for a retail sales tax on gross receipts from retail sales of 2 per cent on all tangible personal property consisting of goods, wares and merchandise, except as provided in the act.

H. B. 265 cancels all interest and penalty on real estate taxes for 1933 and prior years on all land bid in by the county, if paid on or before December 31, 1935. It is not known at this writing as to whether the bill, as passed, eliminates special assessments or not. The bill becomes effective July 1st.

S. B. 258 provides for the supervision of trust estates by the district courts, and enacts into law the rules substantially as laid down by the Supreme Court. It also fixes the fees which may be charged by the trustee in the event that no provision is made for such fees in the trust agreement. This bill has not yet been signed by the Governor.

## "If I Were An Iowa Banker"

Recognizing the value to bankers of the radio programs sponsored and presented by the NORTHWESTERN BANKER every Saturday from 6:45 to 7:00 p. m. over Station WHO, Des Moines, H. B. Craddick, president of Craddick Service, creators and producers of financial advertising, in Minneapolis, recently mailed the following letter to all Iowa banks:

"If I were every banker in Iowa . . . I would add a postscript to my bank's newspaper advertisements each week, as follows:

"Tune in on Station WHO at 6:45 Saturday evenings for information of value to your own business affairs.

"And I would write Clifford De Puy, publisher of the NORTHWESTERN BANKER, to thank him for the wonderful service he is rendering all banks in Iowa and other states and give him my assurance of wholehearted cooperation.

"For De Puy's weekly broadcasts are sponsored and presented more effectively, and more impressively than any bank or group of banks could do individually or collectively.

"Then I would take advantage of the De Puy weekly broadcasts by using the very best advertising for my own bank to be obtained. I would seek and find advertising that would give me the three vitally important factors of successful advertising for my individual bank—viz.: News interest, educational information, solicitation of profitable business. And I would advertise *my own bank*.

"I would lay out a modest plan whereby the bank's customers would be reached with advertising messages prepared especially for them. I would give them information which they, in turn, would pass on to their friends and associates. I would have something to say to the men and women of the bank's staff every week or so—that would assist and train them to more efficient service for their own advancement and for the bank's advancement.

"I would look upon all this as an important duty and responsibility of a bank executive and as a definite and valuable contribution to business recovery and the firm re-establishment of business confidence."

## A. I. B. Convention

The thirty-third annual convention of the American Institute of Banking Section of the American Bankers Association will be held in Omaha, Nebraska, June 10 to 14, as announced by Richard W. Hill, national secretary of the institute.

One of the outstanding features of the convention will be the ninth annual na-

tional public speaking contest for the A. P. Giannini Educational Endowment Prizes. The subject for this year will be, "The Bank's Service to the Community."

The leaders of the departmental sessions of the convention, as announced by Mr. Hill, will be:

"Audits and Accounting," Chester W. Hoyt, Auditor New York State National Bank, Albany, New York; "Bank Administration," Frank R. Alvord, Vice President and Cashier Citizens National Trust & Savings Bank of Los Angeles, Los Angeles, California; "Business Development and Advertising," Thomas J. Kiphart, Manager of Publicity Department The Fifth Third Union Trust Company,



# The Omaha National Bank

*Complete Banking Service*

Cincinnati, Ohio; "Credits," David M. Sweet, Assistant Vice President City National Bank & Trust Company, Chicago, Illinois.

"Deposit Functions," F. W. Thomas, Vice President The First National Bank of Omaha, Omaha, Nebraska, J. F. McDermott, Vice President The First National Bank of Omaha, Omaha, Nebraska; "Investments and Investment Banking," William A. Ten Eick, Jr., Assistant Cashier The Chase National Bank of the City of New York, New York, N. Y.; "Savings Banking," H. H. Reinhard, Vice President Mercantile-Commerce Bank and Trust Company, St. Louis, Missouri; "Trust Functions," Walter E. Bruns,

Trust Officer Bank of America National Trust and Savings Association, Fresno, California.

### Agriculture Looks Forward

There is a growing feeling on the part of unprejudiced authorities that the Federal government's farm relief program has been a relative failure, in the light of the great hopes that were held out for it when it was inaugurated.

This feeling seems to be shared, to an extent, by high government officials, who are planning changes in the program whereby the government will act less in an administrative capacity and more as an advisor to the farmer.

The upshot of this is that the farmer himself must redouble his efforts to solve his own problems, and smooth his own

road. It would be a poor thing indeed if American agriculture came to depend on government as a great white father to which it could turn for aid in any crisis, real or imagined. Government should obviously give all possible aid and support to agriculture, as it does to other groups—but it should take extreme care that the farmer does not become a ward of the state in the process.

Certain groups of farmers, totaling hundreds of thousands, are and have been working their way out of depression through organized, cooperative action. They have banded together in great cooperative organizations, whose purpose is to make production and distributing machinery more efficient, and to increase agriculture's bargaining power. These farmers are self-reliant, awake to conditions—in brief, they are individualists, cooperating with other individualists to achieve a common aim. That typifies the kind of "farm

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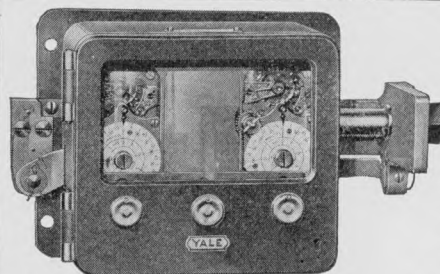
When in Omaha, enjoy the Fontenelle's atmosphere of genial hospitality. It is Omaha's outstanding hotel, unquestionably the center of things. Here you will find all the service, courtesy and comfort that have made Eppley Hotels famous everywhere. If you want a bargain in comfort, stay at the Fontenelle. There are two luxurious dining rooms where you will find excellent food at sensible prices.

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It is essential that a longer than a 30-minute delay period be used to discourage the Early Morning Holdups.

The Yale Variable Delayed Period Time-lock can be varied to meet each Banker's individual requirements.

Let us explain our plan of demonstrating

this modern Underwriter's approved Holdup equipment in your own bank on a thirty day free trial.

Sold by F. E. DAVENPORT & COMPANY  
Official Experts for Iowa Bankers Association  
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a continuation of the Southern Hospitality  
on the High Seas  
so well exemplified by her late husband's

—James G. Summitt—

services as former Purser of  
the S. S. Leviathan and S. S. Manhattan.

It will be her pleasure to arrange your  
Steamship, Hotel and Foreign Railroad  
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598 MADISON AVENUE  
NEW YORK CITY, N. Y.



relief" that, in the long run, will really produce desirable and permanent results.

## Public Power Plants Decline

Public Utilities Fortnightly reports that there were 3,014 municipally owned electric plants in this country in 1922; 2,198 in 1927, and 1,802 in 1932. Even though power usage has increased in most years since, the roster of municipal plants steadily declines.

Apparently a good many cities and towns have found political ownership and operation expensive, wasteful or inefficient—a fact that is of particular significance at this time, when proposals to put units of government into the electric business are even more numerous than usual.

## More Taxes—Higher Taxes

The increasing gravity of the tax problem is well illustrated in a recent survey made by the National Industrial Conference Board.

During the past four years, according to its findings, the public debt has increased at a more rapid rate than at any time in our history, save the two war years. The debt—federal, state and local—is now in excess of \$47,000,000,000.

Total tax collections, on the other hand, are at a lower level than in 1930, in spite of the numerous new taxes created by government in the years since then. Most of the money now being spent by the government does not come out of its income,

but is represented by borrowings against the future. The board says that the margin between tax collections and public expenditures is now about \$6,000,000,000, of which \$4,000,000,000 is reflected in rising indebtedness. The other \$2,000,000,000 is made up by non-tax governmental receipts, such as earnings of general departments, assessments, fines, etc.

To give still another illustration, the cost of debt service—interest and retirement of maturing bonds—in a late year for all units of government combined, amounted to 16.5 per cent of gross expenditures, and almost 30 per cent of total tax collections.

There are the figures, and they require little comment. The gap between income and outgo is steadily widening with the inevitable result of more taxes and higher taxes—at the expense of employment, home building and industrial expansion.

### 1935 CONVENTION CALENDAR

- April 14-17. Mid-winter meeting executive council of A. B. A., Augusta, Georgia.
- May 7-8. Oklahoma Bankers Assn., Biltmore Hotel, Oklahoma City.
- May 14-15. Missouri Bankers Assn., Elms Hotel, Excelsior Springs.
- May 16-17. Kansas Bankers Assn., Topeka.
- May 17-18. New Mexico Bankers Assn., Roswell.
- May 20-21. Illinois Bankers Assn., Orlando Hotel, Decatur.
- May 22-24. South Dakota Bankers Assn., Sioux Falls.
- June 10-14. American Institute of Banking, Omaha.

- June 19-20. Minnesota Bankers Assn., Minneapolis.
- June 24-26. Wisconsin Bankers Assn., Lawsonia Country Club, Green Lake.
- June 24-26. Michigan Bankers Assn., Lansing.
- Sept. 9-11. Financial Advertisers Assn., Atlantic City.
- November 11-14. American Bankers Assn., Roosevelt Hotel, New Orleans.

## A Good Combination

"I see this medicine is good for man or beast."

"Yes," said the druggist.

"Gimme a bottle. I believe that is the right combination to help my husband."

Another nice thing about being a bald-headed man is that in order to get ready to receive unexpected callers all he has to do is to straighten his necktie.

## Bankers' Wants

This department of The Northwestern Banker is at your service. A charge of five cents per word is made for all insertions. In answering key numbers, please enclose postage for forwarding purposes.

**Position Wanted:** 22 years' practical banking experience in Iowa. 47 years of age. Married. Excellent references. Small investment if necessary. Address Northwestern Banker. No. 3226. 2-3-4.

**Position Wanted:** In Iowa, Minnesota or Wisconsin, as executive, cashier or assistant cashier, by German banker with 30 years' experience. Specialized in conveyancing, probating estates and examining abstracts. Will take stock and help organize new bank. Address Northwestern Banker. No. 3228. 3.

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the  
**CURTIS HOTEL**  
MINNEAPOLIS

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



Northwestern Banker April 1935

# IN THE DIRECTORS ROOM



## Taught By Experience

"Judge," cried the prisoner in the dock, "have I got to be tried by a woman jury?"

"Be quiet," whispered his counsel.

"I won't be quiet! Judge, I can't even fool my own wife, let alone twelve strange women. I'm guilty."

## Not So Good

Summer Boarder: What a beautiful view that is!

Farmer: Well, p'raps 'tis! But if you had to plow that view, harrow it, cultivate it, hoe it, mow it, fence it, and pay taxes on it, how would it look?

"Are you positive that the defendant was drunk?" asked the judge.

"No doubt," growled the policeman.

"Why are you so certain?"

"Well," responded the officer, "I saw him put a penny in the patrol box at Broad and High, then look up at the clock on the Presbyterian church and shout 'Gwad, I've lost 14 pounds!'"

A newly created papa received the glad tidings in a telegram:

"Hazel gave birth to a little girl this morning, both doing well."

On the message was a sticker reading: "When you want a boy call Western Union."

Judge: "You are called as a witness of the quarrel between your friend and his wife. Were you present at the beginning of the trouble?"

Witness: "Yes, sir. I was the best man at the wedding."

Once upon a time a man got up early one Sunday morning to let the iceman in, and not being able to find his bath robe he slipped on his wife's kimono. When he opened the door he was greeted by a nice big kiss by the iceman. And the only way he could figure it out was that the iceman's wife had a kimono just like the one he had on.

Pastor Jones: "Brethren, we mus' do something to remedy de status quo."

Deacon: "Brother Jones, what am de status quo?"

Pastor: "Dat, brother, am Latin for de mess we's in."

## Also Breweries

Inquiring Visitor: "To what do you attribute your long life, uncle?"

Oldest Inhabitant: "Well, I don't rightly know. Several of them patent medicine companies is bargaining with me now."

Mother: "Elmer, I had a frank discussion with our daughter today about the facts of life."

Dad: "Well, did you learn anything new?"

Doctor: "I would advise you, madam, to take frequent baths, get plenty of fresh air, and dress in cool clothes."

Patient's Husband (an hour later): "What did the doctor say?"

Wife: "He said I ought to go to Palm Beach and then to the mountains; also, that I must get some new light gowns at once."

Lawyer (to colored prisoner): "Well, Rastus, so you want me to defend you? Have you any money?"

Rastus: "No, suh, I hain't got no money, but I got 1922 model Fo'd cah."

Lawyer: "Well, you can raise some money on that. Now let's see—just what do they accuse you of stealing?"

Rastus: "A 1922 Fo'd cah."

He: "I guess you've been out with worse looking fellows than I am, haven't you?"

No answer.

He: "I say, I guess you've been out with worse looking fellows than I am, haven't you?"

She: "I heard you the first time. I was just trying to think."

Gentleman (at police station): "Could I see the man who was arrested for robbing our house last night?"

Desk Sargeant: "This is very irregular. Why do you want to see him?"

Gentleman: "I don't mind telling you. I only want to ask him how he got in the house without awakening my wife."

Bobby: "Mamma, what is a second-story man?"

Mother: "Your father's one. If I don't believe his first story, he always has another one ready."

Mr. Murphy was taking his first flight in an airplane. The pilot was taking him over Dallas, and when they were about 3,000 feet up, the plane suddenly went into a nose-dive.

"Ha, ha," laughed the pilot as he righted the plane. "Half of the people down there thought we were falling."

"Sure," said Murphy, "and 50 per cent of the people up here thought so, too."

He was telling her about the members of the football team. "Now there's Johnson," said he, "in a few weeks he will be our best man."

And then she lisped, "Oh, Jack, this is so sudden!"

Judge: "So you broke an umbrella over your husband's head. What have you to say?"

Woman: "It was an accident, your honor."

Judge: "How could it be an accident?"

Woman: "Well, I had no intention of breaking the umbrella."

"You said you had taken the President's advice and put in your order for a new auto—why don't you get it?"

"I'm waiting for his next advice as to how I'm going to pay for it."

"Well, Mrs. Joyner," said the minister, "so your poor husband has joined the Great Majority?"

"Oh, don't say that, sir," said Mrs. Joyner. "I'm sure he was not as bad as that."

A man got a set of store teeth. He went to a dentist and said, "What can be the matter? Ever since I got these teeth I can't keep from talking." The dentist looked at them and he asked him where he got them, and he said he got them from a mail order house. "No wonder, you got a woman's set of false teeth."

We were recently told of the sad case of a Scotchman who had become engaged to a girl who got so fat he wanted to break off the engagement. But the girl couldn't get the ring off, so he had to marry her.

"Oh, Fred, the baby has swallowed the matches. What shall I do?"

"Here, use my cigarette lighter."



---

# Only a Few Days Left

(but still plenty of time)

## for YOU to WIN

### \$25.00

. . . just write a letter of not more than 200 words on "Why Insurance Companies Should Advertise by Radio";

. . . mail your entry to Insurance Contest, Radio Station WHO, Des Moines, Iowa, before midnight April 12, 1935;

. . . write as many letters as you like; be sure to include your name and address with each letter;

. . . decision of the judges must be accepted as final and all letters become the property of Radio Station WHO;

. . . in case of a tie duplicate prizes will be awarded, and

. . . the prizes are \$25.00 for the best letter, \$15.00 for the second best letter, \$5.00 for the third best letter, and \$1.00 each for the fourth to eighth best letters.

Here's an easy contest. Nothing to buy; nothing to sell, and absolutely no strings to your chance of winning one of these cash prizes. All you have to do is give a few moments thought to the reasons "Why Insurance Companies Should Advertise by Radio." Then put your thoughts on paper and send this to Radio Station WHO. But send your entry before midnight Friday, April 12th. So get busy now, and win that \$25.00.

For the Very Best  
in Radio  
Tune Your Set to  
WHO

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A Red Network Station  
with  
Cleared Channel, and  
50,000 Watts of Power

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DES MOINES, IOWA

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